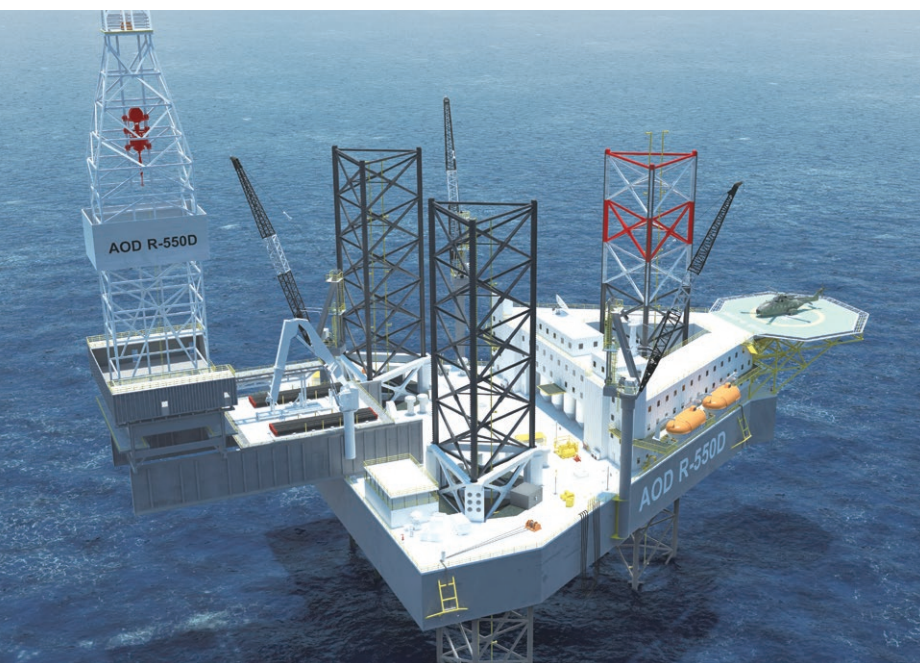




TSC Group Holdings Limited

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2015
INTERIM REPORT



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INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 2015, together with the unaudited comparative figures for the corresponding period in 2014 as follows:

RESULTS HIGHLIGHTS

- The Group's turnover for the six months ended 30 June 2015 reached approximately US\$119.6 million, representing an increase of approximately 10.6% from US\$108.2 million for the same period for 2014;
- Gross profit amounted to approximately US\$37.7 million for the six months ended 30 June 2015, representing an increase of approximately 6.7% from US\$35.4 million for the same period for 2014;
- Net profit attributed to equity shareholders of the Company amounted to approximately US\$9.5 million for the six months ended 30 June 2015, representing approximately 8.2% decrease over the same period for 2014;
- Earnings per share for the six months ended 30 June 2015 was US1.35 cent, representing a decrease of 9.4% compared with US1.49 cent for the same period in 2014. 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 2015.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 June	
		2015 (unaudited) US\$'000	2014 (unaudited) US\$'000
Turnover	3, 4	119,566	108,153
Cost of sales		(81,832)	(72,796)
Gross profit		37,734	35,357
Other revenue and net income	5	478	380
Selling and distribution expenses		(5,277)	(4,540)
General and administrative expenses		(17,994)	(16,624)
Other operating expenses		(2,211)	(1,365)
Profit from operations		12,730	13,208
Finance costs	6	(2,404)	(1,412)
Profit before taxation	7	10,326	11,796
Income tax	8	(1,079)	(1,329)
Profit for the period		9,247	10,467
Attributable to:			
Equity shareholders of the Company		9,466	10,306
Non-controlling interests		(219)	161
Profit for the period		9,247	10,467
Earnings per share			
Basic	10(a)	US1.35 cent	US1.49 cent
Diluted	10(b)	US1.34 cent	US1.44 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	For the six months ended 30 June	
		2015 (unaudited) US\$'000	2014 (unaudited) US\$'000
Profit for the period		9,247	10,467
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)		(272)	248
Total comprehensive income for the period		8,975	10,715
Attributable to:			
Equity shareholders of the Company		8,990	10,542
Non-controlling interests		(15)	173
Total comprehensive income for the period		8,975	10,715

