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TSC Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 206)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the “Board”) of directors (the “Directors”) of TSC Group Holdings Limited (the “Company” or “TSC”) is pleased to announce the unaudited results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2017, together with the unaudited comparative figures for the corresponding period in 2016 as follows:

RESULTS HIGHLIGHTS

- The Group’s turnover for the six months ended 30 June 2017 reached approximately US\$45.9 million, representing a decrease of approximately 39.2% from US\$75.5 million for the same period in 2016;
- Gross profit amounted to approximately US\$14.1 million for the six months ended 30 June 2017, representing a decrease of approximately 43.6% from US\$25.0 million for the same period in 2016;
- Net loss attributed to equity shareholders of the Company amounted to approximately US\$3.7 million for the six months ended 30 June 2017, while the net profit attributed to equity shareholders of the Company amounted to approximately US\$2.4 million for the same period in 2016;
- Loss per share for the six months ended 30 June 2017 was US0.54 cent, while the earnings per share for the same period in 2016 was US0.35 cent. The basis of calculating the (loss)/earnings per share was detailed in note 9;
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017.

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	For the six months ended 30 June	
		2017 (unaudited) US\$'000	2016 (unaudited) US\$'000
Revenue	3, 4	45,881	75,471
Cost of sales		(31,803)	(50,500)
Gross profit		14,078	24,971
Other revenue and net income	5	831	2,681
Selling and distribution expenses		(4,085)	(3,939)
General and administrative expenses		(10,465)	(16,248)
Other operating expenses		(4,126)	(2,865)
(Loss)/profit from operations		(3,767)	4,600
Finance costs	6	(1,807)	(1,769)
Share of results of associate		–	1
(Loss)/profit before taxation	6	(5,574)	2,832
Income tax	7	1,853	(571)
(Loss)/profit for the period		(3,721)	2,261
Attributable to:			
Equity shareholders of the Company		(3,748)	2,415
Non-controlling interests		27	(154)
(Loss)/profit for the period		(3,721)	2,261
(Loss)/earnings per share			
Basic	9(a)	(US0.54 cent)	US0.35 cent
Diluted	9(b)	(US0.54 cent)	US0.34 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
(Loss)/profit for the period	(3,721)	2,261
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of subsidiaries and associate (with nil tax effect)	1,469	(113)
Total comprehensive income for the period	(2,252)	2,148
Attributable to:		
Equity shareholders of the Company	(2,280)	2,267
Non-controlling interests	28	(119)
Total comprehensive income for the period	(2,252)	2,148

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2017 (unaudited) <i>US\$'000</i>	As at 31 December 2016 (audited) <i>US\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	<i>10</i>	49,890	50,778
Investment properties		8,126	8,207
Interests in leasehold land held for own use under operating leases		7,347	7,339
Other intangible assets		2,881	3,619
Interest in associate		185	182
Other financial assets		1,318	2,226
Deferred tax assets		15,033	13,706
		<hr/> 84,780 <hr/>	<hr/> 86,057 <hr/>
CURRENT ASSETS			
Inventories		37,055	39,714
Trade and other receivables	<i>11</i>	71,102	76,068
Gross amount due from customers for contract work		201,746	199,186
Amount due from a related company		101	101
Tax recoverable		918	241
Pledged bank deposits		1,852	1,505
Cash at bank and in hand		12,110	9,952
		<hr/> 324,884 <hr/>	<hr/> 326,767 <hr/>
CURRENT LIABILITIES			
Trade and other payables	<i>12</i>	252,774	259,467
Bank loans and other borrowings		41,186	8,057
Tax payable		5,556	7,835
		<hr/> 299,516 <hr/>	<hr/> 275,359 <hr/>
NET CURRENT ASSETS		<hr/> 25,368 <hr/>	<hr/> 51,408 <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 110,148 <hr/>	<hr/> 137,465 <hr/>

	As at 30 June 2017 (unaudited) US\$'000	As at 31 December 2016 (audited) US\$'000
NON-CURRENT LIABILITIES		
Bank loans and other borrowings	16,670	41,260
Deferred tax liabilities	130	131
	<u>16,800</u>	<u>41,391</u>
NET ASSETS	<u>93,348</u>	<u>96,074</u>
CAPITAL AND RESERVES		
Share capital	9,094	9,094
Reserves	84,000	86,202
Total equity attributable to equity shareholders of the Company	93,094	95,296
Non-controlling interests	254	778
TOTAL EQUITY	<u>93,348</u>	<u>96,076</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to equity shareholders of the Company												
	Share capital US\$'000	Share premium US\$'000	Merger reserve US\$'000	Exchange reserve US\$'000	Employee share-based compensation reserve US\$'000	Share held for share award plan US\$'000	Capital reserve US\$'000	Revaluation reserve US\$'000	Reserve funds US\$'000	Retained profits/ losses US\$'000	Total US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
Balance at 1 January 2016 (audited)	9,094	127,805	2,161	(3,015)	6,157	(1,285)	512	627	8,815	65,753	216,624	2,371	218,995
Changes in equity for the six months ended 30 June 2016:													
Profit for the period	-	-	-	-	-	-	-	-	-	2,415	2,415	(154)	2,261
Other comprehensive income	-	-	-	(148)	-	-	-	-	-	-	(148)	35	(113)
Total comprehensive income	-	-	-	(148)	-	-	-	-	-	2,415	2,267	(119)	2,148
Equity-settled share-based transactions	-	-	-	-	(121)	-	-	-	-	-	(121)	-	(121)
Dividends paid to non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	-	(965)	(965)
Transfer to reserve funds	-	-	-	-	-	-	-	-	267	(267)	-	-	-
Balance at 30 June 2016 (unaudited)	9,094	127,805	2,161	(3,163)	6,036	(1,285)	512	627	9,082	67,901	218,770	1,287	220,057
Balance at 1 January 2017 (audited)	9,094	127,805	2,161	(13,965)	5,336	(1,285)	5,482	627	8,295	(48,254)	95,296	778	96,074
Changes in equity for the six months ended 30 June 2017:													
Loss for the period	-	-	-	-	-	-	-	-	-	(3,748)	(3,748)	27	(3,721)
Other comprehensive income	-	-	-	1,479	-	-	-	-	(11)	-	1,468	1	1,469
Total comprehensive income	-	-	-	1,479	-	-	-	-	(11)	(3,748)	(2,280)	28	(2,252)
Equity-settled share-based transactions	-	-	-	-	78	-	-	-	-	-	78	-	78
Dividends paid to non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	-	(552)	(552)
Transfer from reserve funds	-	-	-	-	-	-	-	-	(104)	104	-	-	-
Balance at 30 June 2017 (unaudited)	9,094	127,805	2,161	(12,486)	5,414	(1,285)	5,482	627	8,180	(51,898)	93,094	254	93,348

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	For the six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	US\$'000	US\$'000
Operating activities		
Cash used in operations	(3,188)	(9,511)
People's Republic of China ("PRC") enterprise income tax and oversea tax paid	(1,354)	(1,193)
Net cash used in operating activities	(4,542)	(10,704)
Investing activities		
Payment for the purchase of property, plant and equipment	(335)	(638)
Interest received	32	436
Construction expenditure on property under development	–	(3,617)
(Increase)/decrease in pledged bank deposits	(324)	3,242
Other cash flows generated from investing activities	–	5
Net cash used in investing activities	(627)	(572)
Financing activities		
Proceeds from/(repayment of) bank loans and other borrowings	9,120	(4,857)
Interest paid	(1,318)	(1,769)
Dividends paid to non-controlling shareholder	(551)	(965)
Net cash generated from/(used in) financing activities	7,251	(7,591)
Net increase/(decrease) in cash and cash equivalents	2,082	(18,867)
Cash and cash equivalents at 1 January	9,952	46,505
Effect of foreign exchanges rates changes	76	(155)
Cash and cash equivalents at 30 June	12,110	27,483

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 February 2005 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and was listed on the Main Board (the “Main Board”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 5 June 2009.

The condensed consolidated financial statements for the six months ended 30 June 2017 have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee. The Company’s audit committee has no disagreement with the accounting treatment which had been adopted by the Group.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange, the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and other relevant HKASs and Interpretations and the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

In the current period, the HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. The adoption of these new and revised HKFRSs had no significant financial impact on these unaudited condensed consolidated financial statements.

