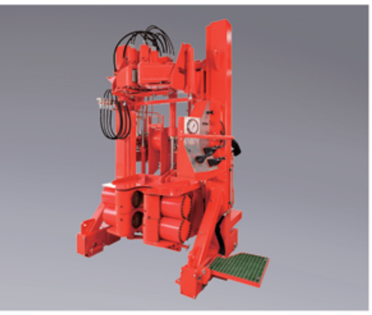
TSC Group Holdings Limited

Stock Code: 206

Beyond Integration
Seamless Solutions™

Interim Report 2012



INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

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 2012, together with the unaudited comparative figures for the corresponding period in 2011 as follows:

RESULTS HIGHLIGHTS

- The Group's turnover for the six months ended 30 June 2012 reached approximately US$66.2 million, representing a decrease of approximately 15.3% from US$78.1 million for the same period for 2011;

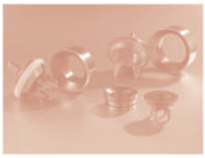
- Gross profit amounted to approximately US$25.4 million for the six months ended 30 June 2012, representing a decrease of approximately 10.7% from US$28.5 million for the same period for 2011;

- Net profit attributed to equity shareholders of the Company amounted to approximately US$0.5 million for the six months ended 30 June 2012, representing approximately 82.7% decrease over the same period for 2011;

- Earnings per share for the six months ended 30 June 2012 were US0.07 cent, representing a decrease of 82.9% compared with US0.41 cent per share for the same period in 2011. The basis of calculating the earnings per share is detailed in note 10;

- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012.





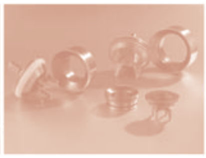

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 June **2012** **(unaudited)** **US$'000**	 2011 (unaudited) US$'000
Turnover	*3, 4*	**66,169**	78,081
Cost of sales		**(40,765)**	(49,630)
Gross profit		**25,404**	28,451
Other revenue and net income	*5*	**1,145**	247
Selling and distribution expenses		**(4,313)**	(3,099)
General and administrative expenses		**(17,364)**	(18,319)
Other operating expenses		**(1,744)**	(997)
Profit from operations		**3,128**	6,283
Finance costs	*6*	**(1,077)**	(1,030)
Share of results of associates		**–**	(10)
Profit before taxation	*7*	**2,051**	5,243
Income tax	*8*	**(1,138)**	(2,068)
Profit for the period		**913**	3,175
Attributable to:			
Equity shareholders of the Company		**488**	2,812
Non-controlling interests		**425**	363
Profit for the period		**913**	3,175
Earnings per share			
Basic	*10(a)*	**US0.07 cent**	US0.41 cent
Diluted	*10(b)*	**US0.07 cent**	US0.41 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
	Notes	**2012 (unaudited) US$'000**	2011 (unaudited) US$'000
Profit for the period		**913**	3,175
Other comprehensive income for the period:			
Exchange differences on translation of financial statements of subsidiaries and associates		**1,511**	2,909
Total comprehensive income for the period		**2,424**	6,084
Attributable to:			
Equity shareholders of the Company		**2,035**	5,832
Non-controlling interests		**389**	252
Total comprehensive income for the period		**2,424**	6,084






CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2012 (unaudited) US$'000	As at 31 December 2011 (audited) US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**36,641**	36,660
Interests in leasehold land held for own use under operating leases		**4,337**	4,401
Goodwill		**24,095**	23,854
Other intangible assets		**14,922**	16,013
Interest in associates		**2,159**	2,159
Prepayments		**–**	70
Deferred tax assets		**10,862**	10,897
		93,016	94,054
CURRENT ASSETS			
Inventories		**57,357**	39,596
Trade and other receivables	*12*	**73,726**	79,455
Gross amount due from customers for contract work		**25,732**	16,517
Amount due from a related company		**101**	101
Pledged bank deposits		**1,286**	1,348
Cash at bank and in hand		**27,192**	34,140
		185,394	171,157
CURRENT LIABILITIES			
Trade and other payables	*13*	**78,983**	58,734
Bank loans		**9,585**	20,538
Current taxation		**2,257**	4,179
Provisions		**2,251**	1,769
		93,076	85,220

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	As at 30 June 2012 (unaudited) US$'000	As at 31 December 2011 (audited) US$'000
NET CURRENT ASSETS		**92,318**	85,937
TOTAL ASSETS LESS CURRENT LIABILITIES		**185,334**	179,991
NON-CURRENT LIABILITIES			
Bank loans		**7,836**	4,921
Deferred tax liabilities		**987**	1,349
		8,823	6,270
NET ASSETS		**176,511**	173,721
CAPITAL AND RESERVES			
Share capital		**8,771**	8,770
Reserves		**160,583**	158,183
Total equity attributable to equity shareholders of the Company		**169,354**	166,953
Non-controlling interests		**7,157**	6,768
TOTAL EQUITY		**176,511**	173,721

