TSC Group Holdings Limited

Stock Code: 206

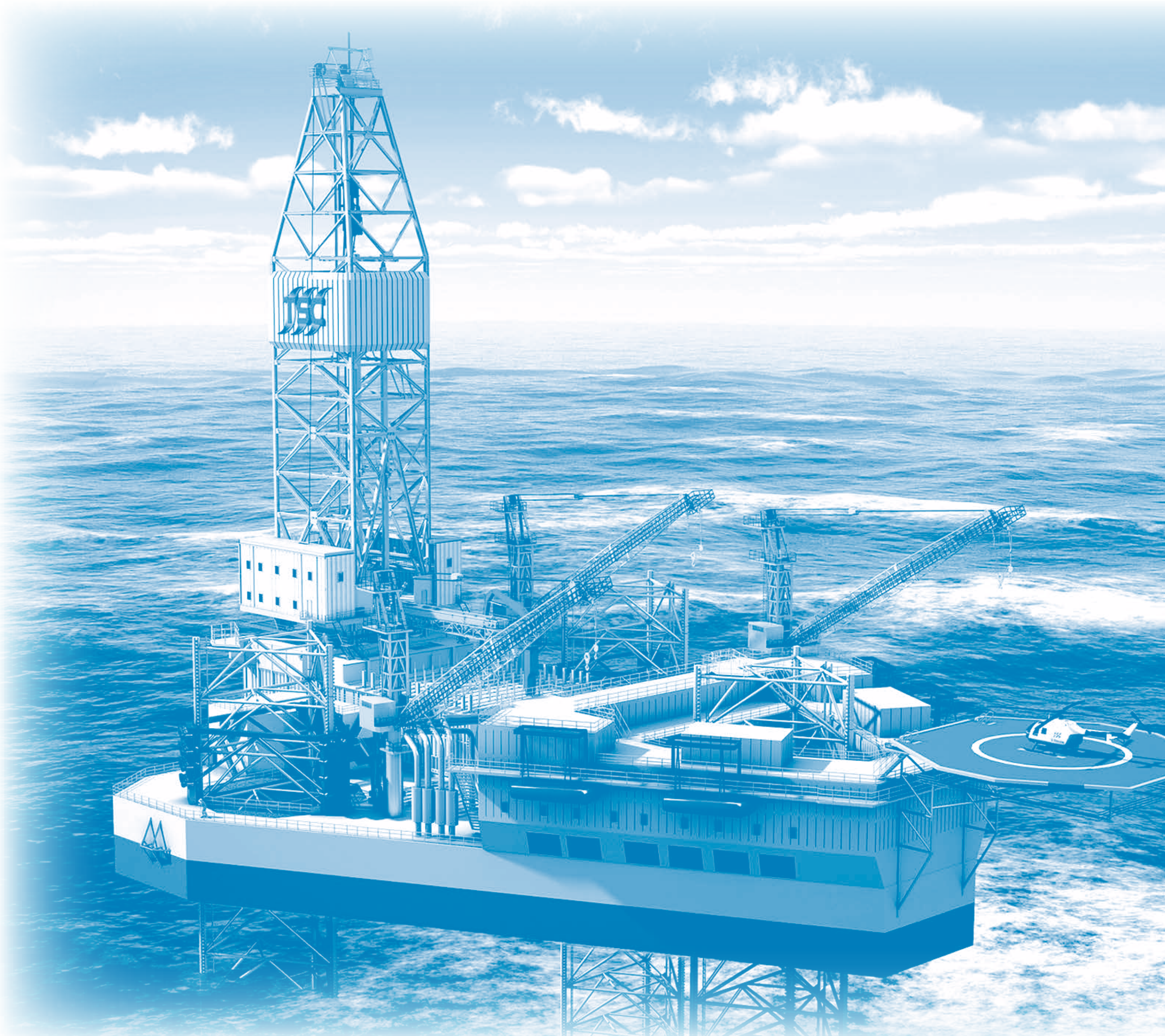
BEYOND INTEGRATION SEAMLESS SOLUTIONS™

INTERIM REPORT 2014

Global Products and **Services** to **Onshore** and **Offshore** **Drilling Industry**

Your Ultimate
Total **S**olutions **C**ompany

Sales Services Solutions



INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

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 2014, together with the unaudited comparative figures for the corresponding period in 2013 as follows:

RESULTS HIGHLIGHTS

- The Group's turnover for the six months ended 30 June 2014 reached approximately US$108.2 million, representing an increase of approximately 27.1% from US$85.1 million for the same period for 2013;
- Gross profit amounted to approximately US$35.4 million for the six months ended 30 June 2014, representing an increase of approximately 53.8% from US$23.0 million for the same period for 2013;
- Net profit attributed to equity shareholders of the Company amounted to approximately US$10.3 million for the six months ended 30 June 2014, representing approximately 128.9% increase over the same period for 2013;
- Earnings per share for the six months ended 30 June 2014 was US1.49 cent, representing an increase of 125.8% compared with US0.66 cent per share for the same period in 2013. 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 2014.