The Group has not applied any new or revised HKFRSs that have been issued but are not yet effective for the current accounting period.

3. REVENUE

The principal activities of the Group are the design, manufacturing, installation and commissioning of capital equipment and packages on land and offshore rigs, oilfield expendables and supplies and the provision of engineering services.

Revenue represents the invoiced value of goods supplied to customers, revenue from construction contracts and revenue from engineering services. The amount of each significant category of revenue recognised during the period is as follows:

	Unaudited	
	For the six months ended	
	30 June 2017	30 June 2016
	<i>US\$'000</i>	<i>US\$'000</i>
Capital equipment and packages		
– Sales of capital equipment	11,767	11,193
– Construction contracts revenue	4,505	31,472
	16,272	42,665
Oilfield expendables and supplies		
– Sales of expendables and supplies	26,747	30,067
Engineering services		
– Service fee income	2,862	2,739
	45,881	75,471

4. REVENUE AND SEGMENT REPORTING

The Group manages its business by divisions, which are organised by a mixture of both business units (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Capital equipment and packages: the design, manufacturing, installation and commissioning of capital equipment and packages on land and offshore rigs
- Oilfield expendables and supplies: the manufacturing and trading of oilfield expendables and supplies
- Engineering services: the provision of engineering services

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets and current assets with the exception of interest in associate, other financial assets, cash at bank and in hand, pledged bank deposits, tax recoverable and other unallocated head office and corporate assets. Segment liabilities include trade and other payables attributable to the activities of the individual segment, with the exception of bank loans and other borrowings, tax payable and other unallocated head office and corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit/(loss) is "segment results" i.e. "adjusted earnings before finance costs and taxes" of individual segment. To arrive at segment results, the Group's earnings are further adjusted for share of results of associate, finance costs and items not specifically attributed to individual segment, such as Directors' and auditors' remuneration and other head office or corporate income and expenses.

In addition to receiving segment information concerning segment results, management is provided with segment information concerning revenue (including inter-segment revenue), depreciation and amortisation. Inter-segment revenue is priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance.

The segment results for the periods ended 30 June 2017 and 2016 is set out below.

	Capital equipment and packages Unaudited		Oilfield expendables and supplies Unaudited		Engineering services Unaudited		Total Unaudited	
	For the period ended		For the period ended		For the period ended		For the period ended	
	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June
	2017	2016	2017	2016	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue from external customers	16,272	42,665	26,747	30,067	2,862	2,739	45,881	75,471
Inter-segment revenue	87	102	1,279	1,200	-	382	1,366	1,684
Reportable segment revenue	<u>16,359</u>	<u>42,767</u>	<u>28,026</u>	<u>31,267</u>	<u>2,862</u>	<u>3,121</u>	<u>47,247</u>	<u>77,155</u>
Reportable segment results	<u>(2,708)</u>	<u>3,687</u>	<u>136</u>	<u>3,123</u>	<u>(412)</u>	<u>(846)</u>	<u>(2,984)</u>	<u>5,964</u>

The segment assets and liabilities as at 30 June 2017 and 31 December 2016 is set out below:

	Capital equipment and packages		Oilfield expendables and supplies		Engineering services		Total	
	As at	As at	As at	As at	As at	As at	As at	As at
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2017	2016	2017	2016	2017	2016	2017	2016
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Reportable segment assets	292,637	293,177	74,612	78,984	9,979	11,340	377,228	383,501
Reportable segment liabilities	<u>(219,330)</u>	<u>(219,446)</u>	<u>(30,891)</u>	<u>(37,040)</u>	<u>(1,452)</u>	<u>(1,844)</u>	<u>(251,673)</u>	<u>(258,330)</u>

(b) **Reconciliation of reportable segment revenue, profit or loss, assets and liabilities**

	Unaudited	
	For the six months	
	ended 30 June	
	2017	2016
	US\$'000	US\$'000
Revenue		
Reportable segment revenue	47,247	77,155
Elimination of inter-segment revenue	<u>(1,366)</u>	<u>(1,684)</u>
Condensed consolidated revenue	<u>45,881</u>	<u>75,471</u>
(Loss)/profit		
Segment results	(2,984)	5,964
Finance costs	(1,807)	(1,769)
Share of results of associate	–	1
Unallocated head office and corporate income and expenses	<u>(783)</u>	<u>(1,364)</u>
Condensed consolidated (loss)/profit before taxation	<u><u>(5,574)</u></u>	<u><u>2,832</u></u>
	As at	As at
	30 June	31 December
	2017	2016
	(unaudited)	(audited)
	US\$'000	US\$'000
Assets		
Reportable segment assets	377,228	383,501
Interest in associate	185	182
Deferred tax assets	15,033	13,706
Other financial assets	1,318	2,226
Tax recoverable	918	241
Pledged bank deposits	1,852	1,505
Cash at bank and in hand	12,110	9,952
Unallocated head office and corporate assets	<u>1,020</u>	<u>1,511</u>
Condensed consolidated total assets	<u><u>409,664</u></u>	<u><u>412,824</u></u>
Liabilities		
Reportable segment liabilities	(251,673)	(258,330)
Bank loans and other borrowings	(57,856)	(49,317)
Tax payable	(5,556)	(7,835)
Deferred tax liabilities	(130)	(131)
Unallocated head office and corporate liabilities	<u>(1,101)</u>	<u>(1,137)</u>
Condensed consolidated total liabilities	<u><u>(316,316)</u></u>	<u><u>(316,750)</u></u>

(c) **Geographic information**

The following table sets out information about the geographical locations of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, investment properties, interest in leasehold land held for own use under operating lease, other intangible assets, interest in associate and other financial assets ("specified non-current assets"). The geographical location of customers is based on the location of the customers. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, investment properties and interest in leasehold land held for own use under operating leases, the location of the operations to which they are allocated, in the case of intangible assets and the location of operations, in the case of interest in associate.

	Revenue from external customers		Specified non-current assets	
	For the six months ended 30 June 2017 (unaudited) US\$'000	For the six months ended 30 June 2016 (unaudited) US\$'000	As at 30 June 2017 (unaudited) US\$'000	As at 31 December 2016 (audited) US\$'000
Hong Kong	–	–	224	226
Mainland China	7,804	38,509	52,974	53,680
North America	22,183	14,451	13,545	15,056
South America	11,493	18,550	67	50
Europe	1,721	1,133	1,914	2,267
Indonesia	927	1,719	–	–
Singapore	65	542	29	48
Others (Other part of Asia, India etc.)	1,688	567	994	1,024
	45,881	75,471	69,747	72,351

5. **OTHER REVENUE AND NET INCOME**

	Unaudited For the six months ended	
	30 June 2017 US\$'000	30 June 2016 US\$'000
Interest income	32	436
Net foreign exchange gain	–	929
Government subsidies	336	766
Others	463	550
	831	2,681

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Unaudited	
	For the six months ended	
	30 June 2017	30 June 2016
	<i>US\$'000</i>	<i>US\$'000</i>
Interest on bank loans and other borrowings	1,807	2,190
Less: Interest expenses capitalised into property under development*	<u>–</u>	<u>(421)</u>
	<u>1,807</u>	<u>1,769</u>

* The borrowing cost has been capitalised at the rate of 6.87%–7.09% per annum.

(b) Other items

Amortisation of interest in leasehold land held for own use under operating lease and intangible assets	1,064	1,497
Depreciation	2,043	1,736
Research and development costs	–	477
Impairment losses on inventories	389	153
Impairment losses on doubtful debts	(170)	1,105
Net foreign exchange loss/(gain)	1,569	(929)
Gain on disposal of property, plant and equipment	(103)	(5)
Auditor remuneration	<u>251</u>	<u>419</u>

7. INCOME TAX

	Unaudited	
	For the six months ended	
	30 June 2017	30 June 2016
	<i>US\$'000</i>	<i>US\$'000</i>
Current tax		
Provision for the period		
– Hong Kong profits tax	–	744
– People’s Republic of China (“PRC”) enterprise income tax	72	155
– Overseas corporation income tax	236	273
	<u>308</u>	1,172
Over-provision in respect of prior years	<u>(1,886)</u>	–
	(1,578)	1,172
Deferred tax		
Origination of temporary differences	<u>(275)</u>	<u>(601)</u>
	<u><u>(1,853)</u></u>	<u><u>571</u></u>

The provision for Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2017. Taxation for subsidiaries in other jurisdictions is charged at the corresponding current rates of taxation ruling in the relevant jurisdictions. During both periods, certain PRC subsidiaries subject to tax at reduced rates of 15% under the relevant PRC tax rules and regulations.

8. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

9. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share for the six months ended 30 June 2017 are based on the loss attributable to ordinary equity shareholders of the Company of approximately US\$3,748,000 (profit attributable to ordinary equity shareholder of the Company for the six months ended 30 June 2016: US\$2,415,000) and the weighted average number of 702,025,204 (six months ended 30 June 2016: 699,820,000) ordinary shares in issue during the period.

(b) Diluted (loss)/earnings per share

Diluted loss per share equals to basic loss per share for the six months period ended 30 June 2017 because the potential ordinary shares outstanding were anti-dilutive. The calculation of diluted earnings per share for the six months period ended 30 June 2016 was based on the profit attributable to ordinary equity shareholders of the Company of US\$2,415,000 and the weighted average number of 701,550,000 ordinary shares.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, additions to property, plant and equipment amounted to approximately US\$335,000 (six months ended 30 June 2016: US\$638,000).

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2017 US\$'000 (unaudited)	As at 31 December 2016 US\$'000 (audited)
Trade debtors and bills receivable	117,278	123,958
Less: impairment losses recognised on doubtful debts	<u>(64,954)</u>	<u>(62,057)</u>
	52,324	61,901
Other receivables, prepayments and deposits	<u>18,778</u>	<u>14,167</u>
	<u><u>71,102</u></u>	<u><u>76,068</u></u>

The credit terms offered by the Group to its customers differ with each product/service. The credit terms offered to customers of oilfield expendables and supplies and engineering services are normally 30 to 90 days. The credit terms offered to customers of capital equipment and packages are negotiated on a case-by-case basis. Deposits ranging from 10% to 30% of the contract sum are usually required. The balance of 60% to 85% would be payable upon contract milestones being completed. The remaining 5% to 10% of the contract sum represents the retention money and is payable within up to 18 months after delivery of the products or 1 year after completion of the onsite testing, whichever is earlier.

Included in trade and other receivables are trade debtors and bills receivable (net of impairment loss recognised for doubtful debts) with the following ageing analysis as of the end of the reporting period:

	As at 30 June 2017 US\$'000 (unaudited)	As at 31 December 2016 US\$'000 (audited)
Current	18,941	23,971
Less than 1 month past due	3,998	5,540
1 to 3 months past due	4,422	4,847
More than 3 months but within 12 months past due	14,132	15,124
More than 12 months past due	<u>10,831</u>	<u>12,419</u>
Amounts past due	<u><u>33,383</u></u>	<u><u>37,930</u></u>
	<u><u>52,324</u></u>	<u><u>61,901</u></u>

12. TRADE AND OTHER PAYABLES

	As at 30 June 2017 US\$'000 (unaudited)	As at 31 December 2016 US\$'000 (audited)
Trade creditors and bills payable	204,722	217,800
Other payables and accrued charges	48,052	39,103
Gross amount due to customers for contract work	–	2,564
	<u>252,774</u>	<u>259,467</u>

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the end of the reporting period:

	As at 30 June 2017 US\$'000 (unaudited)	As at 31 December 2016 US\$'000 (audited)
Within 1 month	154,014	192,936
More than 1 month but within 3 months	6,827	9,044
More than 3 months but within 12 months	9,099	9,297
More than 12 months but within 24 months	33,376	3,368
More than 24 months	1,406	3,155
	<u>204,722</u>	<u>217,800</u>

13. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these condensed consolidated financial statements, the Group entered into the following related party transactions with subsidiaries of a substantial shareholder of the Group.

Transactions with related companies

	Unaudited For the six months ended 30 June 2017 US\$'000	30 June 2016 US\$'000
Sales of capital equipment and packages	<u>797</u>	<u>944</u>

In the opinion of the Company's Directors, the above transactions were carried out on normal commercial terms and in the ordinary course of business.

14. EMPLOYEE SHARE-BASED ARRANGEMENT

The Group operates a share award plan as part of the benefits of its employees. Under the share award plan, the Board is allowed to make awards as long-term incentives for selected senior executives of the Group in addition to share option plan which they may be eligible to receive under the share award plan.

The employee share-based compensation expenses in relation to the options and share awards are charged to profit or loss under staff costs over the relevant vesting periods with a corresponding increase in employee share-based compensation reserve.

During the six months ended 30 June 2017, no share options were granted under the share award plan.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

TSC is a global product and service provider serving both the onshore and offshore oil and gas (“O&G”) exploration and production (“E&P”) industries worldwide. In 2017, these principal activities were extended beyond the E&P sector to include decommissioning of offshore late-life assets and installations.

Our Capital Equipment and Packages segment comprises the design, manufacturing, installation and commissioning of capital equipment and packages for land and offshore rigs. Our equipment is highly engineered and automated for drilling, mechanical handling, jacking systems, power control and drives, tensioning and compensation systems for various offshore drilling rigs, completion, intervention and workover vessels for oil, gas wells as well as for land rigs.

Our rig Maintenance, Repair and Operations (“MRO”) segments comprise two business units; the MRO Supplies business unit which comprises the manufacture and sales of oilfield expendables and spares, and the MRO Services business unit which provides a comprehensive range of engineering and maintenance services for our products as well as equipment manufactured by other suppliers.

OIM Pte Ltd (“OIM”) was incorporated in Singapore with 95% shares held by the Group. Its primary business is to meet the growing demand for cost effective and practical solutions for P&A and Decommissioning operations. This subsidiary will extend our market access and core competencies to include non-drilling sector solutions.

INDUSTRY REVIEW

The first half of the financial year 2017 was a challenging time for the industry and TSC. Although the oil price was stabilised at around US\$50 per barrel, capital expenditure (“CAPEX”) of major O&G companies has not recovered during the period.

The reduction in CAPEX was driven in part by project deferrals and cancellations as O&G companies struggled to conserve cash and reduce service costs. The oversupply of services resulting in low rig day rates prevailed during the first half of 2017.

BUSINESS REVIEW

Expecting oil prices to remain lower for longer, TSC has identified two main areas, namely decommissioning and services, which still provide unique opportunities for long-term growth. These areas also provide excellent transformational drivers with which TSC can thrive in an environment which will continually be characterized by uncertainty in the O&G market. Through identifying different value drivers and radically transforming our organisation at all levels and boundaries we have become more reliable and efficient as a provider of total solutions. However, as normally associated with all such process of changes and transformations we had to make difficult decisions on costs discipline and judicious deployment of resources whilst improving safety and operational performance.

As we entered 2017, our strategic priorities were clear: maximising cash flow from existing operations; delivering on-going projects ontime and on-budget; actively developing new business areas; maintaining liquidity whilst working towards our long-term goal of reducing debt; and positioning the Company for renewed growth when market conditions improve.

FINANCIAL REVIEW

	30 June 2017	30 June 2016	Decrease	
	(unaudited)	(unaudited)		
	US\$'000	US\$'000	US\$'000	%
Revenue	45,881	75,471	(29,590)	(39.2%)
Gross profit	14,078	24,971	(10,893)	(43.6%)
Gross profit margin	30.7%	33.1%		
(Loss)/profit from operations	(3,767)	4,600	(8,367)	N/A
(Loss)/profit for the period	(3,721)	2,261	(5,982)	N/A
 (Loss)/earnings per share				
Basic	(US0.54 cent)	US0.35 cent		
Diluted	(US0.54 cent)	US0.34 cent		

Revenue for the first six months of 2017 decreased by 39.2% to US\$45.9 million from US\$75.5 million in 2016. The net loss for the first six months of 2017 was US\$3.8 million, while the net profit for the same period in 2016 was US\$2.3 million. The decrease was mainly due to the prevailing depressed drilling market which resulted in low CAPEX investment by O&G companies leading to a decrease in revenue in the Capital Equipment and Packages segment.