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Equity 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$'000	Capital reserve US$'000	Revaluation reserve US$'000	Reserve funds US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2011 (audited)	8,727	119,744	2,161	(3,722)	5,232	512	627	3,281	23,715	160,277	6,454	166,731
Changes in equity for the six months ended 30 June 2011:												
Profit for the period	–	–	–	–	–	–	–	–	2,812	2,812	363	3,175
Other comprehensive income	–	–	–	3,020	–	–	–	–	–	3,020	(111)	2,909
Total comprehensive income	–	–	–	3,020	–	–	–	–	2,812	5,832	252	6,084
Shares issued under share option schemes	26	193	–	–	(99)	–	–	–	–	120	–	120
Equity-settled share-based transactions	–	–	–	–	674	–	–	–	–	674	–	674
Balance at 30 June 2011 (unaudited)	8,753	119,937	2,161	(702)	5,807	512	627	3,281	26,527	166,903	6,706	173,609
Balance at 1 January 2012 (audited)	8,770	120,043	2,161	(1,456)	5,828	512	627	3,384	27,084	166,953	6,768	173,721
Changes in equity for the six months ended 30 June 2012:												
Profit for the period	–	–	–	–	–	–	–	–	488	488	425	913
Other comprehensive income	–	–	–	1,547	–	–	–	–	–	1,547	(36)	1,511
Total comprehensive income	–	–	–	1,547	–	–	–	–	488	2,035	389	2,424
Shares issued under share option schemes	1	10	–	–	(5)	–	–	–	–	6	–	6
Equity-settled share-based transactions	–	–	–	–	360	–	–	–	–	360	–	360
Balance at 30 June 2012 (unaudited)	8,771	120,053	2,161	91	6,183	512	627	3,384	27,572	169,354	7,157	176,511

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	For the six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)
	US$'000	US$'000
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**2,734**	(1,271)
NET CASH USED IN INVESTING ACTIVITIES	**(608)**	(2,080)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**(9,124)**	3,310
DECREASE IN CASH AND CASH EQUIVALENTS	**(6,998)**	(41)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**34,140**	17,147
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**50**	(259)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**27,192**	16,847

Notes:

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 of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Main Board") on 5 June 2009.

The condensed consolidated financial statements for the six months ended 30 June 2012 have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

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 2011.

In current interim period, the HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of the group and the company. Of these, the following developments are relevant to the group's financial statements:

- Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*

- Amendments to HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*

The adoption of the above 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. 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, manufacture, 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, goodwill, intangible assets and current assets with the exception of interest in associates, cash balances, tax balances and other unallocated head office and corporate assets. Segment liabilities include trade and other payables and provisions attributable to the activities of the individual segment, with the exception of loans, tax balances 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 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 associates 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), interest expense from borrowings managed directly by the segments, depreciation and amortisation and additions to non-current segment assets used by the segments in their operations.

3. SEGMENT REPORTING *(continued)*

(a) Segment results, assets and liabilities *(continued)*

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 2012 and 2011 is set out below.

	Capital equipment and packages Unaudited For the period ended		Oilfield expendables and supplies Unaudited For the period ended		Engineering services Unaudited For the period ended		Total Unaudited For the period ended	
	30 June 2012 US$'000	30 June 2011 US$'000	**30 June 2012 US$'000**	30 June 2011 US$'000	**30 June 2012 US$'000**	30 June 2011 US$'000	**30 June 2012 US$'000**	30 June 2011 US$'000
Revenue from external customers	**41,376**	55,106	**15,291**	12,223	**9,502**	10,752	**66,169**	78,081
Inter-segment revenue	**–**	–	**1,303**	1,022	**–**	–	**1,303**	1,022
Reportable segment revenue	**41,376**	55,106	**16,594**	13,245	**9,502**	10,752	**67,472**	79,103
Reportable segment results	**1,880**	5,511	**1,578**	1,793	**1,715**	2,610	**5,173**	9,914

The segment assets and liabilities as at 30 June 2012 and 31 December 2011 is set out below:

	Capital equipment and packages		Oilfield expendables and supplies		Engineering services		Total	
	As at 30 June 2012 (unaudited) US$'000	As at 31 December 2011 (audited) US$'000	**As at 30 June 2012 (unaudited) US$'000**	As at 31 December 2011 (audited) US$'000	**As at 30 June 2012 (unaudited) US$'000**	As at 31 December 2011 (audited) US$'000	**As at 30 June 2012 (unaudited) US$'000**	As at 31 December 2011 (audited) US$'000
Reportable segment assets	**179,542**	168,517	**28,200**	22,111	**28,232**	25,722	**235,974**	216,350
Reportable segment liabilities	**(61,778)**	(44,163)	**(13,881)**	(10,249)	**(5,118)**	(4,081)	**(80,777)**	(58,493)

3. SEGMENT REPORTING *(continued)*

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

	Unaudited For the six months ended 30 June	
	2012	2011
	US$'000	US$'000
Revenue		
Reportable segment revenue	**67,472**	79,103
Elimination of inter-segment revenue	**(1,303)**	(1,022)
Condensed consolidated turnover	**66,169**	78,081
Profit		
Segment results	**5,173**	9,914
Finance costs	**(1,077)**	(1,030)
Share of results of associates	**–**	(10)
Unallocated head office and corporate income and expenses	**(2,045)**	(3,631)
Condensed consolidated profit before taxation	**2,051**	5,243

	As at 30 June 2012 (audited) US$'000	As at 31 December 2011 (audited) US$'000
Assets		
Reportable segment assets	**235,974**	216,350
Interest in associates	**2,159**	2,159
Pledged bank deposits	**1,286**	1,348
Cash at bank and in hand	**27,192**	34,140
Deferred tax assets	**10,862**	10,897
Unallocated head office and corporate assets	**937**	317
Condensed consolidated total assets	**278,410**	265,211
Liabilities		
Reportable segment liabilities	**(80,777)**	(58,493)
Current taxation	**(2,257)**	(4,179)
Bank loans	**(17,421)**	(25,459)
Deferred tax liabilities	**(987)**	(1,349)
Unallocated head office and corporate liabilities	**(457)**	(2,010)
Condensed consolidated total liabilities	**(101,899)**	(91,490)

3. **SEGMENT REPORTING** *(continued)*

(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, interest in leasehold land held for own use under operating lease, goodwill, other intangible assets and interest in associates ("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, interest in leasehold land held for own use under operating leases and the location of the operations to which they are allocated, in the case intangible assets and goodwill, and the location of operations, in the case of interest in associates.