Condensed Consolidated Income Statement

		For the six months ended 30 June	
		2014	2013
		(unaudited)	(unaudited)
	Notes	**US$'000**	US$'000
Turnover	*3, 4*	**108,153**	85,106
Cost of sales		**(72,796)**	(62,113)
Gross profit		**35,357**	22,993
Other revenue and net income	*5*	**380**	1,921
Selling and distribution expenses		**(4,540)**	(4,076)
General and administrative expenses		**(16,624)**	(12,326)
Other operating expenses		**(1,365)**	(1,434)
Profit from operations		**13,208**	7,078
Finance costs	*6*	**(1,412)**	(1,605)
Profit before taxation	*7*	**11,796**	5,473
Income tax	*8*	**(1,329)**	(705)
Profit for the period		**10,467**	4,768
Attributable to:			
Equity shareholders of the Company		**10,306**	4,499
Non-controlling interests		**161**	269
Profit for the period		**10,467**	4,768
Earnings per share			
Basic	*10(a)*	**US1.49 cent**	US0.66 cent
Diluted	*10(b)*	**US1.44 cent**	US0.64 cent

Condensed Consolidated Statement of Comprehensive Income

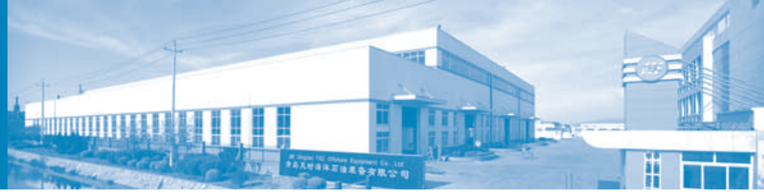
	Notes	For the six months ended 30 June 2014 (unaudited) US$'000	2013 (unaudited) US$'000
Profit for the period		**10,467**	4,768
Other comprehensive income for the period:			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of subsidiaries and associate (with nil tax effect)		**248**	322
Total comprehensive income for the period		**10,715**	5,090
Attributable to:			
Equity shareholders of the Company		**10,542**	4,760
Non-controlling interests		**173**	330
Total comprehensive income for the period		**10,715**	5,090

Condensed Consolidated Statement of Financial Position

	Notes	As at 30 June 2014 (unaudited) US$'000	As at 31 December 2013 (audited) US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**35,183**	36,940
Property under development		**1,537**	–
Interests in leasehold land held for own use under operating leases		**9,883**	10,021
Goodwill		**25,177**	25,177
Other intangible assets		**10,681**	11,997
Prepayments	*12*	**26**	419
Deferred tax assets		**11,695**	11,500
		94,182	96,054
CURRENT ASSETS			
Inventories		**46,034**	47,008
Trade and other receivables	*12*	**99,012**	114,620
Gross amount due from customers for contract work		**45,186**	56,270
Amount due from related company		**101**	101
Pledged bank deposits		**1,741**	2,718
Cash at bank and in hand		**24,664**	37,909
		216,738	258,626
CURRENT LIABILITIES			
Trade and other payables	*13*	**51,634**	105,267
Bank loans and other borrowings		**27,819**	29,796
Current taxation		**6,760**	6,145
Provisions		**1,456**	1,456
		87,669	142,664

Condensed Consolidated Statement of Financial Position (Continued)

	Notes	As at 30 June 2014 (unaudited) US$'000	As at 31 December 2013 (audited) US$'000
NET CURRENT ASSETS		**129,069**	115,962
TOTAL ASSETS LESS CURRENT LIABILITIES		**223,251**	212,016
NON-CURRENT LIABILITIES			
Bank loans and other borrowings		**7,283**	7,073
Deferred tax liabilities		**630**	699
		7,913	7,772
NET ASSETS		**215,338**	204,244
CAPITAL AND RESERVES			
Share capital		**8,958**	8,884
Reserves		**199,439**	187,514
Total equity attributable to equity shareholders of the Company		**208,397**	196,398
Non-controlling interests		**6,941**	7,846
TOTAL EQUITY		**215,338**	204,244



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	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 2013 (audited)	8,781	120,120	2,161	1,152	6,312	512	627	4,690	33,249	177,604	7,497	185,101
Changes in equity for the six months ended 30 June 2013:												
Profit for the period	–	–	–	–	–	–	–	–	4,499	4,499	269	4,768
Other comprehensive income	–	–	–	261	–	–	–	–	–	261	61	322
Total comprehensive income	–	–	–	261	–	–	–	–	4,499	4,760	330	5,090
Shares issued under share option schemes	25	189	–	–	(97)	–	–	–	–	117	–	117
Equity-settled share-based transactions	–	–	–	–	359	–	–	–	–	359	–	359
Balance at 30 June 2013 (unaudited)	8,806	120,309	2,161	1,413	6,574	512	627	4,690	37,748	182,840	7,827	190,667
Balance at 1 January 2014 (audited)	**8,884**	**121,611**	**2,161**	**4,053**	**6,061**	**512**	**627**	**5,724**	**46,765**	**196,398**	**7,846**	**204,244**
Changes in equity for the six months ended 30 June 2014:												
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**10,306**	**10,306**	**161**	**10,467**
Other comprehensive income	**–**	**–**	**–**	**236**	**–**	**–**	**–**	**–**	**–**	**236**	**12**	**248**
Total comprehensive income	**–**	**–**	**–**	**236**	**–**	**–**	**–**	**–**	**10,306**	**10,542**	**173**	**10,715**
Shares issued under share option schemes	**74**	**1,650**	**–**	**–**	**(574)**	**–**	**–**	**–**	**–**	**1,150**	**–**	**1,150**
Equity-settled share-based transactions	**–**	**–**	**–**	**–**	**307**	**–**	**–**	**–**	**–**	**307**	**–**	**307**
Dividends paid to non-controlling shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,078)**	**(1,078)**
Balance at 30 June 2014 (unaudited)	**8,958**	**123,261**	**2,161**	**4,289**	**5,794**	**512**	**627**	**5,724**	**57,071**	**208,397**	**6,941**	**215,338**