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2015 (unaudited) US\$'000	As at 31 December 2014 (audited) US\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	33,711	34,490
Property under development		15,734	10,644
Interests in leasehold land held for own use under operating leases		8,649	8,726
Goodwill		24,334	24,089
Other intangible assets		8,317	9,169
Other financial assets		4,661	4,561
Prepayments	12	76	56
Deferred tax assets		12,478	11,355
		107,960	103,090
CURRENT ASSETS			
Inventories		63,262	50,466
Trade and other receivables	12	92,853	97,658
Gross amount due from customers for contract work		195,207	182,489
Amount due from a related company		101	101
Pledged bank deposits		6,695	4,382
Cash at bank and in hand		31,029	52,337
		389,147	387,433
Non-current assets classified as held for sales		3,485	3,470
		392,632	390,903
CURRENT LIABILITIES			
Trade and other payables	13	186,075	195,226
Bank loans and other borrowings		27,229	27,310
Current taxation		8,841	7,930
		222,145	230,466

CONDENSED
CONSOLIDATED STATEMENT OF
FINANCIAL POSITION

<i>Notes</i>	As at 30 June 2015 (unaudited) US\$'000	As at 31 December 2014 (audited) US\$'000
	170,487	160,437
NET CURRENT ASSETS		
	278,447	263,527
TOTAL ASSETS LESS CURRENT LIABILITIES		
NON-CURRENT LIABILITIES		
Bank loans and other borrowings	44,379	37,893
Deferred tax liabilities	274	467
	44,653	38,360
NET ASSETS	233,794	225,167
CAPITAL AND RESERVES		
Share capital	9,095	9,066
Reserves	221,434	212,821
Total equity attributable to equity shareholders of the Company	230,529	221,887
Non-controlling interests	3,265	3,280
TOTAL EQUITY	233,794	225,167

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to equity shareholders of the Company												Total equity US\$'000
	Share capital US\$'000	Share premium US\$'000	Merger reserve US\$'000	Exchange reserve US\$'000	Employee share-based compensation reserve US\$'000	Share held for share award plan US\$'000	Capital reserve US\$'000	Revaluation reserve US\$'000	Reserve funds US\$'000	Retained profits US\$'000	Total US\$'000	Non-controlling interests US\$'000	
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
Balance at 1 January 2015 (audited)	9,066	127,485	2,161	3,626	5,939	–	512	627	7,289	65,182	221,887	3,280	225,167
Changes in equity for the six months ended 30 June 2015:													
Profit for the period	–	–	–	–	–	–	–	–	–	9,466	9,466	(219)	9,247
Other comprehensive income	–	–	–	(476)	–	–	–	–	–	–	(476)	204	(272)
Total comprehensive income	–	–	–	(476)	–	–	–	–	–	9,466	8,990	(15)	8,975
Share purchase for shares Award plan	–	–	–	–	–	(1,027)	–	–	–	–	(1,027)	–	(1,027)
Shares issued under share option schemes	29	319	–	–	(105)	–	–	–	–	–	243	–	243
Equity-settled share-based transactions	–	–	–	–	436	–	–	–	–	–	436	–	436
Balance at 30 June 2015 (unaudited)	9,095	127,804	2,161	3,150	6,270	(1,027)	512	627	7,289	74,648	230,529	3,265	233,794

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	For the six months ended 30 June	
	2015 (unaudited) US\$'000	2014 (unaudited) US\$'000
Operating activities		
Cash used in operations	(14,497)	(7,894)
People's Republic of China ("PRC") enterprise income tax and oversea tax paid	(1,484)	(713)
Net cash used in operating activities	(15,981)	(8,607)
Investing activities		
Payment for the purchase of property, plant and equipment	(1,282)	(1,183)
Construction expenditure on property under development	(5,064)	(1,118)
Other cash flows used in investing activities	(3,338)	(259)
Net cash used in investing activities	(9,684)	(2,560)
Financing activities		
Proceeds from shares issued under share option schemes	243	1,151
Proceeds from/(repayment of) bank loans and other borrowings	6,564	(1,977)
Other cash flows used in financing activities	(2,404)	(1,203)
Net cash generated from/(used in) financing activities	4,403	(2,029)
Net decrease in cash and cash equivalents	(21,262)	(13,196)
Cash and cash equivalents at 1 January	52,337	37,909
Effect of foreign exchanges rates changes	(46)	(49)
Cash and cash equivalents at 30 June	31,029	24,664

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 2015 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 2014.