	Revenue from external customers		Specified non-current assets	
	For the six months ended 30 June 2012 (unaudited) US$'000	For the six months ended 30 June 2011 (unaudited) US$'000	**As at 30 June 2012 (unaudited) US$'000**	As at 31 December 2011 (audited) US$'000
Hong Kong	**349**	458	**9**	14
Mainland China	**28,612**	28,115	**41,630**	41,519
North America	**11,316**	23,609	**6,191**	6,129
South America	**5,799**	5,641	**1,204**	756
Europe	**7,696**	8,614	**30,758**	31,128
Singapore	**661**	5,407	**7**	11
Others (Other part of Asia, India, Russia etc.)	**11,736**	6,237	**2,355**	3,600
	66,169	78,081	**82,154**	83,157

4. TURNOVER

The principal activities of the Group are the design, manufacture, installation and commissioning capital equipment and packages on land and offshore rigs (including rig electrical control system and other rig equipment) and oilfield expendables and supplies and the provision of engineering services.

Turnover 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 in turnover during the period is as follows:

	Unaudited For the six months ended	
	30 June 2012 US$'000	30 June 2011 US$'000
Capital equipment and packages		
– Construction contracts revenue	**25,861**	41,573
– Sales of rig electrical control system	**4,182**	8,025
– Sales of other rig equipment	**11,333**	5,508
	41,376	55,106
Oilfield expendables and supplies		
– Sales of expendables and supplies	**15,291**	12,223
Engineering services		
– Service fee income	**9,502**	10,752
	66,169	78,081

5. OTHER REVENUE AND NET INCOME

	Unaudited For the six months ended	
	30 June 2012 US$'000	30 June 2011 US$'000
Interest income	**89**	90
Reversal of impairment loss on derivative financial instruments	**892**	–
Others	**164**	157
	1,145	247

6. FINANCE COSTS

	Unaudited For the six months ended	
	30 June 2012 US$'000	30 June 2011 US$'000
Interest on bank loans wholly repayable within five years	**994**	943
Interest on other bank loan	**83**	87
	1,077	1,030

7. **PROFIT BEFORE TAXATION**

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

	Unaudited For the six months ended	
	30 June 2012 US$'000	30 June 2011 US$'000
Amortisation of intangible assets	**1,444**	1,362
Net foreign exchange loss	**9**	493
Net provision/(reversal) of impairment losses on doubtful debts	**161**	(549)

8. **INCOME TAX**

	Unaudited For the six months ended	
	30 June 2012 US$'000	30 June 2011 US$'000
Current tax		
Provision for the period		
– United States ("US") corporation income tax	**147**	2,451
– People's Republic of China ("PRC") enterprise income tax	**824**	493
– Other corporation income tax	**464**	609
	1,435	3,553
Deferred tax		
Origination and reversal of temporary differences	**(297)**	(1,485)
	1,138	2,068

No provision for Hong Kong Profits Tax has been made in the condensed consolidated income statement as the Group had no assessable profit subject to Hong Kong Profits Tax for the period. Taxation for subsidiaries in other jurisdictions is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions. During both periods, certain PRC subsidiaries were subject to tax at reduced rates of 12.5% to 15% under the relevant PRC tax rules and regulations.

9. **DIVIDENDS**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share for the six months ended 30 June 2012 are based on the profit attributable to ordinary equity shareholders of the Company of approximately 488,000 (six months ended 30 June 2011: US$2,812,000) and the weighted average number of 681,984,000 (six months ended 30 June 2011: 679,530,000) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2012 are based on the profit attributable to ordinary equity shareholders of the Company of approximately 488,000 (six months ended 30 June 2011: US$2,812,000) and the weighted average number of 687,030,000 (six months ended 30 June 2011: 690,904,000) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option schemes.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, additions to property, plant and equipment amounted to approximately US$1,597,000 (six months ended 30 June 2011: US$5,198,000).

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2012 US$'000 (unaudited)	As at 31 December 2011 US$'000 (audited)
Trade debtors and bills receivable	**55,815**	76,919
Less: allowances for doubtful debts	**(2,720)**	(4,126)
	53,095	72,793
Other receivables, prepayments and deposits	**20,631**	6,662
	73,726	79,455

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.