Condensed Consolidated Statement of Cash Flow

	For the six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	US$'000	US$'000
Operating activities		
Cash used in operations	**(7,894)**	(14,767)
Tax Paid	**(713)**	(2,529)
Net cash used in operating activities	**(8,607)**	(17,296)
Investing activities		
Payment for the purchase of property, plant and equipment	**(1,183)**	(1,359)
Other cash flows (used in)/generated from investing activities	**(1,377)**	2,319
Net cash (used in)/generated from investing activities	**(2,560)**	960
Financing activities		
Proceeds from shares issued under share option schemes	**1,151**	116
(Repayment of)/proceeds from bank loans and other borrowings	**(1,977)**	11,206
Other cash flows used in financing activities	**(1,203)**	(1,605)
Net cash (used in)/generated from financing activities	**(2,029)**	9,717
Net decrease in cash and cash equivalents	**(13,196)**	(6,619)
Cash and cash equivalents at 1 January	**37,909**	30,988
Effect of foreign exchanges rates changes	**(49)**	183
Cash and cash equivalents at 30 June	**24,664**	24,552

Notes to the Financial Statements

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempt 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 2014 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 2013.

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 10, *Consolidated financial statements*

- Amendments to HKFRS 12, *Disclosure of interests in other entities*

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, 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, goodwill, intangible assets and current assets with the exception of interest in associates, cash at bank and in hand, pledged bank deposits, 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 bank loans and other borrowings, 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, 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 and additions to non-current segment assets used by the segments in their operations. Inter-segment revenue is priced with reference to prices charged to external parties for similar orders.

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 2014 and 2013 is set out below.

	Capital equipment and packages		Oilfield expendables and supplies		Engineering services		Total	
	Unaudited		Unaudited		Unaudited		Unaudited	
	For the period ended		For the period ended		For the period ended		For the period ended	
	30 June 2014	30 June 2013	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Revenue from external customers	**74,105**	59,684	**23,109**	18,170	**10,939**	7,252	**108,153**	85,106
Inter-segment revenue	**821**	–	**2,289**	1,379	**195**	–	**3,305**	1,379
Reportable segment revenue	**74,926**	59,684	**25,398**	19,549	**11,134**	7,252	**111,458**	86,485
Reportable segment results	**12,921**	10,415	**2,138**	387	**3,018**	18	**18,077**	10,820

The segment assets and liabilities as at 30 June 2014 and 31 December 2013 is set out below:

	Capital equipment and packages		Oilfield expendables and supplies		Engineering services		Total	
	As at 30 June 2014 (unaudited)	As at 31 December 2013 (audited)	**As at 30 June 2014 (unaudited)**	As at 31 December 2013 (audited)	**As at 30 June 2014 (unaudited)**	As at 31 December 2013 (audited)	**As at 30 June 2014 (unaudited)**	As at 31 December 2013 (audited)
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Reportable segment assets	**195,517**	242,412	**53,295**	34,361	**22,522**	24,556	**271,334**	301,329
Reportable segment liabilities	**(35,917)**	(91,627)	**(10,935)**	(9,604)	**(5,557)**	(4,711)	**(52,409)**	(105,942)

3. SEGMENT REPORTING *(continued)*

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

	Unaudited For the six months ended 30 June 2014 US$'000	2013 US$'000
Revenue		
Reportable segment revenue	**111,458**	86,485
Elimination of inter-segment revenue	**(3,305)**	(1,379)
Condensed consolidated turnover	**108,153**	85,106
Profit		
Segment results	**18,077**	10,820
Finance costs	**(1,412)**	(1,605)
Unallocated head office and corporate income and expenses	**(4,869)**	(3,742)
Condensed consolidated profit before taxation	**11,796**	5,473

	As at 30 June 2014 (unaudited) US$'000	As at 31 December 2013 (audited) US$'000
Assets		
Reportable segment assets	**271,334**	301,329
Pledged bank deposits	**1,741**	2,718
Cash at bank and in hand	**24,664**	37,909
Deferred tax assets	**11,695**	11,500
Unallocated head office and corporate assets	**1,486**	1,224
Condensed consolidated total assets	**310,920**	354,680
Liabilities		
Reportable segment liabilities	**(52,409)**	(105,942)
Current taxation	**(6,760)**	(6,145)
Bank loans	**(35,102)**	(36,869)
Deferred tax liabilities	**(630)**	(699)
Unallocated head office and corporate liabilities	**(681)**	(781)
Condensed consolidated total liabilities	**(95,582)**	(150,436)

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, property under development, interest in leasehold land held for own use under operating lease, goodwill, other intangible assets, interest in associate and non-current portion of prepayments ("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, property under development 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 intangible assets and goodwill, and the location of operations, in the case of interest in associate and non-current portion of prepayments.