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:

- Annual Improvements to HKFRSs 2010–2012 Cycle
- Annual Improvements to HKFRSs 2011–2013 Cycle

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 cash at bank and in hand, pledged bank deposits, tax recoverables 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 payables 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.

NOTES
TO THE FINANCIAL
STATEMENTS

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 2015 and 2014 is set out below.

	Capital equipment and packages Unaudited		Oilfield expendables and supplies Unaudited		Engineering services Unaudited		Total Unaudited	
	For the period ended		For the period ended		For the period ended		For the period ended	
	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June
	2015	2014	2015	2014	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue from external customers	87,540	72,318	26,010	26,506	6,016	9,329	119,566	108,153
Inter-segment revenue	1,661	821	7,515	2,289	41	195	9,217	3,305
Reportable segment revenue	89,201	73,139	33,525	28,795	6,057	9,524	128,783	111,458
Reportable segment results	15,867	13,720	2,188	2,949	(2,181)	1,408	15,874	18,077

The segment assets and liabilities as at 30 June 2015 and 31 December 2014 is set out below:

	Capital equipment and packages		Oilfield expendables and supplies		Engineering services		Total	
	As at	As at	As at	As at	As at	As at	As at	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2015	2014	2015	2014	2015	2014	2015	2014
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Reportable segment assets	363,410	354,874	58,530	42,275	21,898	22,733	443,838	419,882
Reportable segment liabilities	(169,214)	(177,568)	(11,656)	(11,975)	(4,737)	(4,831)	(185,607)	(194,374)

NOTES
TO THE FINANCIAL
STATEMENTS

3. SEGMENT REPORTING (continued)

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

	Unaudited For the six months ended 30 June	
	2015 US\$'000	2014 US\$'000
Revenue		
Reportable segment revenue	128,783	111,458
Elimination of inter-segment revenue	(9,217)	(3,305)
Condensed consolidated turnover	119,566	108,153
Profit		
Segment results	15,874	18,077
Finance costs	(2,404)	(1,412)
Unallocated head office and corporate income and expenses	(3,144)	(4,869)
Condensed consolidated profit before taxation	10,326	11,796
	As at 30 June 2015 (unaudited) US\$'000	As at 31 December 2014 (audited) US\$'000
Assets		
Reportable segment assets	443,838	419,882
Other financial assets	4,661	4,561
Pledged bank deposits	6,695	4,382
Cash at bank and in hand	31,029	52,337
Deferred tax assets	12,478	11,355
Unallocated head office and corporate assets	1,891	1,476
Condensed consolidated total assets	500,592	493,993
Liabilities		
Reportable segment liabilities	(185,607)	(194,374)
Current taxation	(8,841)	(7,930)
Bank loans and other borrowings	(71,608)	(65,203)
Deferred tax liabilities	(274)	(467)
Unallocated head office and corporate liabilities	(468)	(852)
Condensed consolidated total liabilities	(266,798)	(268,826)

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 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 2015 (unaudited) US\$'000	For the six months ended 30 June 2014 (unaudited) US\$'000	As at 30 June 2015 (unaudited) US\$'000	As at 31 December 2014 (audited) US\$'000
Hong Kong	–	492	33	68
Mainland China	48,755	76,012	58,986	55,256
North America	59,487	8,349	6,787	6,494
South America	6,467	5,373	421	407
Europe	2,890	11,030	26,891	27,185
Singapore	334	1,222	7	5
Others (Other part of Asia, India, Russia etc.)	1,633	5,675	2,356	2,320
	119,566	108,153	95,481	91,735

NOTES
TO THE FINANCIAL
STATEMENTS

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 2015	30 June 2014
	US\$'000	US\$'000
Capital equipment and packages		
– Sales of capital equipment	19,590	22,953
– Construction contracts revenue	67,950	49,365
	87,540	72,318
Oilfield expendables and supplies		
– Sales of expendables and supplies	26,010	26,506
Engineering services		
– Service fee income	6,016	9,329
	119,566	108,153