12. TRADE AND OTHER RECEIVABLES *(continued)*

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	As at 30 June 2012 US$'000 (unaudited)	As at 31 December 2011 US$'000 (audited)
Current	**22,869**	24,933
Less than 1 month past due	**5,272**	14,996
1 to 3 months past due	**2,870**	5,650
More than 3 months but within 12 months past due	**10,119**	21,604
More than 12 months past due	**11,965**	5,610
Amounts past due	**30,226**	47,860
	53,095	72,793

13. TRADE AND OTHER PAYABLES

	As at 30 June 2012 US$'000 (unaudited)	As at 31 December 2011 US$'000 (audited)
Trade creditors and bills payable	**31,309**	32,094
Other payables and accrued charges	**13,085**	15,163
Gross amount due to customers for contract work	**32,608**	10,432
Advances received in relation to construction contracts	**1,981**	250
Derivative financial instrument – foreign exchange instrument	**–**	795
	78,983	58,734

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the balance sheet date:

	As at 30 June 2012 US$'000 (unaudited)	As at 31 December 2011 US$'000 (audited)
Within 1 month	**13,613**	13,820
More than 1 month but within 3 months	**9,273**	8,942
More than 3 months but within 12 months	**4,606**	5,618
More than 12 months but within 24 months	**1,856**	1,641
More than 24 months	**1,961**	2,073
	31,309	32,094

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

TSC is a global product and service provider serving both the offshore and land drilling rig industry worldwide. These principal activities remained unchanged for the first half of 2012.

Our Capital Equipment and Packages segment comprises the designing, manufacturing, installing and commissioning of capital equipment for land and offshore rigs. Our equipment is highly engineered and automated for drilling operations and includes mechanical handling, solids control, 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 comprises the manufacture and sales of oilfield expendables and supplies. The MRO Services business unit provides a comprehensive range of engineering and maintenance services for our products as well as equipment manufactured by other suppliers.

INDUSTRY REVIEW

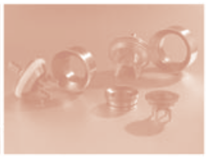
During the six months, oil price, which influences the demand for our products and services and capital spending budgets of our customers, fluctuated from the high of US$120 per barrel in March 2012 down to a low of US$90 per barrel in June 2012 (Brent Crude Oil). The demand for offshore rigs (Jack Ups, Semi-Submersibles and Drillships) and land rigs are further influenced by longer term factors such as government policies on oil production levels, national oil company policies, rig owner capital expenditure plans, charter rates and other factors such as financing availability and production capacity. In general, rig utilization decreased during the first half of 2012 mainly due to lower oil prices. However, the Brent Crude benchmark has since recovered to above US$115 per barrel in August 2012. TSC operates in a relatively stable market environment for its range of products.

BUSINESS REVIEW

The Group continues in its strategy to build up its base of core products in the MRO (Maintenance, Repair and Operations) Supplies and Services segments. These core products and services provide a firm base from which our longer term strategies can be executed. The Group continues to establish strong alliances with key players in several fast growing emerging markets to develop a base for its rig equipment solutions. Together with its wide base of engineering and technological capabilities developed through significant research and development efforts and accumulated over the years through several acquisitions, the Group is at a pivotal stage in which it is well positioned to take on significant growth. TSC has also established key alliances with business partners with whom it will be able to meet the requirements of the various needs of customers in different markets.

Our strength lies in the comprehensive range of products, innovative technology and expertise which we integrate to offer our customers high value solutions, safe and high quality products and services at cost effective rates. These strengths are being applied on innovative strategies to leverage us towards higher growth in the future as the price of oil recovers to a consistent sustainable price around US$100 per barrel. Demand is expected to continue to grow as discussed in the section below on outlook.






FINANCIAL REVIEW

	30 June 2012 (unaudited) US$'000	30 June 2011 (unaudited) US$'000	Decrease US$'000	Decrease %
Turnover	**66,169**	78,081	(11,912)	(15.3%)
Gross profit	**25,404**	28,451	(3,047)	(10.7%)
Gross profit margin	**38.4%**	36.4%		
Profit from operations	**3,128**	6,283	(3,155)	(50.2%)
Profit for the period	**913**	3,175	(2,262)	(71.3%)
Earnings per share (Basic)	**US0.07 cent**	US0.41 cent		
Earnings per share (Diluted)	**US0.07 cent**	US0.41 cent		

Turnover for the first six months of 2012 decreased 15.3% to US$66.2 million from US$78.1 million in 2011. The net profit for the first six months of 2012 was US$0.9 million, representing a drop of 71.3% from the previous year of US$3.2 million. The decrease in net profit was mainly due to the revenue drop whilst the Company had to maintain overhead expenditure levels to implement our long term strategies. R&D initiatives were similarly continued to position for potential opportunities in the market. We also faced some delays in completion of the H212 Project which also resulted in increase in cost to complete. These costs have been factored into the reduction in net profit for first half year of 2012.

Segment Information by business segments

	30 June 2012		30 June 2011		Increase/(Decrease)	
	US$'000	% of total	US$'000	% of total	US$'000	%
Turnover						
Capital Equipment and Packages	**41,376**	63%	55,106	70%	(13,730)	(24.9%)
Oilfield Expendables and Supplies	**15,291**	23%	12,223	16%	3,068	25.1%
Engineering services	**9,502**	14%	10,752	14%	(1,250)	(11.6%)
Total	**66,169**	100%	78,081	100%	(11,912)	(15.3%)

Capital Equipment and Packages

The turnover of the Capital Equipment and Packages segment decreased from US$55.1 million in first half year of 2011 to US$41.4 million in first half year of 2012. This was mainly due to a lower number of new projects starting in the year. The Gross Profit ratio of this segment increased from 29.8% in first the half year of 2011 to 35.3% in first half year of 2012 mainly due to improved operational efficiencies.