	Revenue from external customers		**Specified non-current assets**	
	For the six months ended 30 June 2014 (unaudited) US$'000	For the six months ended 30 June 2013 (unaudited) US$'000	**As at 30 June 2014 (unaudited) US$'000**	As at 31 December 2013 (audited) US$'000
Hong Kong	**492**	771	**106**	144
Mainland China	**76,012**	49,807	**47,921**	48,668
North America	**8,349**	10,596	**2,306**	1,650
South America	**5,373**	5,060	**399**	1,104
Europe	**11,030**	10,142	**29,068**	30,180
Singapore	**1,222**	648	**5**	2
Others (Other part of Asia, India, Russia etc.)	**5,675**	8,082	**2,682**	2,806
	108,153	85,106	**82,487**	84,554

4. TURNOVER

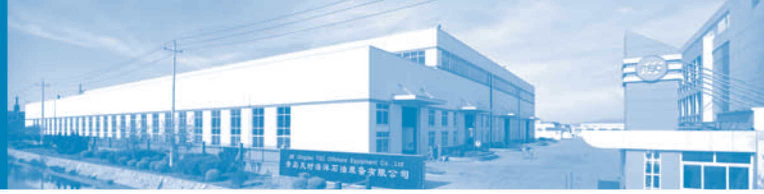
The principal activities of the Group are the design, manufacturing, installation and commissioning of capital equipment and packages on land and offshore rigs, design and manufacture of oilfield expendables and supplies, and the provision of engineering services.

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 2014 US$'000	30 June 2013 US$'000
Capital equipment and packages		
– Sales of capital equipment	**26,350**	23,828
– Construction contracts revenue	**47,755**	35,856
	74,105	59,684
Oilfield expendables and supplies		
– Sales of expendables and supplies	**23,109**	18,170
Engineering services		
– Service fee income	**10,939**	7,252
	108,153	85,106

5. OTHER REVENUE AND NET INCOME

	Unaudited For the six months ended 30 June 2014 US$'000	30 June 2013 US$'000
Interest income	**62**	192
Net foreign exchange gain	**–**	1,332
Others	**318**	397
	380	1,921



6. FINANCE COSTS

	Unaudited For the six months ended	
	30 June 2014	30 June 2013
	US$'000	US$'000
Interest on bank loans and other borrowings wholly repayable within five years	**1,300**	1,524
Interest on other bank loans	**112**	81
	1,412	1,605

7. PROFIT BEFORE TAXATION

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

	Unaudited For the six months ended	
	30 June 2014	30 June 2013
	US$'000	US$'000
Amortisation	**1,509**	1,393
Depreciation	**2,227**	2,000
Research and development costs	**551**	949
Net foreign exchange loss/(gain)	**513**	(1,332)

8. INCOME TAX

	Unaudited For the six months ended	
	30 June 2014	30 June 2013
	US$'000	US$'000
Current tax		
Provision for the period		
– People's Republic of China ("PRC") enterprise income tax	**1,238**	1,264
– Overseas corporation income tax	**403**	246
	1,641	1,510
Deferred tax		
Origination and reversal of temporary differences	**(312)**	(805)
	1,329	705

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 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 2014 (six months ended 30 June 2013: Nil).

10. EARNINGS PER SHARE

(a) Basic earnings per share

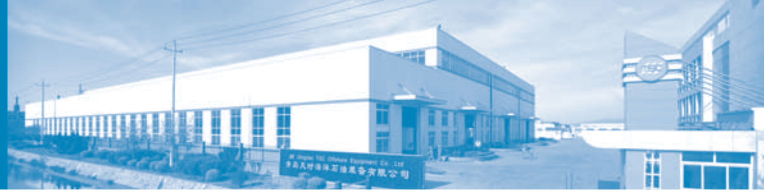
The calculation of the basic earnings per share for the six months ended 30 June 2014 are based on the profit attributable to ordinary equity shareholders of the Company of approximately US$10,306,000 (six months ended 30 June 2013: US$4,499,000) and the weighted average number of 693,715,000 (six months ended 30 June 2013: 684,390,000) 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 2014 are based on the profit attributable to ordinary equity shareholders of the Company of approximately US$10,306,000 (six months ended 30 June 2013: US$4,499,000) and the weighted average number of 713,784,000 (six months ended 30 June 2013: 698,404,000) 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$1,183,000 (six months ended 30 June 2013: US$1,359,000).