5. OTHER REVENUE AND NET INCOME

	Unaudited	
	For the six months ended	
	30 June 2015	30 June 2014
	US\$'000	US\$'000
Interest income	83	62
Others	395	318
	478	380

NOTES
TO THE FINANCIAL
STATEMENTS

6. FINANCE COSTS

	Unaudited	
	For the six months ended	
	30 June 2015	30 June 2014
	US\$'000	US\$'000
Interest on bank loans and other borrowings wholly repayable within five years	2,404	1,300
Interest on other bank loans	–	112
	2,404	1,412

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Unaudited	
	For the six months ended	
	30 June 2015	30 June 2014
	US\$'000	US\$'000
Amortisation	1,486	1,509
Depreciation	2,322	2,227
Research and development costs	1,770	551
Net foreign exchange loss	827	513

8. INCOME TAX

	Unaudited	
	For the six months ended	
	30 June 2015	30 June 2014
	US\$'000	US\$'000
Current tax		
Provision for the period		
– People's Republic of China ("PRC") enterprise income tax	1,085	1,238
– Overseas corporation income tax	539	403
	1,624	1,641
Deferred tax		
Origination and reversal of temporary differences	(545)	(312)
	1,079	1,329

NOTES
TO THE FINANCIAL
STATEMENTS

8. INCOME TAX *(continued)*

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 2015 (six months ended 30 June 2014: 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 2015 are based on the profit attributable to ordinary equity shareholders of the Company of approximately US\$9,466,000 (six months ended 30 June 2014: US\$10,306,000) and the weighted average number of 700,946,000 (six months ended 30 June 2014: 693,715,000) 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 2015 are based on the profit attributable to ordinary equity shareholders of the Company of approximately US\$9,466,000 (six months ended 30 June 2014: US\$10,306,000) and the weighted average number of 708,599,000 (six months ended 30 June 2014: 713,784,000) 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\$1,282,000 (six months ended 30 June 2014: US\$1,183,000).

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2015 US\$'000 (unaudited)	As at 31 December 2014 US\$'000 (audited)
Trade debtors and bills receivable	83,126	90,334
Less: allowances for doubtful debts	(5,767)	(5,767)
	77,359	84,567
Other receivables, prepayments and deposits	15,570	13,147
	92,929	97,714
Less: Non-current portion of prepayments	(76)	(56)
	92,853	97,658

NOTES
TO THE FINANCIAL
STATEMENTS

12. TRADE AND OTHER RECEIVABLES *(continued)*

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 2015 US\$'000 (unaudited)	As at 31 December 2014 US\$'000 (audited)
Current	39,198	31,222
Less than 1 month past due	4,468	9,436
1 to 3 months past due	7,060	16,529
More than 3 months but within 12 months past due	10,721	13,130
More than 12 months past due	15,912	14,250
Amounts past due	38,161	53,345
	77,359	84,567

13. TRADE AND OTHER PAYABLES

	As at 30 June 2015 US\$'000 (unaudited)	As at 31 December 2014 US\$'000 (audited)
Trade creditors and bills payable	150,516	156,747
Other payables and accrued charges	35,559	38,479
	186,075	195,226

NOTES
TO THE FINANCIAL
STATEMENTS

13. TRADE AND OTHER PAYABLES *(continued)*

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 2015 US\$'000 (unaudited)	As at 31 December 2014 US\$'000 (audited)
Within 1 month	120,901	132,411
More than 1 month but within 3 months	9,506	9,597
More than 3 months but within 12 months	13,925	10,642
More than 12 months but within 24 months	4,876	1,340
More than 24 months	1,308	2,757
	150,516	156,747

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 2015 US\$'000	30 June 2014 US\$'000
Sales of capital equipment and packages	6,688	12,598

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. EMPLOYEE SHARE-BASED ARRANGEMENT

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

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

During the six months ended 30 June 2015, no share were granted under the share award plan.

16. COMPARATIVE FIGURES

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

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 2015.