Oilfield Expendables and Supplies (MRO Supplies)

The increase of 25.1% from US$12.2 million in the first half year of 2011 compared to US$15.3 million in the first half year of 2012 in Oilfield Expendables and Supplies (MRO Supplies) turnover came from the further expansion of the Group's distribution network with established drilling contractors and the development of products for Original Equipment Manufacturers. Revenue from two new branches in the State of Texas contributed to US$878,000 increase during the first half year of 2012. The general improvement in drilling activity also provided the base for the good growth in this segment.

Engineering Services (MRO Services)

The decrease of 11.6% in Engineering Services turnover from US$10.8 million in the first half year of 2011 to US$9.5 million in the first half year of 2012 was in line with the overall decrease in capital investment in the industry, which led to less demand for engineering personnel.

Gross Profit and Gross Profit Margins

Gross Profit decreased slightly by 10.7% from US$28.5 million to US$25.4 million with the decrease of 15.3% in Group's turnover. Gross profit margin improved slightly to 38.4% in first half year of 2012 which remained fairly consistent with the previous year margin of 36.4%.

Other Revenue

The increase in Other Revenue and net income from US$0.2 million to US$1.1million was mainly derived from the reversal of fair value loss in our USD/CNY Non Deliverable Forward contract which was provided for last year.

Operating Expense and Profit Attributable to Equity Holders of the Company

General & Administrative Expenses

General & Administration expense decreased by 5% from US$18.3 million in first half year of 2011 to US$17.4 million in the first half year of 2012. The decrease of US$0.9 million came mainly from decreased staff cost, legal and operating expenses.

Selling & Distribution Expenses

Selling & Distribution expense increased 38.7% by US$1.2 million from US$3.1 million in first half year of 2011 to US$4.3 million in first half year of 2012, with implementation of marketing and sales strategies which involved extensive domestic and oversea travelling. Another factor which contributed to the increase was recruitment of new sales staff.

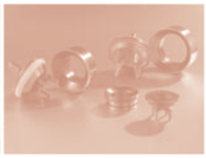
Other Operating Expenses

The increase in Other Operating Expenses from US$1 million in first half year of 2011 to US$1.7 million in first half year of 2012 was mainly due to foreign exchange currency losses and increase in amortization in intangible assets.

Finance Costs

Finance Costs, primarily interest on bank loans, amounted to approximately US$1 million compared to US$1.1 million in first half year of 2011. No significant change in finance costs as the overall bank borrowings remained around the same level.






Group's Liquidity and Capital Resources

As at 30 June 2012, the Group had intangible assets of approximately US$15 million (31 December 2011 – US$16 million). As at 30 June 2012, the Group carried fixed assets of approximately US$41 million (31 December 2011 – US$41 million) comprising property, plant and equipment, property under development and interest in leasehold land held for own use under operating leases.

As at 30 June 2012, the Group had interest in associates and deferred tax assets of approximately US$2.2 million (31 December 2011 – US$2.2 million) and approximately US$10.9 million (31 December 2011 – US$10.9 million), respectively.

As at 30 June 2012, the Group had current assets of approximately US$185.4 million (31 December 2011 – US$171.2 million). Current assets mainly comprised cash and bank balances of approximately US$27.2 million (31 December 2011 – US$34.1 million), and pledged bank deposits of approximately US$1.3 million (31 December 2011 – US$1.3 million), inventories of approximately US$57.4 million (31 December 2011 – US$39.6 million), trade and other receivables of approximately US$99.5 million (31 December 2011 – US$96 million) and amount due from a related company of approximately US$0.1 million (31 December 2011 – US$0.1 million).

As at 30 June 2012, current liabilities amounted to approximately US$93 million (31 December 2011 – US$85 million), mainly comprising trade and other payables of approximately US$79 million (31 December 2011 – US$58.7 million), bank loans of approximately US$9.6 million (31 December 2011 – US$20.5 million), current tax payables of approximately US$2.3 million (31 December 2011 – US$4.2 million).

As at 30 June 2012, the Group had non-current liabilities of approximately US$8.8 million (31 December 2011 – US$6.3 million), comprising bank loans of approximately US$7.8 million (31 December 2011 – US$4.9 million) and deferred tax liabilities of approximately US$1 million (31 December 2011 – US$1.3 million). Gearing ratio was 37%, as compared to 35% in 2011.

During the first half of 2012, the Group obtained a new revolving bank loan in an aggregate amount up to US$15 million from Standard Chartered bank. To secure the revolving bank loan, the account receivables from several material projects, from TSC Manufacturing and Supply LLC and Emer International Ltd, has been pledged. As at 30 June 2012, the revolving bank loan has not been used.

Significant Investments and Disposals

There were no other significant investments or disposals during the first half year of 2012.

Capital Structure

At the beginning of the year at 1 January 2012, there were 681,892,204 shares in issue (the "Shares") and the Company carried a share capital of approximately US$8,770,000.

During the first six months in year 2012, the Company issued 120,000 shares to option holders who exercised their options under the Company employee share option schemes. At 30 June 2012, the Company had 682,012,204 Shares in issue, and a paid up capital of approximately US$8,771,302.

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 45% of the Group's turnover was denominated in United States dollars. As at 30 June 2012, no related hedges were made by the Group.

In order to mitigate that foreign exchange exposure, we may utilize 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 2012, 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$Nil (2011: US$Nil).

Employees and Remuneration Policy

As at 30 June 2012, the Group had approximately 1,135 full-time staff in the USA., the United Kingdom ("UK"), Brazil, United Arab Emirates, Russia, Singapore, 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 and share option schemes.