12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2014 US$'000 (unaudited)	As at 31 December 2013 US$'000 (audited)
Trade debtors and bills receivable	**86,015**	106,870
Less: allowances for doubtful debts	**(4,202)**	(4,208)
	81,813	102,662
Other receivables, prepayments and deposits	**17,225**	12,377
	99,038	115,039
Less: Non-current portion of prepayments	**(26)**	(419)
	99,012	114,620

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 allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	As at 30 June 2014 US$'000 (unaudited)	As at 31 December 2013 US$'000 (audited)
Current	**36,786**	58,555
Less than 1 month past due	**13,957**	10,449
1 to 3 months past due	**6,617**	11,581
More than 3 months but within 12 months past due	**16,968**	11,018
More than 12 months past due	**7,485**	11,059
Amounts past due	**45,027**	44,107
	81,813	102,662

13. TRADE AND OTHER PAYABLES

	As at 30 June 2014 US$'000 (unaudited)	As at 31 December 2013 US$'000 (audited)
Trade creditors and bills payable	**45,413**	54,214
Advances received in relation to construction work	**1,428**	37,620
Other payables and accrued charges	**4,793**	13,433
	51,634	105,267

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 2014 US$'000 (unaudited)	As at 31 December 2013 US$'000 (audited)
Within 1 month	**28,461**	39,081
More than 1 month but within 3 months	**6,607**	6,300
More than 3 months but within 12 months	**7,718**	5,546
More than 12 months but within 24 months	**590**	1,125
More than 24 months	**2,037**	2,162
	45,413	54,214

14. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these condensed consolidation 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 2014	30 June 2013
	US$'000	US$'000
Sales of capital equipment and packages	**12,598**	25,849

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.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation. Certain staff costs included in general and administrative expenses in the period ended 30 June 2013 were reclassified to cost of sales to conform to current period's presentation.

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 2014.

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, solids control, power control and drives, tensioning and compensation systems for various offshore drilling rigs, completion, intervention and workover vessels for oil and gas wells as well as for land rigs.

Our rig Maintenance, Repair and Operations (MRO) segments comprises two business units. The MRO Supplies business unit comprises the manufacturing 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.

INDUSTRY REVIEW

During the six months, oil price, which influences the demand for our products and services and capital spending budgets of our customers, stayed more stable than first half of 2013 at level over $105 per barrel (Brent Crude Oil) and closed at $112 per barrel at end of June 2014. 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, offshore rig demand has become more rational after the boom in the past several years.

BUSINESS REVIEW

In the first half of 2014, the Group's main business was still focusing on the provision of offshore rig integrated solutions, rig equipment for onshore and offshore rigs, as well as MRO (Maintenance, Repair and Operations) supplies to onshore and offshore rig operations. In addition, TSC, through its wholly-owned subsidiary Alliance Offshore Drilling Pte Ltd. (AOD), was in the process of building a 400 feet jack-up rig (R-550) in Huangpu Shipyard in China. This is one of the many ways of fully leveraging TSC's complete product offerings, integrated engineering capabilities, project management experiences and shipyard resources.

Benefiting from the rig construction boom in the Chinese shipyards, TSC's equipment and package sales to the Chinese shipyards reached another new milestone, especially for BOP handling systems, conductor tension unit (CTU), deck cranes, rack cutting services and jacking system for jack-up rigs. Two of the 300 feet jack-up rigs with TSC drilling packages have been successfully deployed to Bohai Bay water and commenced drilling operations. Two more similar offshore rigs with full TSC rig packages are in the construction or commissioning stage. With the delivery of these two rigs, there will be eight (8) 300 feet jack-up rigs with full TSC equipment packages added to the global jack-up rig fleet.

In the onshore areas, innovation in TSC's mud pumps were paid in the first half of this year. In the first half of 2014, seventeen (17) sets of mud pumps were sold to the North America market. Ten (10) mud tank system orders were received from several clients in China and West Africa. Our traditional key products such as electrical controls and drives and MRO supplies sales were growing as expected. Two new stores in West Texas and in Wyoming, USA started contributing sales and profits.

Engineering services in Brazil market were declining because of the tremendous budget cut by Petrobras, one of the most dominant players in Brazil. TSC adjusted its strategic focus by shifting efforts to Middle East and North Sea while maintaining presence in Brazil, awaiting the expected rebond market.

The PDQ land rigs continued to receive attention from global clients. It is expected that major orders will be received in the second half year. TSC will continue its strategy in land rig and associated products with innovated practical solutions to the clients, especially in the unconventional oil and gas development.

To execute our emerging country strategy, TSC penetrated Mexican market by securing a $63 million land rig automation upgrade project for Pemex. Similar efforts were made in Venezuela, Russia and Middle East while maintaining its strong hold in China market.

We also achieved a record high order backlog of $231.8 million. This solid backlog will provide a strong base for TSC's growth in the second half and in 2014.

The construction of our Qingdao manufacturing facility are on schedule and it will provide badly needed infrastructure and support to the realization of our Mission 161 goal.