Segment Information by Business Segments

	30 June 2017		30 June 2016		Increase/(Decrease)	
	US\$'000	% of total	US\$'000	% of total	US\$'000	%
Revenue						
Capital Equipment and Packages	16,272	35.5%	42,665	56.5%	(26,393)	(6.9)
Oilfield Expendables and Supplies	26,747	58.2%	30,067	39.8%	(3,320)	(11.0)
Engineering Services	2,862	6.3%	2,739	3.7%	123	4.5
Total	45,881	100.0%	75,471	100.0%	(29,590)	(39.2)

Capital Equipment and Packages

Revenue from the Capital Equipment and Packages segment decreased from US\$42.7 million in the first half year of 2016 to US\$16.3 million in the first half year of 2017. This was mainly due to the decrease of upstream oil companies CAPEX and the market demand for related products.

Oilfield Expendables and Supplies (MRO Supplies)

Revenue from the Oilfield Expendables and Supplies segment slightly decreased from US\$30.1 million in the first half year of 2016 compared to US\$26.7 million in the first half year of 2017. It was mainly due to the stabilisation in oil price and the steady increase in drilling activities in North America. Hence the demand of MRO supplies remained stable in the market.

Engineering Services (MRO Services)

The revenue from Engineering Services segment remained stable in the first half of 2017 and amounted to US\$2.9 million compared with the revenue amounted to US\$2.7 million for the same period in 2016.

Gross Profit and Gross Profit Margins

Overall gross profit decreased by 43.6% from US\$25.0 million to US\$14.1 million which was in line with the decrease of 39.2% in the Group's revenue. Gross profit margin decreased to 30.7% in the first half year of 2017. The decrease in gross profit is mainly due to the reduction in sales order received and the production facilities were not fully utilised during the first half of 2017.

Other Revenue and Net Income

Other revenue and net income decreased from US\$2.7 million in the first half of 2016 to US\$0.8 million in the first half of 2017, the decrease was mainly due to a US\$0.9 million gain on foreign exchange was included in the first half of 2016, while no such gain on foreign exchange was recorded for the same period in 2017.

Operating Expenses and (Loss)/Profit Attributable to Equity Shareholders of the Company

Selling & Distribution Expenses

Selling & distribution expenses increased slightly by 3.7% from US\$3.9 million in the first half year of 2016 to US\$4.1 million in the first half year of 2017.

General & Administrative Expenses

General & administration expenses decreased by 35.6% from US\$16.2 million in the first half of 2016 to US\$10.5 million in the first half of 2017. The decrease was primarily due to management focus on cost reduction since 2016.

Other Operating Expenses

Other operating expenses increased from US\$2.9 million for the first half of 2016 to US\$4.1 million for the first half of 2017. It was mainly due to impairment losses in other financial assets of US\$0.9 million for the six months ended 30 June 2017.

Finance Costs

Finance costs remained stable at US\$1.8 million in the first half year of 2017.

Group's Liquidity and Capital Resources

As at 30 June 2017, the Group carried fixed assets of approximately US\$65.4 million (31 December 2016 – US\$66.3 million) comprising property, plant and equipment, investment properties and interest in leasehold land held for own use under operating leases. The Group had intangible assets of approximately US\$2.9 million (31 December 2016 – US\$3.6 million).

As at 30 June 2017, the Group's interest in associate was approximately US\$0.2 million (30 June 2016 – US\$0.2 million). The Group had deferred tax assets of approximately US\$15.0 million (31 December 2016 – US\$13.7 million). The Group had other financial assets of approximately US\$1.3 million (31 December 2016 – US\$2.2 million).

As at 30 June 2017, the Group had current assets of approximately US\$324.9 million (31 December 2016 – US\$326.8 million). Current assets mainly comprised cash at bank and in hand of approximately US\$12.1 million (31 December 2016 – US\$10.0 million), pledged bank deposits of approximately US\$1.9 million (31 December 2016 – US\$1.5 million), inventories of approximately US\$37.1 million (31 December 2016 – US\$39.7 million), trade and other receivables of approximately US\$71.1 million (31 December 2016 – US\$76.1 million), gross amount due from customers for contract work of US\$201.7 million (31 December 2016 – US\$199.2 million), and amount due from a related company of approximately US\$0.1 million (31 December 2016 – US\$0.1 million).

As at 30 June 2017, current liabilities amounted to approximately US\$299.5 million (31 December 2016 – US\$275.4 million), mainly comprising trade and other payables of approximately US\$252.8 million (31 December 2016 – US\$259.5 million), bank loans and other borrowings of approximately US\$41.2 million (31 December 2016 – US\$8.1 million) and current taxation of approximately US\$5.6 million (31 December 2016 – US\$7.8 million). The increase in bank loans and other borrowings was mainly due to the issued bond expired in Mid 2018 and reclassified from non-current liabilities to current liabilities.

As at 30 June 2017, the Group had non-current liabilities of approximately US\$16.8 million (31 December 2016 – US\$41.4 million), comprising bank loans and other borrowings of approximately US\$16.7 million (31 December 2016 – US\$41.3 million) and deferred tax liabilities of approximately US\$0.1 million (31 December 2016 – US\$0.1 million). Gearing ratio was 77.2%, as compared to 76.7% in 2016.

Significant Investments and Disposals

There were no other significant investments or disposals during the reporting period.

Capital Structure

At the beginning of the year at 1 January 2017, there were 707,120,204 shares in issue (the “Shares”) and the Company carried a share capital of approximately US\$9,094,000. There was no issue of shares during the first six months of 2017.

Charges on Assets

To secure the loans from banks, the Group has charged certain assets to banks. Details are set out as follows:

- (i) Interest in leasehold land held for own use under operating leases, buildings, inventories, trade receivables and plant and machinery with aggregate net book value of US\$51.2 million (2016: US\$50.2 million).
- (ii) Corporate guarantees given by Qingdao TSC Offshore Equipment Co. Ltd, TSC-HHCT (Xian) Control Technologies Limited, Zhengzhou TSC Offshore Equipment Co. Ltd. and TSC Oil and Gas Services Holdings Ltd. to the extent of banking facilities outstanding of US\$1.0 million (2016: US\$2.1 million) as at 30 June 2017.
- (iii) Corporate guarantee given by the Company to the extent of banking facilities outstanding of US\$0.7 million (2016: US\$0.7 million) as at 30 June 2017.
- (iv) Guarantees given by the directors of the Company (the “Director”) to the extent of banking facilities outstanding of US\$0.3 million (2016: US\$0.3 million) as at 31 December 2016. No guarantee fee was received by the director as at 30 June 2017.

Certain bank loans of the Group are subject to the fulfilment of covenants relating to certain aspects of the subsidiaries’ statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. The drawn down loan balances would become payable on demand if the covenants were breached.

The Group closely monitors its compliance with these covenants. As at 30 June 2017, none of the covenants relating to the Group’s bank loans has been breached.

Foreign Currency Exchange Exposures

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The Group has foreign exchange exposure as most of the Group’s subsidiaries in the PRC carried out production locally with Renminbi while approximately 50% of the Group’s turnover was denominated in United States dollars. As at 30 June 2017, no related hedges were made by the Group.

In order to mitigate that foreign exchange exposure, we may utilise foreign currency forward contracts to better match the currency of our revenues and associated costs in the future. However, we do not use foreign currency forward contracts for trading or speculative purposes. The Group will actively explore ways to hedge or reduce currency exchange risk in future.

Contingent Liabilities

As at 30 June 2017, the Company has outstanding guarantees issued to banks in respect of banking facilities granted to a subsidiary. The Directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued is the facilities drawn down by a subsidiary of US\$Nil (2016: US\$Nil).

Employees and Remuneration Policy

As at 30 June 2017, the Group had approximately 722 full-time staff in the USA, the United Kingdom (“UK”), Brazil, United Arab Emirates, Singapore, Mexico, Columbia, Venezuela, Hong Kong and the PRC. The Group’s remuneration policy is basically determined by the performance of individual employee and the market condition. The Group also provides other benefits to its employees, including medical schemes, pension contributions, share option schemes, Share Award Plan and Share Award Incentive Scheme.