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 decreased to \$59.65 per barrel at end of June 2015, and resulted in the decrease of upstream oil companies' CAPEX as well as the market demand for our related products and services. In addition, demand for both offshore rigs (Jack-ups, Semi-submersibles and Drilling ships) and land rigs has been influenced by government policies on oil production, national oil companies' policies, rig owners' capital expenditure plans, charter rates and other factors such as financing availability and production capacity.

BUSINESS REVIEW

In the first half of 2015, the Group's main business was focusing on the provision of capital equipment and package for onshore and offshore rigs, as well as MRO supplies and services to onshore and offshore rig operations.

The Group continued to strengthen its cooperation with China leading marine companies and also renewed the master agreement with CIMC Raffles. According to this agreement, the Group will sell capital equipment and package to CIMC Raffles till 31 December 2017.

In May 2015, the 400 feet jack-up rig (R-550D) was successfully undocked at CSSC Huangpu Wenchong Shipyard ("HPWS") in Guangzhou, and it is currently undergoing outfitting and equipment installation. Besides, AOD exercised options to build two additional R-550D jack-up rigs at HPWS in June 2015.

On 31 May 2015, the Group established a joint venture, Guangzhou Xingji Offshore Engineering Company Limited ("Xingji Offshore"), with HPWS, which further strengthens the cooperation and mutual interest of both parties and enhance its position in the offshore equipment market. Xingji Offshore will utilize its professional team to create specialised market solutions with a scope including rig design, construction, equipment and marketing.

In June 2015, the Group signed a two kingpost crane contract with Sinopec Shanghai Offshore Oil & Gas Company. This was the first time the Group and Sinopec work together on the crane product. Currently, the backlog of Crane is 18 units, and more orders are expected.

The Group entered into the "DSIC & TSC DSJ375 project strategic cooperation framework agreement" with Dalian Shipbuilding Industry Co., Ltd., and will implement integrated cooperation in configuration, design and construction of DSJ375 jack-up rig.

During the period, the Group further improve the global production layout. The new plant, which is located in Houston, Texas, has been completed. At the same time, the major equipment have been installed on the new Qingdao factory and the factory will be put into use in the second half of 2015.

FINANCIAL REVIEW

	30 June 2015 (unaudited) US\$'000	30 June 2014 (unaudited) US\$'000	Increase	
			US\$'000	%
Turnover	119,566	108,153	11,413	10.6%
Gross profit	37,734	35,357	2,377	6.7%
Gross profit margin	31.6%	32.7%		
Profit from operations	12,730	13,208	(478)	(3.6%)
Profit for the period	9,247	10,467	(1,220)	(11.7%)
Earnings per share (Basic)	US1.35 cent	US1.49 cent		
Earnings per share (Diluted)	US1.34 cent	US1.44 cent		

Turnover for the first six months of 2015 increased 10.6% to US\$119.6 million from US\$108.2 million in 2014. The net profit for the first six months of 2015 was US\$9.2 million, representing a decrease of 11.7% from the previous year of US\$10.5 million. The decrease in net profit was mainly due to the downturn in worldwide drilling activities and resulted in decrease in operating profit in engineering services segment.

Segment Information by Business Segments

	30 June 2015		30 June 2014		Increase	
	US\$'000	% of total	US\$'000	% of total	US\$'000	%
Turnover						
Capital Equipment and Packages	87,540	73.2%	72,318	66.9%	15,222	21.0%
Oilfield Expendables and Supplies	26,010	21.8%	26,506	24.5%	(496)	(1.9%)
Engineering Services	6,016	5.0%	9,329	8.6%	(3,313)	(35.5%)
Total	119,566	100.0%	108,153	100.0%	11,413	10.6%

Capital Equipment and Packages

The turnover of the capital equipment and packages segment increased from US\$72.3 million in the first half year of 2014 to US\$87.5 million in the first half year of 2015. This was mainly due to the expedited progress of existing rig-turnkey projects. The gross profit ratio of this segment decreased from 32.7% in the first half year of 2014 to 31.6% in the first half year of 2015.