FINANCIAL REVIEW

	30 June 2014 (unaudited) US$'000	30 June 2013 (unaudited) US$'000	Increase US$'000	%
Turnover	**108,153**	85,106	23,047	27.1%
Gross profit	**35,357**	22,993	12,364	53.8%
Gross profit margin	**32.7%**	27.0%		
Profit from operations	**13,208**	7,078	6,130	86.6%
Profit for the period	**10,467**	4,768	5,699	119.5%
Earnings per share (Basic)	**US1.49 cent**	US0.66 cent		
Earnings per share (Diluted)	**US1.44 cent**	US0.64 cent		

Turnover for the first six months of 2014 increased 27.1% to US$108.2 million from US$85.1 million in 2013. The net profit for the first six months of 2014 was US$10.5 million, representing an increase of 119.5% from the previous year of US$4.8 million. The increase in net profit was mainly due to the increase in revenue achieved through expedited progress of projects and operational efficiency during the six month ended 30 June 2014.

Segment Information by Business Segments

	30 June 2014		30 June 2013		Increase	
	US$'000	**% of total**	US$'000	% of total	US$'000	%
Turnover						
Capital Equipment and Packages	**74,105**	**69%**	59,684	70%	14,421	24.2%
Oilfield Expendables and Supplies	**23,109**	**21%**	18,170	21%	4,939	27.2%
Engineering Services	**10,939**	**10%**	7,252	9%	3,687	50.8%
Total	**108,153**	**100%**	85,106	100%	23,047	27.1%

Capital Equipment and Packages

The turnover of the capital equipment and packages segment increased from US$59.7 million in the first half year of 2013 to US$74.1 million in the first half year of 2014. This was mainly due to the expedited progress of existing rig-turnkey projects. The gross profit ratio of this segment increased from 26.6% in the first half year of 2013 to 32.7% in the first half year of 2014.

Oilfield Expendables and Supplies (MRO Supplies)

The increase of 27.2% from US$18.2 million in the first half year of 2013 compared to US$23.1 million in the first half year of 2014 in Oilfield expendables and supplies (MRO Supplies) turnover came from expansion of the Group's distribution network. The general improvement in drilling activity also provided the base for the good growth in this segment.

Engineering Services (MRO Services)

The increase of 50.8% in engineering services turnover from US$7.3 million in the first half year of 2013 to US$10.9 million in the first half year of 2014 was in line with the overall increase in capital investment in the industry.

Gross Profit and Gross Profit Margins

Overall gross profit increased by 53.8% from US$23.0 million to US$35.4 million with the increase of 27.1% in Group's turnover. Gross profit margin increase to 32.7% in the first half year of 2014 compared with the previous year margin of 27.0% (after cost reclassification). The increase was resulted from higher manufacturing efficiency and efforts in standardizing global procurement to achieve better cost and quality management.

Other Revenue and Net Income

The decrease in other revenue and net income from US$1.9 million to US$0.4 million was mainly derived from the net exchange gain from operations in the first half of 2013 while a net foreign exchange loss of US$0.5 million was noted in the first half of 2014.

Operating Expenses and Profit Attributable to Equity Shareholders of the Company

Selling & Distribution Expenses

Selling & distribution expenses increased 11.4% by US$0.4 million from US$4.1 million in the first half year of 2013 to US$4.5 million in the first half year of 2014, with implementation of marketing and sales strategies.

General & Administrative Expenses

General & administration expenses increased from US$12.3 million in the first half year of 2013 to US$16.6 million in the first half of 2014 by 34.9%. The increase is primary due to higher staff costs as a result of the increase in headcount.

Other Operating Expenses

The increase in other operating expenses remained stable at about US$1.4 million for the periods ended 30 June 2014 and 30 June 2013.

Finance Costs

Finance costs, primarily interest on bank loans, amounted to approximately US$1.4 million compared to US$1.6 million in the first half year of 2013. The decrease in finance costs as the overall bank borrowings reduced during the period.

Group's Liquidity and Capital Resources

As at 30 June 2014, the Group had intangible assets of approximately US$10.7 million (31 December 2013 – US$12.0 million). As at 30 June 2014, the Group carried fixed assets of approximately US$46.6 million (31 December 2013 – US$47.0 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 2014, the Group had deferred tax assets of approximately US$11.7 million (31 December 2013 – US$11.5 million).

As at 30 June 2014, the Group had current assets of approximately US$216.7 million (31 December 2013 – US$258.6 million). Current assets mainly comprised cash and bank balances of approximately US$24.7 million (31 December 2013 – US$37.9 million), pledged bank deposits of approximately US$1.7 million (31 December 2013 – US$2.7 million), inventories of approximately US$46.0 million (31 December 2013 – US$47.0 million), trade and other receivables of approximately US$99.0 million (31 December 2013 – US$114.6 million), gross amount due from customers for contract work of US$45.2 million (31 December 2013 – US$56.3 million), and amount due from a related company of approximately US$0.1 million (31 December 2013 – US$0.1 million).