Future Plans for Material Investments, Capital Assets and Capital Commitment

Present available capital assets are adequate for the requirements of the Group. We do not require further material investments in capital assets at this stage.

Our Qingdao facility with approximately 382,000 square feet (35,500 square meters) was officially put into use in the first half of 2016. The facility was constructed as the first phase on 24.7 acres (10.08 hectares) of industrial land and will be used for manufacturing of various products. Total cost of land and building, and plant and equipment was funded partly from internal sources and partly from long-term bank loans.

To improve the co-operation between the Group and CSSC Huangpu Wenchong Shipyard Co. Ltd., an associate, namely “廣州星際海洋有限公司” was established. The total investment amount is US\$0.2 million. The investment was aimed at jointly developing engineering solutions for mutual benefits of both parties.

To provide better value to our clients and to grow the Company for our shareholders, the Group will continue to leverage our core competence and product offering to explore new avenues with innovative business models.

The Group continually seek ways to reduce costs and to improve operational and financial efficiency.

Strategy, Prospects and Order Book

Strategies

As the new norm prevails for longer periods of low oil price, the demand for equipment and services relating to the closure of uneconomical oil wells (referred to in the industry as P&A) followed by the removal of offshore installations (referred to in the industry as “Decommissioning”) is likely to gain importance and momentum. In the United Kingdom and Norwegian North Sea region alone, there are over 1,800 oil wells due for P&A, over 100 platforms and about 1,000,000 tonnes of offshore structures to be removed and about 7,500 kilometers of subsea pipelines to be decommissioned. The combination of several factors such as lower oil price, age of installations, depleted oil reserves, environmental threats, higher cost of continuing to maintain offshore installation will accelerate the pace of P&A and Decommissioning activities. Even though some factors such as lack of funding and the need to maximise oil recovery from existing infrastructure before permanent removal may cause some deferment in the process, it is likely that demand for decommissioning will still grow rapidly. TSC, together with our partners in OIM have identified sufficient specific situations where the requirement for P&A and Decommissioning will definitively proceed as required by various oil companies. Furthermore, OIM brings on board many years of technical capabilities and market access and has several concept designs which bring unique cost saving solutions to oil companies.

Oilfield services has also been identified by the Group as an area which will continue to grow despite general decline globally. In particular, oilfield services in North and Central America will continue to be areas of focus as further means to enable TSC to overcome our vulnerability to concentration on a limited market sector. The separation of activities of the Group into two main Business Groups (“BG”) is to provide an overall environment for both the BGs to expand and grow independently of one another.

In response to lower revenues, the Company implemented several rounds of cost cuts by reducing workforce, pay reductions at all levels, closing down unprofitable locations, downsizing service teams and accelerating restructuring plans. At the same time we have strived to raise efficiency, increase focus and revenue per employee to achieve higher efficiency with a leaner simplified organization structure.

Ultimately with already a comprehensive range of equipment and products accumulated over past years, the restructured Offshore Business Group and the new P&A and Decommissioning business, we will have a balanced portfolio of opportunities for TSC over the long term. The Group will be able to achieve more sustainable growth despite fluctuations in oil price over the long term and reduce exposure to mainly drilling related products. Our immediate focus is to conserve cash flow to enable us to put in place our new products through new efficiencies and new business models to address new markets as we recover from the substantial impact from the low oil price. We will eventually rebuild our balance sheet with important lessons learnt from the past years.

Prospects

The landscape of the industry has significantly changed as a result of the recent steep decline in oil prices. Oil companies and drilling contractors are reducing activities and cutting back their capital expenditures. With the possibility of low oil price being the new norm in the near future, our clients are looking for value, for cost-effective solutions and for innovative business models of serving them. We believe that the Group's strategy will serve the market well. We realise that the market prospects present many new challenges, however, we are confident that the adjustment of the Group's strategy and our market positioning will help us to take advantage of some of the opportunities in this environment.

Order Book

As at 30 June 2017, the Group as a whole carried an order backlog of approximately US\$74.3 million for capital equipment and packages, expendables and services. Subsequent to 30 June 2017, the Group had secured further new orders amounting to US\$9.5 million up to the date of this interim results announcement.

Share Award Plan

The Company adopted a share award plan ("Share Award Plan") on 16 January 2015 (the "Adoption Date of Share Award Plan"). The Share Award Plan does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is awarded at the discretion of the Company. The purpose of the Share Award Plan is to recognise the contributions of officers and employees of the Group (the "Eligible Persons"), excluding any Directors and any other connected persons of the Group, towards the development of the Group in the past or as incentives to selected grantees to achieve higher than target profits for the Group and to align the interests of the selected grantees with sustainable growth and development of the Group.

The total number of Shares purchased under the Share Award Plan shall not exceed 3% of the issued Shares at the Adoption Date of the Share Award Plan. A trust has been set up and Treasure Maker Investments Limited has been appointed as the trustee (the “Trustee”). Pursuant to the Share Award Plan, the Trustee may purchase Shares from the public market out of cash contributed by the Company from time to time. Shares purchased under the Share Award Plan will be held in trust for the Eligible Persons until such Shares are vested in accordance with the provisions of the rules relating to the Share Award Plan. The Share Award Plan will be effective for a period until 15 January 2025 unless terminated at the discretion of the Board at an earlier date.

No grant was made during the six months ended 30 June 2017. As at 30 June 2017, the Trustee held 5,095,000 Shares (representing 0.72% of the issued share capital of the Company) on trust under the Share Award Plan.

Share Award Incentive Scheme

The Company adopted a share award incentive scheme (“Share Award Incentive Scheme”) on 27 May 2016 (the “Adoption Date of Share Award Incentive Scheme”). The purposes of the Share Award Incentive Scheme are (i) to align the interests of Eligible Persons with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares; and (ii) to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of the Group. The Share Award Incentive Scheme is a separate scheme from the Share Award Plan, which is specifically for granting share awards sourced from existing Shares purchased from the stock market. The Share Award Incentive Scheme will give the Company flexibility in granting awards of new Shares. The Share Award Incentive Scheme will be effective until 26 May 2026 unless terminated at the discretion of the Board at an earlier date.

The Company has approved the adoption of the Share Award Incentive Scheme on 27 May 2016 by the shareholders by poll at the AGM, pursuant to which new Shares of not more than 3% of the total number of issued Shares as at the Adoption Date of Share Award Incentive Scheme (i.e. 21,213,606 new Shares) will be allotted and issued to the Trustee, and will be held on trust by the Trustee for the selected participants before vesting. For details, please refer to the Company’s announcement dated 7 April 2016 and the Company’s circular dated 8 April 2016.

No grant was made during the six months ended 30 June 2017. As at 30 June 2017, the total number of shares that may be granted under the Share Award Incentive Scheme is 21,213,606 Shares, representing 3% of the issued share capital of the Company.

Change in Information of Directors

The change in the information of Directors since the publication of the 2016 annual report is set out below pursuant to Rule 13.51(B)(1) of the Listing Rules:

Change of independent non-executive Directors

Mr. Bian Junjiang resigned as the independent non-executive Director with effect from 25 May 2017 on his own accord for health reasons.

Mr. Robert William Fogal Jr has resigned as an independent non-executive Director with effect from 22 June 2017 due to health reason.

Dr. Lu Xiaoming has been appointed as an independent non-executive Director and a member of the audit committee, remuneration committee and nomination committee of the Company, with effect from 22 June 2017.

Change in the information of Directors

Mr. Zhang Menggui, Morgan has been re-designated from a non-executive Director to an executive Director with effect from 22 June 2017.

Mr. Wang Yong (“Mr. Wang”) has been a non-executive Director of the Company since 11 April 2017, and he had been the President of the Group since 28 April 2016. Mr. Wang has been re-designated from a non-executive Director to an executive Director, and has also been appointed as the Chief Executive Officer of the Company with effect from 22 June 2017. Mr. Wang is responsible for the daily operations and business activities of the Company.