Oilfield Expendables and Supplies (MRO Supplies)

The turnover of the Oilfield expendables and supplies segment slightly decrease from US\$26.5 million in the first half year of 2014 compared to US\$26.0 million in the first half year of 2015.

Engineering Services (MRO Services)

The decrease of 35.5% in engineering services turnover from US\$9.3 million in the first half year of 2014 to US\$6.0 million in the first half year of 2015 came from the downturn in worldwide drilling activities and less repair and maintenance services required.

Gross Profit and Gross Profit Margins

Overall gross profit increased by 6.7% from US\$35.4 million to US\$37.7 million with the increase of 10.6% in Group's turnover. Gross profit margin remained at around 31.6% in the first half year of 2015.

Other Revenue and Net Income

The other revenue and net income increased from US\$0.4 million in the first half of 2014 to US\$0.5 million in the first half of 2015.

Operating Expenses and Profit Attributable to Equity Shareholders of the Company

Selling & Distribution Expenses

Selling & distribution expenses increased 16.2% by US\$0.7 million from US\$4.5 million in the first half year of 2014 to US\$5.3 million in the first half year of 2015. The increase came from the expansion of the Group's distribution network.

General & Administrative Expenses

General & administration expenses increased from US\$16.6 million in the first half year of 2014 to US\$18.0 million in the first half of 2015 by 8.2%. The increase is primary due to more research and development activities carried out by the Group.

Other Operating Expenses

The other operating expenses increased from US\$1.4 million from the first half year of 2014 to US\$2.2 million from the first half year of 2015. It is mainly due to the foreign exchange loss incurred amounted US\$0.8 million for the period ended 30 June 2015.

Finance Costs

Finance cost increased from US\$1.4 million to US\$2.4 million in the first half year of 2015. The increase is mainly due to the interest expense paid for the unsecured notes issued in 4th quarter of 2014.

Group's Liquidity and Capital Resources

As at 30 June 2015, the Group had intangible assets of approximately US\$32.7 million (31 December 2014 – US\$33.3 million). As at 30 June 2015, the Group carried fixed assets of approximately US\$58.1 million (31 December 2014 – US\$53.9 million) comprising property, plant and equipment, property under development and interest in leasehold land held for own use under operating leases. The increase in the Group's fixed assets was due to the addition of construction of a new facility in Qingdao, P.R.C..

As at 30 June 2015, the Group had deferred tax assets of approximately US\$12.5 million (31 December 2014 – US\$11.4 million). As at 30 June 2015, the Group had other financial assets of approximately US\$4.7 million (31 December 2014 – US\$4.6 million) and non-current portion of prepayments was approximately US\$0.1 million (31 December 2014 – US\$0.1 million).

As at 30 June 2015, the Group had current assets of approximately US\$392.6 million (31 December 2014 – US\$390.9 million). Current assets mainly comprised cash and bank in hand of approximately US\$31.0 million (31 December 2014 – US\$52.3 million), pledged bank deposits of approximately US\$6.7 million (31 December 2014 – US\$4.4 million), inventories of approximately US\$63.3 million (31 December 2014 – US\$50.5 million), trade and other receivables of approximately US\$92.9 million (31 December 2014 – US\$97.7 million), gross amount due from customers for contract work of US\$195.2 million (31 December 2014 – US\$182.5 million), and amount due from a related company of approximately US\$0.1 million (31 December 2014 – US\$0.1 million).

As at 30 June 2015, current liabilities amounted to approximately US\$222.2 million (31 December 2014 – US\$230.5 million), mainly comprising trade and other payables of approximately US\$186.1 million (31 December 2014 – US\$195.2 million), bank loans and other borrowings of approximately US\$27.2 million (31 December 2014 – US\$27.3 million) and current taxation of approximately US\$8.8 million (31 December 2014 – US\$7.9 million).

As at 30 June 2015, the Group had non-current liabilities of approximately US\$44.7 million (31 December 2014 – US\$38.4 million), comprising bank loans and other borrowings of approximately US\$44.4 million (31 December 2014 – US\$37.9 million) and deferred tax liabilities of approximately US\$0.3 million (31 December 2014 – US\$0.5 million). Gearing ratio was 53.3%, as compared to 54.4% in 2014.