As at 30 June 2014, current liabilities amounted to approximately US$87.7 million (31 December 2013 – US$142.7 million), mainly comprising trade and other payables of approximately US$51.6 million (31 December 2013 – US$105.3 million), bank loans and other borrowings of approximately US$27.8 million (31 December 2013 – US$29.8 million), current taxation of approximately US$6.8 million (31 December 2013 – US$6.1 million) and provisions of US$1.5 million (31 December 2013 – US$1.5 million).

As at 30 June 2014, the Group had non-current liabilities of approximately US$7.9 million (31 December 2013 – US$7.8 million), comprising bank loans and other borrowings of approximately US$7.3 million (31 December 2013 – US$7.1 million) and deferred tax liabilities of approximately US$0.6 million (31 December 2013 – US$0.7 million). Gearing ratio was 46%, as compared to 77% in 2013.

Significant Investments and Disposals

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

Capital Structure

At the beginning of the year at 1 January 2014, there were 690,754,204 shares in issue (the "Shares") and the Company carried a share capital of approximately US$8,884,000.

During the first six months in year 2014, the Company issued 5,757,000 shares to option holders who exercised their options under the Company employee share option schemes. At 30 June 2014, the Company had 696,511,204 Shares in issue, and a paid up capital of approximately US$8,958,000.

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 2014, 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 2014, 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$Nil (2013: US$Nil).

Employees and Remuneration Policy

As at 30 June 2014, the Group had approximately 1,508 full-time staff in the USA, the United Kingdom ("UK"), Brazil, United Arab Emirates, Russia, 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 and share option schemes.

Future Plans for Material Investments, Capital Assets and Capital Commitment

TSC China purchased 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 "4D" approach where our teams are Customer-Driven, Service-Driven, Solution-Driven and Result-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 2014, the Group as a whole carried an order backlog of approximately US$231.8 million, of which US$203.3 million relates to Capital Equipment and Packages, US$9.2 million relates to MRO Supplies and US$19.3 million relates to MRO Services.

Non-Exempt Continuing Connected Transaction

For the six months ended 30 June 2014, the Group has no new sales contracts with CIMC Raffles Offshore (Singapore) Limited ("CIMC Raffles") under the continuing connected transactions mandate pursuant to the New Master Agreement approved by the Company's independent shareholders at extraordinary general meeting held on 4 June 2012. The actual sales amount of those continuing connected transactions between the Group and CIMC Raffles was approximately US$12.6 million for the period ended 30 June 2014. Further details regarding the New Master Agreement and the Annual Cap were as set out in the announcement dated 24 April 2012 and the circular dated 14 May 2012.

Subsequent Events

Save as disclosed in this report, no subsequent events occurred after 30 June 2014 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 2014, 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:

	Number of issued ordinary Shares of HK$0.10 each in the Company						
Name of Directors	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**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**
Mr. Zhang Menggui *(Note 1)*	4,656,000	–	111,507,200	–	116,163,200	–	16.68%
Mr. Jiang Bing Hua *(Note 1)*	4,656,000	–	111,507,200	–	116,163,200	–	16.68%
Mr. Jiang Longsheng	–	–	–	–	–	400,000	0.06%
Mr. Brian Chang *(Note 2)*	–	–	66,072,800	–	66,072,800	–	9.49%
Mr. Chan Ngai Sang, Kenny	–	–	–	–	–	500,000	0.07%
Mr. Bian Junjiang	–	–	–	–	–	350,000	0.05%
Mr. Guan Zhichuan	240,000	–	–	–	240,000	60,000	0.04%

Notes:

1. Global Energy Investors, LLC. is the beneficial owner of 111,507,200 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 111,507,200 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 2014, 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 2014, 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	116,163,200 Shares	16.68%
Madam Zhang Jiuli *(Note 2)*	Interest of the spouse	116,163,200 Shares	16.68%
Global Energy Investors, LLC. *(Note 3)*	Corporate	111,507,200 Shares	16.01%
Windmere International Limited *(Note 4)*	Corporate	66,072,800 Shares	9.49%
China International Marine Containers (Group) Company Limited *(Note 5)*	Corporate	92,800,000 Shares	13.32%
China International Marine Containers (Hong Kong) Limited *(Note 5)*	Corporate	92,800,000 Shares	13.32%
Harmony Master Fund *(Note 6)*	Corporate	47,904,800 Shares	6.88%

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 Island. 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. Harmony Fund primarily holds long equity positions in small capitalization stocks that derive a majority of their revenues within the Greater China region.

(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	49%
TSC Manufacturing and Supply De Colombia S.A.S	Independence Drilling S.A.	40%

Save as disclosed above, as at 30 June 2014, 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 2014.

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 17,262,000 share options remain valid and outstanding as at 30 June 2014.