Non-Exempt Continuing Connected Transaction

In view of the expiry of the old master agreement on 31 December 2014, the Company (as seller) entered into a new master agreement (the “New Master Agreement”) with CIMC Raffles Offshore (Singapore) Limited (“CIMC Raffles”) (as buyer) on 10 April 2015 in relation to the sale of the products (which include the equipment used on offshore platforms including but not limited to power control package, jacking system, BOP handling and transport, burner boom, etc. and the project(s) or others related to offshore platforms including (i) cantilever and drill floor projects; (ii) rack material cutting projects; (iii) other material processing projects; and (iv) design, engineering and consulting service projects) by the Company to CIMC Raffles for the three years ending 31 December 2017 (the “Transaction”). Pursuant to the New Master Agreement, the annual caps for each of the three years ending 31 December 2017 are US\$100 million (equivalent to approximately HK\$780 million (the “Annual Caps”).

Since the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for each of the Annual Caps exceed 25%, the Transaction constitutes non-exempt continuing connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, annual review, announcement and independent shareholders' approval requirements.

Accordingly, China International Marine Containers (Group) Co., Limited, China International Marine Containers (Hong Kong) Limited, Mr. Brian Chang, Mr. Yu Yuqun and their respective associates had abstained from voting on the approval of the New Master Agreement and the Annual Caps at the extraordinary general meeting ("EGM"). On 5 June 2015, the New Master Agreement and the Annual Caps were approved by the independent shareholders by poll at the EGM. Details of the Transaction were announced on 10 April 2015 and in the circular dated 20 May 2015 which were all published on the websites of the Stock Exchange and the Company.

For the six months ended 30 June 2017, the Group has no new sales contracts with CIMC Raffles under the continuing connected transactions mandate pursuant to the New Master Agreement approved by the Company's independent shareholders at EGM. The actual sales amount of those continuing connected transactions between the Group and CIMC Raffles was approximately US\$0.7 million for the period ended 30 June 2017.

Delisted TSC Oil & Gas Services from The National Equities Exchange and Quotations System (The "NEEQ")

TSC Oil and Gas Services Holdings Ltd. 青島天時油氣裝備服務集團股份有限公司 ("Qingdao TSC"), the wholly-owned subsidiary of the Company, was listed on the NEEQ on 19 July 2016. During its one-year listing, the total number of the listing companies reached more than 11,000, resulting in the lack of liquidity on NEEQ and difficulty in seeking financing. Furthermore, a direct transfer to the Main Board from the New Third Board is yet to be practical in terms of regulatory policies. The management of Qingdao TSC arrived at a decision that in order to carry out its transformation and development and achieve its future strategic plan, Qingdao TSC should be delisted from NEEQ. An application for delisting was approved by NEEQ on 15 June 2017 and Qingdao TSC was delisted from the NEEQ, effective from 21 June 2017.

Subsequent Events

Discloseable Transaction: Disposal of 49.05% equity interests in Qingdao TSC

On 21 July 2017, two equity transfer agreements in relation to the disposals of the equity interests in an indirect wholly-owned subsidiary of the Company were entered into between the Group and the relevant purchasers:

Agreement A: pursuant to which Thousand Code Limited (“TCL”) agreed to sell 21.05% of the equity interests in Qingdao TSC to Beijing He Ju Tian Yang Investment Management Centre (北京合聚天揚投資管理中心(有限合伙)) (“Purchaser A”) at the cash consideration of RMB25,684,000; and

Agreement B: pursuant to which TCL agreed to sell 28% of the equity interests in Qingdao TSC to Zheng Yuan Heng Tong (Tianjin) Petroleum Technology Limited (正源恆通(天津)石油科技合夥企業(有限合伙)) (“Purchaser B”) at the cash consideration of RMB34,159,720.00. Following the completion of the Agreements, the Company will continue to hold 50.95% equity interest in Qingdao TSC.

Purchaser B is a company established in the PRC by some of the employees of the Group. Mr. Zhang Menggui, a Director of the Company, together with his brother Mr. Zhang Mengzhen hold approximately 23.13% of the equity interests of Purchaser B and they do not have control over the management of Purchaser B. As the aggregate equity interests of Mr. Zhang Menggui and Mr. Mengzhen in Purchaser B is less than 30%, Purchaser B is not to be considered as a connected person of the Company under Chapter 14A of the Listing Rules.

Save as disclosed in this announcement, no subsequent events occurred after 30 June 2017 which may have significant effects on the assets and liabilities of future operations of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the interests and short positions of the Directors and Chief Executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long positions in ordinary Shares and underlying Shares of the Company:

Name of Directors	Number of issued ordinary Shares of HK\$0.10 each in the Company				Total	Number of underlying Shares (in respect of share options granted under the Refreshment of the Post-IPO Scheme) (Note 3)	Approximate percentage of the Company's issued share capital (Note 4)
	Personal interests	Family interests	Corporate interests	Other interests			
Mr. Zhang Menggui (Note 1)	4,656,000	-	120,046,200	-	124,702,200	0	17.64%
Mr. Jiang Bing Hua (Note 1)	4,656,000	-	120,046,200	-	124,702,200	0	17.64%
Mr. Wang Yong	-	-	-	-	-	3,000,000	0.42%
Mr. Jiang Longsheng	-	-	-	-	-	400,000	0.06%
Mr. Brian Chang (Note 2)	-	-	66,072,800	-	66,072,800	-	9.34%
Mr. Chan Ngai Sang, Kenny	500,000	-	-	-	500,000	0	0.07%
Mr. Guan Zhichuan	300,000	-	-	-	300,000	0	0.04%

Notes:

- Global Energy Investors, LLC. is the beneficial owner of 120,046,200 Shares. The entire share capital of Global Energy Investors, LLC. is beneficially owned as to 50% each by Mr. Zhang Menggui and Mr. Jiang Bing Hua, both are the executive Directors of the Company. Accordingly, both Mr. Zhang Menggui and Mr. Jiang Bing Hua are deemed to be interested in the 120,046,200 Shares beneficially owned by Global Energy Investors, LLC. under Part XV of the SFO.
- Mr. Brian Chang indirectly holds 66,072,800 shares through Windmere International Limited which is his wholly-owned company. Accordingly, he is deemed to be interested in the shares held by Windmere International Limited under Part XV of the SFO.
- Please refer to the section "Share Option Schemes" below for details of share options held by the Directors and Chief Executives of the Company.
- The percentage is calculated on the basis of 707,120,204 Share in issue as at the date of this announcement.

Save as disclosed above, as at 30 June 2017, none of the Directors or Chief Executives of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, the following persons had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

(i) Long positions in ordinary Shares and underlying Shares of the Company:

Name	Capacity and nature of interest	Number of Shares/underlying Shares held	Approximate percentage of the Company's issued share capital (Note 7)
Madam Chen Fengying <i>(Note 1)</i>	Interest of the spouse	124,702,200 Shares	17.64%
Madam Zhang Jiuli <i>(Note 2)</i>	Interest of the spouse	124,702,200 Shares	17.64%
Global Energy Investors, LLC. <i>(Note 3)</i>	Corporate	120,046,200 Shares	16.98%
Windmere International Limited <i>(Note 4)</i>	Corporate	66,072,800 Shares	9.34%
China International Marine Containers (Group) Company Limited <i>(Note 5)</i>	Corporate	92,800,000 Shares	13.12%
China International Marine Containers (Hong Kong) Limited <i>(Note 5)</i>	Corporate	92,800,000 Shares	13.12%
Harmony Master Fund <i>(Note 6)</i>	Corporate	71,106,800 Shares	10.06%

Notes:

1. These interests represent the same block of Shares and share options held by Mr. Zhang Menggui as shown in the above section headed “DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES”. Since Madam Chen Fengying is the spouse of Mr. Zhang Menggui, she is deemed to be interested in the Shares and share options held by him under Part XV of the SFO.
2. These interests represent the same block of Shares and share options held by Mr. Jiang Bing Hua as shown in the above section headed “DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES”. Since Madam Zhang Jiuli is the spouse of Mr. Jiang Bing Hua, she is deemed to be interested in the Shares and share options held by him under Part XV of the SFO.
3. This interest represents the same block of corporate interest held by Mr. Zhang Menggui and Mr. Jiang Bing Hua as shown in the above section headed “DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES”.
4. Mr. Brian Chang indirectly holds 66,072,800 Shares through Windmere International Limited which is his wholly-owned company. Mr. Brian Chang’s interest is shown in the above section headed “DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES”. Accordingly, he is deemed to be interested in the Shares held by Windmere International Limited under Part XV of the SFO.
5. China International Marine Containers (Hong Kong) Limited (“CIMC HK”) is the beneficial owner of 92,800,000 Shares. CIMC HK is a wholly-owned subsidiary of China International Marine Containers (Group) Company Limited (“CIMC Group”). Therefore, CIMC Group is deemed to be interested in the 92,800,000 Shares of the Company held by CIMC HK under Part XV of the SFO.
6. Harmony Master Fund (“Harmony Fund”) is a long-only equity fund registered in Cayman Islands. Harmony Fund is managed by DM Fund Management Limited, a company registered in Cayman Islands and a subsidiary of DM Capital Limited, a company incorporated in British Virgin Islands. Harmony Fund primarily holds long equity positions in small capitalization stocks that derive a majority of their revenues within the Greater China region.
7. The percentage is calculated on the basis of 707,120,204 Share in issue as at the date of this announcement.