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 2015, there were 704,915,204 shares in issue (the "Shares") and the Company carried a share capital of approximately US\$9,066,000.

During the first six months in year 2015, the Company issued 2,205,000 shares to option holders who exercised their options under the Company employee share option schemes. At 30 June 2015, the Company had 707,120,204 Shares in issue, and a paid up capital of approximately US\$9,095,000.

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 2015, 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 2015, 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 (2014: US\$Nil).

Employees and Remuneration Policy

As at 30 June 2015, the Group had approximately 1,578 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 its 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 2015, the Group as a whole carried an order backlog of approximately US\$155.5 million, of which US\$130.2 million relates to Capital Equipment and Packages, US\$12.6 million relates to MRO Supplies and US\$12.7 million relates to MRO Services.

Share Award Plan

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

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

No grant was made during the six months ended 30 June 2015. As at 30 June 2015, the trustee held 4,070,000 Shares (representing 0.58% of the issued share capital of the Company) on trust under the share award plan.

Change of Chief Financial Officer

With effect from 31 July 2015, Mr. WANG Qiang, Boris, has resigned from the position of chief financial officer of the Company due to his personal and family issues; and Mr. CHUNG Man Lai, Desmond, has been appointed as acting chief financial officer of the Company to take over the management of financial matters of the Company.

Non-Exempt Continuing Connected Transaction

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

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

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

For the six months ended 30 June 2015, the Group has no new sales contracts with CIMC Raffles under the continuing connected transactions mandate pursuant to the New Master Agreement approved by the Company's independent shareholders at EGM. The actual sales amount of those continuing connected transactions between the Group and CIMC Raffles was approximately US\$6.7 million for the period ended 30 June 2015.

Potential Quotation of TSCQD on The National Equities Exchange and Quotations System (The "New Third Board")

On 9 June 2015, the Board has announced that the Group was in the process of selecting and appointing professional advisers to advise on the process of applying for a potential quotation and open transfer (the "Potential Quotation") of the shares of 青島天時石油機械有限公司 (TSC (Qingdao) Manufacture Co., Ltd.) ("TSCQD") on the National Equities Exchange and Quotations System (the "NEEQ") in the People's Republic of China (the "PRC"). The implementation of the Potential Quotation will be subject to, among other things, the approvals of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and National Equities Exchange and Quotations Co. Ltd. ("NEEQ Co. Ltd."). On 21 August 2015, an application for the same has been made to the Stock Exchange by the Company.

Subsequent Events

Save as disclosed in this report, no subsequent events occurred after 30 June 2015 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 2015, the interests and short positions of the Directors and Chief Executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

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

Name of Directors	Number of issued ordinary Shares of HK\$0.10 each in the Company				Total	Number of underlying Shares (in respect of share options granted under the Refreshment of the Post-IPO Scheme) (Note 3)	Approximate percentage of the Company's issued share capital
	Personal interests	Family interests	Corporate interests	Other interests			
Mr. Zhang Menggui (Note 1)	4,656,000	-	118,451,200	-	123,107,200	0	17.41%
Mr. Jiang Bing Hua (Note 1)	4,656,000	-	118,451,200	-	123,107,200	0	17.41%
Mr. Jiang Longsheng	-	-	-	-	-	400,000	0.06%
Mr. Brian Chang (Note 2)	-	-	66,072,800	-	66,072,800	-	9.34%
Mr. Chan Ngai Sang, Kenny	500,000	-	-	-	500,000	0	0.07%
Mr. Bian Junjiang	-	-	-	-	-	350,000	0.05%
Mr. Guan Zhichuan	300,000	-	-	-	300,000	0	0.04%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. Global Energy Investors, LLC. is the beneficial owner of 118,451,200 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 118,451,200 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 2015, 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 2015, 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	123,107,200 Shares	17.41%
Madam Zhang Jiuli (Note 2)	Interest of the spouse	123,107,200 Shares	17.41%
Global Energy Investors, LLC. (Note 3)	Corporate	118,451,200 Shares	16.75%
Windmere International Limited (Note 4)	Corporate	66,072,800 Shares	9.34%
China International Marine Containers (Group) Company Limited (Note 5)	Corporate	92,800,000 Shares	13.12%
China International Marine Containers (Hong Kong) Limited (Note 5)	Corporate	92,800,000 Shares	13.12%
Harmony Master Fund (Note 6)	Corporate	63,444,800 Shares	8.97%