Business and Market Review

Although oil price dropped during the first half year of 2012, it has since recovered to above US$100 per barrel which is a good level for supporting Capital Equipment investment decisions affecting TSC businesses. The combination of economic concerns in developed countries in the Euro Zone in particular and lower growth in emerging countries dampened the pace of recovery in 2012. Focus is concentrated on new discoveries in regions like Brazil and West Africa as well as in mature offshore drilling markets like the North Sea, mid-water Gulf of Mexico, certain parts of Asia, the Middle East and the Caspian Sea region. In the United States the market for high pressure pumping and land drilling for shale oil and gas continues to grow which offers new opportunities for TSC's MRO Supplies products. Market conditions continue to be favourable to TSC's business strategies.

Future Plans for Material Investments, Capital Assets and Capital Commitment

TSC China intends to purchase new land use rights in Qingdao, China to consolidate operations and increase production capacity and efficiency. The new facilities will also be able to meet increased R&D needs and production capacity.

TSC continues to explore plans to acquire expertise and expand capabilities by way of purchasing assets or acquisition of equity interest in companies with such expertise and or capability.

Strategy, Prospects and Order Book

Strategies

TSC continues to execute is 3-tier business strategy which can be visualized as a pyramid where the base comprises our "cash cow" business of MRO Supplies and Services (which include Repair, Engineering, Training, Installation and Commissioning), Rack Cutting, Solids Control and other developed range of equipment. The mid section of the pyramid, which we call "revenue boosters", comprises our individual sales of the wide range of products such as Deck Cranes, Mechanical Handling, Mud Pumps, Jacking Systems, Jack-up Rack and Chord, Electrical Controls and Drives. These are equipment which we design and supply individually. The top section of our strategy pyramid, our "growth engine", where we tailor our range of products as an "Integrated Solution", addressing customers needs by leveraging TSC's product range, engineering capability, project execution and financial needs taken together as one product offering.

This 3-tier business strategy is complemented with marketing and operational strategies which as a whole serves to meet our vision to transform TSC into a formidable player in the global oil and gas service and equipment industry. We also adopt a "3D" approach where our teams are Customer-Driven, Service-Driven and Solution-Driven in everything we do. This enables us to achieve the penetration into the markets that we want to win as well as to deliver our products and services on time, on quality and within budget.

Prospects

TSC's strategies are also tied in with the strategies of our partners and alliances with synergistic and complementary capabilities to form the bigger picture that TSC needs in order to implement the growth path we have set. As execution of this long term strategy unfolds, we can witness the successful transformation of TSC business profile to higher level of penetration and participation in the global demand for our products The feedback that we have received from prospective customers are encouraging. Our customers, in the emerging markets that we choose to establish our presence, highly appreciate our approach which is unique in the market compared to what is currently available in the market. We are optimistic about our long term prospects.

Order Book

As at 30 June 2012, the Group as a whole carried an order backlog of approximately US$144.3 million, of which US$113 million relates to Capital Equipment and Packages, US$25.5 million relates to MRO Services and US$5.8 million relates to MRO Supplies.

Formation of a Joint Venture Company

On 18 April 2012, the Company entered into the joint venture agreement ("JV Agreement") with a third party, Independence Drilling S.A. ("ID"), for the formation of a joint venture company ("JVC") which will be incorporated in accordance with the laws of Colombia. The JVC will create a strategic alliance between ID and the Company to merchandise, procure and distribute the products in the most cost efficient and effective manner. Both parties desire to provide for the joint exploration, evaluation, and implementation of practices and procedures to reduce total supply chain costs and allow each party to equitably share the benefits of such practices and procedures. Both ID and the Company are desirous of entering into operations joint venture for the Country of Colombia or other geographical areas in order to provide a base for operations to jointly develop the market in which both parties would mutually benefit from.

The registered capital of the JVC will be US$2,000,000, in which the Company will subscribe 60% equity interests of the JVC for a cash consideration of US$1,200,000 and ID will subscribe 40% equity interests of the JVC for a cash consideration of US$800,000. The subscription money of US$1,200,000 in cash payable by the Company will be funded from the Company's internal resources.

The JVC will be classified as a subsidiary in the financial statements of the Company. The subscription money payable by each of the parties to the JV Agreement will be used as the initial working capital of the JVC.

As all of the applicable percentage ratios represented by the size of the financial commitment for the Company in connection with the above joint venture transaction are less than 5%, the formation of the JVC is exempt from the reporting requirement of under Chapter 14 of the Listing Rules.

Non-Exempt Continuing Connected Transaction

In view of the expiry of the old master agreement on 31 December 2011, the Company (as seller) entered into a new master agreement (the "New Master Agreement") with CIMC Raffles Offshore (Singapore) Limited (formerly known as Yantai Raffles Shipyard Limited) ("CIMC Raffles") (as buyer) on 24 April 2012 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 2014 (the "Transaction"). Pursuant to the New Master Agreement, the annual caps for each of the three years ending 31 December 2014 are US$200 million (equivalent to approximately HK$1,560 million (the "Annual Caps").

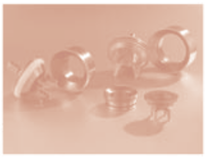
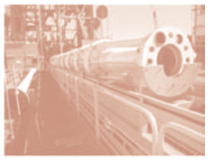
Since the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for each of the Annual Caps exceed 25%, the Transaction constitutes non-exempt continuing connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, annual review, 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 4 June 2012, 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 24 April 2012 and in the circular dated 14 May 2012 which were all published on the websites of the Stock Exchange and the Company.