(ii) Long positions in Shares of a subsidiary of the Company:

Name of subsidiary	Name of substantial shareholder	Percentage of shareholding
Jurun Limited	Xingbo Limited	21%
TSC Manufacturing and Supply De Colombia S.A.S	Independence Drilling S.A.	40%
ATS Energy LLC	Axion Services Inc. Petromax Industry Inc.	33% 16%
Texas Unconventional Resources LLC	Mr. YANG Anping	20%
OIM Pte. Ltd.	Offshore CC FZE	5%

Save as disclosed above, as at 30 June 2017, no persons (other than the Directors and Chief Executives of the Company whose interests are set out under the paragraph headed “DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES” above and the section headed “SHARE OPTION SCHEMES” below), had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

SHARE OPTION SCHEMES

The purpose of the Pre-IPO Share Option Scheme (the “Pre-IPO Scheme”), Post-IPO Share Option Scheme (the “Post-IPO Scheme”) and the New Share Option Scheme (the “New Scheme”) are to create incentive to the employees, Directors and other eligible participants.

Pre-IPO Scheme and Post-IPO Scheme

Pursuant to written resolutions of all shareholders of the Company on 19 and 20 October 2005, the Company adopted a Pre-IPO Scheme and a Post-IPO Scheme respectively.

The Pre-IPO Scheme ceased to be effective on 21 November 2005 save for the unexercised portion of the options granted and accepted during its life time, of which none of the share option remain valid and outstanding as at 30 June 2017.

Pursuant to the Post-IPO Scheme, the Directors granted (i) 7,280,000 share options at HK\$2.43 each to 14 employees of the Group on 10 May 2007, (ii) 9,700,000 share options at HK\$5.60 each to 51 employees and 2 consultants of the Group on 12 November 2007, (iii) 2,000,000 share options at HK\$5.23 each to 3 employees of the Group on 15 January 2008, (iv) 5,000,000 share options at HK\$2.32 each to 6 employees of the Group on 12 August 2008 and (v) 16,050,000 share options at HK\$0.54 each to 8 Directors and 38 employees of the Group on 29 December 2008.

Based on a valuation report done by an independent valuer, Jones Lang LaSalle Sallmanns, the value of the options granted on 10 May 2007, 12 November 2007, 15 January 2008, 12 August 2008 and 29 December 2008 under the Post-IPO Scheme were HK\$7,252,000, HK\$21,812,000, HK\$4,166,000, HK\$4,736,000 and HK\$3,499,200 respectively.

The closing prices of the Company's Shares on the preceding option granted on 9 May 2007, 9 November 2007, 14 January 2008, 11 August 2008 and 24 December 2008 under the Post-IPO Scheme were HK\$2.50, HK\$5.58, HK\$5.18, HK\$2.22 and HK\$0.50 respectively.

On 4 November 2008, the refreshed scheme mandate limit of 54,890,800 Shares in respect of the granting of share options under the Post-IPO Scheme (the "Refreshment") was approved at the extraordinary general meeting duly convened and held. On 13 November 2008, the Stock Exchange has granted the listing of, and permission to deal in, the Shares which may fall to be issued and allotted upon the exercise of any options that may be granted under the Refreshment.

The Post-IPO Scheme including the Refreshment, was conditionally terminated by the Board on 6 May 2009. Upon the transfer of the listing of shares of the Company from the GEM to the Main Board on 5 June 2009, the termination of the Post-IPO Scheme became effective. Thereafter, no further option had been offered or granted under the Post-IPO Scheme. Pursuant to the Post-IPO Scheme, options previously granted but unexercised under the Post-IPO Scheme will remain valid and exercisable in accordance with their terms of issue, of which a total of 13,192,000 share options, representing 1.87% of the issued share capital of the Company, remain valid and outstanding as at 30 June 2017.

New Scheme

On 5 August 2009 (the “Adoption Date”), the adoption of the New Share Option Scheme for granting up to 56,254,040 share options which complies with the Listing Rules was approved at the extraordinary general meeting duly convened and held. On 10 August 2009, the Stock Exchange has granted the listing of, and permission to deal in, the Shares which may fall to be issued and allotted upon the exercise of any options that may be granted under the New Scheme. This became effective from the Adoption Date and will expire on 5 August 2019. Pursuant to the New Scheme, the Directors granted (i) 20,295,000 share options at HK\$2.06 each to 82 employees of the Group on 18 September 2009, (ii) 9,070,000 share options at HK\$1.27 each to 29 employees of the Group on 1 September 2010, (iii) 2,400,000 share options at HK\$1.97 each to 2 employees of the Group on 21 February 2011, (iv) 10,780,000 share options at HK\$1.02 each to 18 employees of the Group on 4 September 2012, (v) 6,025,000 share options at HK\$2.9 each to 23 employees of the Group on 30 August 2013, (vi) 2,400,000 share options at HK\$4.16 each to 6 employees of the Group on 2 September 2014, and (vii) 1,500,000 share options at HK\$2.11 each to 9 employees of the Group on 24 December 2014. Based on valuation reports done by independent valuers, Jones Lang LaSalle Sallmanns and Ascent Partners, the value of the options granted on 18 September 2009, 1 September 2010, 21 February 2011, 4 September 2012, 30 August 2013, 2 September 2014 and 24 December 2014 under the New Scheme were HK\$18,701,000, HK\$4,602,100, HK\$1,973,100, HK\$6,934,500, HK\$11,305,500, HK\$5,232,000 and HK\$1,652,000 respectively. The closing price of the Company’s Shares on the preceding option granted on 17 September 2009, 31 August 2010, 18 February 2011, 3 September 2012, 29 August 2013, 1 September 2014, and 23 December 2014 under the New Scheme were HK\$1.85, HK\$1.23, HK\$1.92, HK\$1.01, HK\$2.78, HK\$3.99, and HK\$2.03 respectively. Pursuant to the New Scheme, options previously granted but unexercised under the New Scheme will remain valid and exercisable in accordance with their terms of issue, of which a total of 23,628,000 share options, representing 3.34% of the issued share capital of the Company, remain valid and outstanding as at 30 June 2017. Save as disclosed above, no option had been granted or agreed to be granted by the Company pursuant to the New Scheme.

The total number of share options that may be further granted under all the share option schemes as at the date of this interim result announcement is 3,784,040 Shares, representing 0.54% of the issued share capital of the Company.

As at the date of this interim result announcement, the total number of share options granted and outstanding under all the share option schemes is 36,820,000 Shares, representing 5.21% of the issued share capital of the Company.