New Scheme

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, (iii) 2,400,000 share options at HK$1.97 each to 2 employees of the Group on 21 February 2011, and (iv) 10,780,000 share options at HK$1.02 each to 18 employees of the Group on 4 September 2012. 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, HK$1,973,100 and HK$6,934,500 respectively. The closing price of the Company's Shares on the preceding option granted on 17 September 2009, 31 August 2010, 18 February 2011 and 3 September 2012 under the New Scheme were HK$1.85, HK$1.23, HK$1.92 and HK$1.01 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 31,408,000 share options remain valid and outstanding as at 30 June 2014. 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 7,684,040 Shares, representing 1.1% 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 2014 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 01.01.2014**	**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 30.06.2014**
(i)	Employees	10.05.2007	10.11.2007 to 09.05.2017	2.43	4,282,000	–	–	–	–	4,282,000
	Sub-total				4,282,000	–	–	–	–	4,282,000
(ii)	Employees	12.11.2007	12.05.2008 to 11.11.2017	5.60	6,190,000	–	–	–	–	6,190,000
	Consultants	12.11.2007	12.05.2008 to 11.11.2017	5.60	200,000	–	–	–	–	200,000
	Sub-total				6,390,000	–	–	–	–	6,390,000
(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	240,000	–	(240,000)	–	–	0
	Mr. Jiang Bing Hua	29.12.2008	29.06.2009 to 28.12.2018	0.54	240,000	–	(240,000)	–	–	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	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	60,000	–	–	–	–	60,000
					1,790,000	–	–	–	–	1,310,000
	Employees and other	29.12.2008	29.06.2009 to 28.12.2018	0.54	2,115,000	–	(500,000)	–	(35,000)	1,580,000
	Sub-total				3,905,000	–	–	–	(35,000)	2,890,000
	Total				18,277,000	–	(980,000)	–	(35,000)	17,262,000

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 2014.

Details of movement of options under the New Scheme for the six months ended 30 June 2014 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 01.01.2014**	**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 30.06.2014**
(i)	Employees	18.09.2009	18.03.2010 to 17.09.2019	2.06	13,220,000	–	(3,307,000)	–	(280,000)	9,633,000
(ii)	Employees	01.09.2010	01.03.2011 to 31.08.2020	1.27	6,240,000	–	(570,000)	–	–	5,670,000
(iii)	Employees	21.02.2011	21.08.2011 to 20.02.2021	1.97	2,400,000	–	–	–	–	2,400,000
(iv)	Employees	04.09.2012	04.03.2013 to 03.09.2022	1.02	9,380,000	–	(755,000)	–	(800,000)	7,825,000
(v)	Employees	30.08.2013	28.02.2014 to 29.08.2023	2.9	6,025,000	–	(145,000)	–	–	5,880,000
	Total				37,265,000	–	(4,777,000)	–	(1,080,000)	31,408,000

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 2014.

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 2014.

CHANGE OF CHIEF FINANCIAL OFFICER

With effect from 19 May 2014, Mr. LIM Joo Heng, Paul, has resigned from the position of chief financial officer of the Company and has been appointed as director of Alliance Offshore Drilling Pte Limited, a subsidiary of the Company, and also has remained all other offices within the Group; and Mr. WANG Qiang, Boris, has been appointed as chief financial officer of the Company to take over the management of financial matters of the Company.

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 2014.

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 2014 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.

REMUNERATION COMMITTEE

The remuneration committee was established on 20 October 2005 with written terms of reference in compliance with the Code. It comprises three independent non-executive Directors, namely Mr. Bian Junjiang (being the Chairman), Mr. Chan Ngai Sang, Kenny and Mr. Guan Zhichuan; 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, Mr. Bian Junjiang and Mr. Guan Zhichuan.

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 2014.

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 2014.

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 2014 to 30 June 2014 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 two non-executive directors were absent from the last annual general meeting of the Company held on 30 May 2014 as they were away from Hong Kong due to other important engagements at the time of this meeting.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2014, 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

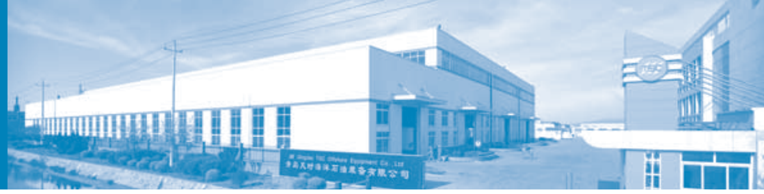
An interim report for the six months ended 30 June 2014 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.tsc-holdings.com) 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 2014



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Jiang Bing Hua *(Executive Chairman)*
Mr. Zhang Menggui, Morgan *(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, Morgan

CHIEF FINANCIAL OFFICER

Mr. Wang Qiang, Boris

COMPANY SECRETARY

Ms. Cheung Wai Sze, Candy

AUTHORISED REPRESENTATIVES

Mr. Zhang Menggui, Morgan
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, Morgan
Mr. Jiang Bing Hua
Mr. Chan Ngai Sang, Kenny
Mr. Guan Zhichuan

COMPLIANCE COMMITTEE

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

NOMINATION COMMITTEE

Mr. Jiang Bing Hua *(Chairman)*
Mr. Zhang Menggui, Morgan
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

13788 West Road, Suite 100
Houston
Texas 77041
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

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

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

AUDITORS

KPMG

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STOCK CODE

206

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Stock Code: 206

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