Subsequent Events

Save as disclosed in this report, no subsequent events occurred after 30 June 2012 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 2012, 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					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
	Personal interests	Family interests	Corporate interests	Other interests	Total		
Mr. Zhang Menggui *(Note 1)*	4,056,000	–	106,871,200	–	110,927,200	600,000	16.35%
Mr. Jiang Bing Hua *(Note 1)*	4,056,000	–	106,871,200	–	110,927,200	600,000	16.35%
Mr. Jiang Longsheng	–	–	–	–	–	400,000	0.06%
Mr. Brian Chang *(Note 2)*	–	–	66,072,800	–	66,072,800	–	9.69%
Mr. Chan Ngai Sang, Kenny	–	–	–	–	–	500,000	0.07%
Mr. Bian Junjiang	–	–	–	–	–	350,000	0.05%
Mr. Guan Zhichuan	120,000	–	–	–	120,000	180,000	0.04%

Notes:

1. Global Energy Investors, LLC. is the beneficial owner of 106,871,200 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 106,871,200 Shares beneficially owned by Global Energy Investors, LLC. under Part XV of the SFO.

2. 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.

3. Please refer to the section "Share Option Schemes" below for details of share options held by the Directors and Chief Executives of the Company.

Save as disclosed above, as at 30 June 2012, 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 2012, 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
Madam Chen Fengying *(Note 1)*	Interest of the spouse	110,927,200 Shares and 600,000 share options	16.35%
Madam Zhang Jiuli *(Note 2)*	Interest of the spouse	110,927,200 Shares and 600,000 share options	16.35%
Global Energy Investors, LLC. *(Note 3)*	Corporate	106,871,200 Shares	15.67%
Windmere International Limited *(Note 4)*	Corporate	66,072,800 Shares	9.69%
China International Marine Containers (Group) Company Limited *(Note 5)*	Corporate	92,800,000 Shares	13.61%
China International Marine Containers (Hong Kong) Limited *(Note 5)*	Corporate	92,800,000 Shares	13.61%
Harmony Master Fund *(Note 6)*	Corporate	34,094,800 Shares	5.00%

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 the Cayman Islands. Harmony Fund is managed by DM Fund Management Limited, a company registered in Cayman Island and a subsidiary of DM Capital Limited, a company incorporated in British Virgin Islands. DM Capital Limited is principally engaged in equity research and investment, venture investment and merger & acquisition advisory with offices located in China, Hong Kong and New York.

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

Name of subsidiary	Name of substantial shareholder	Percentage of shareholding
TSC Deepwater Systems, LLC.	Mr. Doug E. Wheeler	29%
Jurun Limited	Xingbo Limited	49%

Save as disclosed above, as at 30 June 2012, 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

Pursuant to written resolutions of all shareholders of the Company on 19 and 20 October 2005, the Company adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Scheme") and a Post-IPO Share Option Scheme (the "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 a total of 432,000 share options remain valid and outstanding as at 30 June 2012.

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 25,932,000 share options remain valid and outstanding as at 30 June 2012.

On 5 August 2009, the adoption of the new Share Option Scheme up to 56,254,040 Shares (the "New Scheme") 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. 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, and (iii) 2,400,000 share options at HK$1.97 each to 2 employees of the Group on 21 February 2011. Based on a valuation report done by an independent valuer, Jones Lang LaSalle Sallmanns, the value of the options granted on 18 September 2009, 1 September 2010 and 21 February 2011 under the New Scheme were HK$18,701,000, HK$4,602,100 and HK$1,973,100 respectively. The closing price of the Company's Shares on the preceding option granted on 17 September 2009, 31 August 2010 and 18 February 2011 under the New Scheme were HK$1.85, HK$1.23 and HK$1.92 respectively. 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 Shares available for issue under all the share option schemes as at the date of this interim report is 24,489,040 Shares, representing 3.59% of the issued share capital of the Company.

Details of the movement of options under the Pre-IPO Scheme for the six months ended 30 June 2012 were as follows:

				Number of share options				
Name or category of participant	Date of grant *(Notes 1 & 2)*	Exercisable period *(Notes 1, 2 & 3)*	Exercise price per share *HK$*	Balance as at 01.01.2012	Exercised during the period *(Notes 4)*	Cancelled during the period *(Note 4)*	Lapsed during the period *(Note 4)*	Balance as at 30.06.2012
Employees	19.10.2005	29.11.2005 to 18.10.2015	0.2383	432,000	–	–	–	432,000
Total				432,000	–	–	–	432,000

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 originally granted subject to any adjustment due to a bonus issue, 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 semi-annual increments of 10% of the total options originally granted subject to any adjustment due to the bonus issue, for a period not later than 10 years from the date of grant.