Details of movement of options under the Post-IPO Scheme including the Refreshment, for the six months ended 30 June 2017 were as follows:

Name or category of participant	Date of grant (Notes 1 & 2)	Exercisable period (Notes 1, 2 & 3)	Exercise price per share HK\$	Number of share options					Balance as at 30.06.2017
				Balance as at 01.01.2017	Granted during the period (Note 4)	Exercised during the period (Note 4)	Cancelled during the period (Note 4)	Lapsed during the period (Note 4)	
(i) Employees	10.05.2007	10.11.2007 to 09.05.2017	2.43	3,982,000	-	-	-	-	3,982,000
Sub-total				3,982,000	-	-	-	-	3,982,000
(ii) Employees	12.11.2007	12.05.2008 to 11.11.2017	5.60	4,780,000	-	-	-	-	4,780,000
Sub-total				4,780,000	-	-	-	-	4,780,000
(iii) Employees	15.01.2008	15.07.2008 to 14.01.2018	5.23	1,000,000	-	-	-	-	1,000,000
Sub-total				1,000,000	-	-	-	-	1,000,000
(iv) Employees	12.08.2008	12.02.2009 to 11.08.2018	2.32	1,700,000	-	-	-	-	1,700,000
Sub-total				1,700,000	-	-	-	-	1,700,000
(v) Directors:									
Mr. Zhang Menggui	29.12.2008	29.06.2009 to 28.12.2018	0.54	0	-	-	-	-	0
Mr. Jiang Bing Hua	29.12.2008	29.06.2009 to 28.12.2018	0.54	0	-	-	-	-	0
Mr. Jiang Longsheng	29.12.2008	29.06.2009 to 28.12.2018	0.54	400,000	-	-	-	-	400,000
Mr. Chan Ngai Sang, Kenny	29.12.2008	29.06.2009 to 28.12.2018	0.54	0	-	-	-	-	0
Mr. Bian Junjiang	29.12.2008	29.06.2009 to 28.12.2018	0.54	350,000	-	-	-	-	350,000
Mr. Guan Zhichuan	29.12.2008	29.06.2009 to 28.12.2018	0.54	0	-	-	-	-	0
				750,000	-	-	-	-	750,000
Employees and other	29.12.2008	29.06.2009 to 28.12.2018	0.54	980,000	-	-	-	-	980,000
Sub-total				1,730,000	-	-	-	-	1,730,000
Total				13,192,000	-	-	-	-	13,192,000

Notes:

1. All dates are shown day, month, year.
2. The vesting period of the options is 5 years and starts from the date of grant and becomes vested at stepped semi-annual increments of 10% of the total options granted for a period of 5 years from the date of grant.
3. These grants are exercisable, starting from the first anniversary of the listing date at stepped semiannual increments of 10% of the total options granted, for a period not later than 10 years from the date of grant.
4. The period refers to the six months ended 30 June 2017.

Details of movement of options under the New Scheme for the six months ended 30 June 2017 were as follows:

Name or category of participant	Date of grant (Notes 1 & 2)	Exercisable period (Notes 1, 2 & 3)	Exercise price per share HK\$	Number of share options					Balance as at 30.06.2017
				Balance as at 01.01.2017	Granted during the period (Note 4)	Exercised during the period (Note 4)	Cancelled during the period (Note 4)	Lapsed during the period (Note 4)	
(i) Employees	18.09.2009	18.03.2010 to 17.09.2019	2.06	7,288,000	-	-	-	-	7,288,000
(ii) Employees	01.09.2010	01.03.2011 to 31.08.2020	1.27	2,320,000	-	-	-	-	2,320,000
(iii) Employees	21.02.2011	21.08.2011 to 20.02.2021	1.97	0	-	-	-	-	0
(iv) Employees	04.09.2012	04.03.2013 to 03.09.2022	1.02	7,065,000	-	-	-	-	7,065,000
(v) Employees	30.08.2013	28.02.2014 to 29.08.2023	2.9	4,105,000	-	-	-	-	4,105,000
(vi) Employees	02.09.2014	02.03.2015 to 01.09.2024	4.16	2,250,000	-	-	-	-	2,250,000
(vii) Employees	24.12.2014	24.06.2015 to 23.12.2024	2.11	600,000	-	-	-	-	600,000
Total				<u>23,628,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,628,000</u>

Notes:

1. All dates are shown day, month, year.
2. The vesting period of the options is 5 years and starts from the date of grant and becomes vested at stepped semi-annual increments of 10% of the total options granted for a period of 5 years from the date of grant.
3. These grants are exercisable, starting from the first anniversary of the listing date at stepped semiannual increments of 10% of the total options granted, for a period not later than 10 years from the date of grant.
4. The period refers to the six months ended 30 June 2017.

Save as disclosed above, none of the Directors or their spouses and children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right for the six months ended 30 June 2017.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined under the Listing Rules) has engaged in any businesses that competes or may compete, either directly or indirectly, with the business of the Group, or has any other conflict of interests with the Group during the six months period ended 30 June 2017.

AUDIT COMMITTEE

The Company established an audit committee on 20 October 2005 with terms of reference in compliance with Rules 3.21 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Group.

The audit committee comprises three members, namely Mr. Chan Ngai Sang, Kenny (being the chairman of the audit committee), Dr. Lu Xiaoming and Mr. Guan Zhichuan. All of them are independent non-executive Directors. The audit committee of the Company has reviewed the unaudited financial results of the Group for the six months ended 30 June 2017 and are of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. There is no disagreement by the audit committee with the accounting treatment adopted by the Group.

REMUNERATION COMMITTEE

The remuneration committee was established on 20 October 2005 with written terms of reference in compliance with the code provision on the Code on Corporate Governance Practices (the “Code”). It comprises three independent non-executive Directors, namely Mr. Guan Zhichuan (being the Chairman), Mr. Chan Ngai Sang, Kenny and Dr. Lu Xiaoming; and two executive Directors, namely, Mr. Jiang Bing Hua and Mr. Zhang Menggui, Morgan.

NOMINATION COMMITTEE

The nomination committee was established on 5 June 2009 with written terms of reference in compliance with the Code. A majority of its current members are independent non-executive Directors. Currently, the members of the committee are Mr. Jiang Bing Hua (being the chairman), Mr. Zhang Menggui, Morgan, Mr. Chan Ngai Sang, Kenny, Dr. Lu Xiaoming and Mr. Guan Zhichuan.

RISK MANAGEMENT AND INTERNAL CONTROL

Based on the respective assessments made by the management and the Corporate Governance team responsible for internal audit activities, the audit committee considered that for the first six months of 2017:

- The risk management and internal controls and accounting systems of the Group remain in place and functioning effectively, and were designed to provide reasonable but not absolute assurance that material assets are protected, business risks attributable to the Group were identified and monitored, material transactions were executed in accordance with the management's authorization and the interim financial information were reliable for publication.
- An ongoing process is in place for identifying, evaluating and managing the significant risks faced by the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director had a direct and indirect material interest, subsisted during or at the end of the six months ended 30 June 2017.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by Directors. All Directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2017.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices to ensure transparency so that the interests of our shareholders and the cooperative development among customers, employees and the Group can be safeguarded. The Company has adopted the Code on Corporate Governance Practices of the Stock Exchange.

During the period, the Company has complied with the code provisions (“CG Codes”) of the Code on Corporate Governance Practices during the six months period from 1 January 2017 to 30 June 2017 as set out in Appendix 14 to Listing Rules at that time except for the deviation from CG Code A.6.7 where three independent non-executive Directors and three non-executive Directors were absent from the last annual general meeting of the Company held on 25 May 2017 as they were away from Hong Kong due to other pre-arranged important engagements at the time of this meeting. The Company had reminded all independent non-executive Directors and non-executive Directors to attend general meetings in order to develop a balance understanding of views of the shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities. As at 30 June 2017, the trustee held a total of 5,095,000 TSC shares under the Share Award Plan.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

An interim report for the six months ended 30 June 2017 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://www.t-s-c.com>) in due course.

ACKNOWLEDGEMENT

The Directors would like to take this opportunity to express sincere thanks to all the shareholders for their continuous support and to all staff for their dedication and contribution to the Group during the reporting period.

By Order of the Board
TSC Group Holdings Limited
Jiang Bing Hua
Executive Chairman

Hong Kong, 30 August 2017

As of the date of this announcement, the Board comprises 3 executive Directors, namely Mr. Jiang Bing Hua, Mr. Zhang Menggui and Mr. Wang Yong; 3 non-executive Directors, namely Mr. Jiang Longsheng, Mr. Brian Chang and Mr. Wang Jianzhong; and 3 independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny, Mr. Guan Zhichuan and Dr. Lu Xiaoming.