4. The period refers to the six months ended 30 June 2012.

Details of movement of options under the Post-IPO Scheme including the Refreshment, for the six months ended 30 June 2012 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 01.01.2012	Granted during the period *(Note 4)*	Exercised during the period *(Note 4)*	Cancelled during the period *(Note 4)*	Lapsed during the period *(Note 4)*	Balance as at 30.06.2012
(i)	Employees	10.05.2007	10.11.2007 to 09.05.2017	2.43	5,582,000	–	–	–	–	5,582,000
	Sub-total				5,582,000	–	–	–	–	5,582,000
(ii)	Employees	12.11.2007	12.05.2008 to 11.11.2017	5.60	7,760,000	–	–	–	(360,000)	7,400,000
	Consultants	12.11.2007	12.05.2008 to 11.11.2017	5.60	200,000	–	–	–	–	200,000
	Sub-total				7,960,000	–	–	–	(360,000)	7,600,000
(iii)	Employees	15.01.2008	15.07.2008 to 14.01.2018	5.23	2,000,000	–	–	–	–	2,000,000
	Sub-total				2,000,000	–	–	–	–	2,000,000
(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	600,000	–	–	–	–	600,000
	Mr. Jiang Bing Hua	29.12.2008	29.06.2009 to 28.12.2018	0.54	600,000	–	–	–	–	600,000
	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	500,000	–	–	–	–	500,000
	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	180,000	–	–	–	–	180,000
					2,630,000	–	–	–	–	2,630,000
	Employees and other	29.12.2008	29.06.2009 to 28.12.2018	0.54	6,640,000	–	(120,000)	–	(100,000)	6,420,000
	Sub-total				9,270,000	–	(120,000)	–	(100,000)	9,050,000
	Total				26,512,000	–	(120,000)	–	(460,000)	25,932,000

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 2012.

Details of movement of options under the New Scheme for the six months ended 30 June 2012 were as follows:

				Number of share options					
Name or category of participant	Date of grant *(Notes 1 & 2)*	Exercisable period *(Notes 1, 2 & 3)*	Exercise price per share *HK$*	Balance as at 01.01.2012	Granted during the period *(Note 4)*	Exercised during the period *(Note 4)*	Cancelled during the period *(Note 4)*	Lapsed during the period *(Note 4)*	Balance as at 30.06.2012
(i) Employees	18.09.2009	18.03.2010 to 17.09.2019	2.06	16,950,000	–	–	–	(450,000)	16,500,000
(ii) Employees	01.09.2010	01.03.2011 to 31.08.2020	1.27	7,770,000	–	–	–	–	7,770,000
(iii) Employees	21.02.2011	21.08.2011 to 20.02.2021	1.97	2,400,000	–	–	–	–	2,400,000
Total				27,120,000	–	–	–	(450,000)	26,670,000

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 2012.

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 2012.

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 2012.

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), Mr. Bian Junjiang and Mr. Guan Zhichuan. All of them are independent non-executive Directors. The audit committee of the Company has reviewed the unaudited results of the Group for the six months ended 30 June 2012 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.

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 2012.

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 2012.

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 period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code during the period from 1 April 2012 to 30 June 2012 as set out in Appendix 14 to Listing Rules at that time except for the deviation from CG Code A.6.7 where one executive director, three independent non-executive directors and three non-executive directors were absent from the last annual general meeting and extraordinary general meeting of the Company both held on 4 June 2012 as they were away from Hong Kong due to other important engagements at the time of those meetings.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

An interim report for the six months ended 30 June 2012 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.tsc-holdings.com) in due course.

ACKNOWLEDGEMENT

The Directors would like to take this opportunity to express our sincere thanks to all the shareholders for their continuous support and to all our 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, 28 August 2012

BOARD OF DIRECTORS

Executive Directors

Mr. Jiang Bing Hua *(Executive Chairman)*
Mr. Zhang Menggui *(Chief Executive Officer)*

Non-executive Directors

Mr. Jiang Longsheng
Mr. Brian Chang
Mr. Yu Yuqun

Independent non-executive Directors

Mr. Chan Ngai Sang, Kenny
Mr. Bian Junjiang
Mr. Guan Zhichuan
Mr. Robert William Fogal Jr

COMPLIANCE OFFICER

Mr. Zhang Menggui

CHIEF FINANCIAL OFFICER

Mr. Lim Joo Heng, Paul

COMPANY SECRETARY

Ms. Cheung Wai Sze, Candy

AUTHORISED REPRESENTATIVES

Mr. Zhang Menggui
Mr. Jiang Bing Hua

AUDIT COMMITTEE

Mr. Chan Ngai Sang, Kenny *(Chairman)*
Mr. Bian Junjiang
Mr. Guan Zhichuan

REMUNERATION COMMITTEE

Mr. Bian Junjiang *(Chairman)*
Mr. Zhang Menggui
Mr. Jiang Bing Hua
Mr. Chan Ngai Sang, Kenny
Mr. Guan Zhichuan

COMPLIANCE COMMITTEE

Mr. Zhang Menggui *(Chairman)*
Mr. Bian Junjiang
Mr. Chan Ngai Sang, Kenny
Mr. Guan Zhichuan
Mr. Chung Man Lai
Ms. Cheung Wai Sze, Candy

NOMINATION COMMITTEE

Mr. Jiang Bing Hua *(Chairman)*
Mr. Zhang Menggui
Mr. Chan Ngai Sang, Kenny
Mr. Bian Junjiang
Mr. Guan Zhichuan

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

OPERATIONS HEADQUARTERS

7611 Railhead Lane
Houston
Texas 77086
U.S.A.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 910, 9/F
China Merchants Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
P.O. Box 484, HSBC House
68 West Bay Road
Grand Cayman
KY1-1106
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank
China Construction Bank, Qingdao Branch
China Construction Bank, Shaanxi Branch
Hi-Tech Development Zone Sub-branch
Bank of Communications, Qingdao Branch
Metrobank N.A.
The Royal Bank of Scotland

AUDITORS

KPMG

WEBSITE

www.tsc-holdings.com

STOCK CODE

206

TSC Group Holdings Limited

Stock Code: 206