Notes:

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

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

Name of subsidiary	Name of substantial shareholder	Percentage of shareholding
Jurun Limited	Xingbo Limited	21%
TSC Manufacturing and Supply De Colombia S.A.S	Independence Drilling S.A.	40%
Forum Drilling Services Pte. Ltd.	Duhen Thomas, Francois, Marie	20%
ATS Energy LLC	Axion Services Inc. Petromax Industry Inc.	33% 16%
Texas Unconventional Resources LLC	Anping Yang	20%

Save as disclosed above, as at 30 June 2015, 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 2015.

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 15,402,000 share options, representing 2.18% of the issued share capital of the Company, remain valid and outstanding as at 30 June 2015.

New Scheme

On 5 August 2009 (the "Adoption Date"), the adoption of the new Share Option Scheme for granting up to 56,254,040 share options (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. This became effective from the Adoption Date and will expire on 5 August 2019. Pursuant to the New Scheme, the Directors granted (i) 20,295,000 share options at HK\$2.06 each to 82 employees of the Group on 18 September 2009, (ii) 9,070,000 share options at HK\$1.27 each to 29 employees of the Group on 1 September 2010, (iii) 2,400,000 share options at HK\$1.97 each to 2 employees of the Group on 21 February 2011, (iv) 10,780,000 share options at HK\$1.02 each to 18 employees of the Group on 4 September 2012, (v) 6,025,000 share options at HK\$2.9 each to 23 employees of the Group on 30 August 2013, (vi) 2,400,000 share options at HK\$4.16 each to 6 employees of the Group on 2 September 2014, and (vii) 1,500,000 share options at HK\$2.11 each to 9 employees of the Group on 24 December 2014. Based on valuation reports done by independent valuers, Jones Lang LaSalle Sallmanns and Ascent Partners, the value of the options granted on 18 September 2009, 1 September 2010, 21 February 2011, 4 September 2012, 30 August 2013, 2 September 2014 and 24 December 2014 under the New Scheme were HK\$18,701,000, HK\$4,602,100, HK\$1,973,100, HK\$6,934,500, HK\$11,305,500, HK\$5,232,000 and HK\$1,652,000 respectively. The closing price of the Company's Shares on the preceding option granted on 17 September 2009, 31 August 2010, 18 February 2011 and 3 September 2012, 29 August 2013, 1 September 2014, and 23 December 2014 under the New Scheme were HK\$1.85, HK\$1.23, HK\$1.92, HK\$1.01, HK\$2.78, HK\$3.99, and HK\$2.03 respectively. Pursuant to the New Scheme, options previously granted but unexercised under the New Scheme will remain valid and exercisable in accordance with their terms of issue, of which a total of 31,463,000 share options, representing 4.50% of the issued share capital of the Company, remain valid and outstanding as at 30 June 2015. Save as disclosed above, no option had been granted or agreed to be granted by the Company pursuant to the New Scheme.

MANAGEMENT
DISCUSSION
AND ANALYSIS

The total number of share options that may be further granted under all the share option schemes as at the date of this interim report and the date of the annual report 2014 are 3,784,040 Shares, representing 0.54% of the issued share capital of the Company.

As at the date of the annual report 2014, the total number of share options granted and outstanding under all the share option schemes is 49,070,000 Shares, representing 6.94% of the issued share capital of the Company.

As at the date of this interim report, the total number of share options granted and outstanding under all the share option schemes is 46,865,000 Shares, representing 6.63% 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 2015 were as follows:

Name or category of participant	Date of grant (Notes 1 & 2)	Exercisable period (Notes 1, 2 & 3)	Exercise price per share HK\$	Number of share options					Balance as at 30.06.2015
				Balance as at 01.01.2015	Granted during the period (Note 4)	Exercised during the period (Note 4)	Cancelled during the period (Note 4)	Lapsed during the period (Note 4)	
(i) Employees	10.05.2007	10.11.2007 to 09.05.2017	2.43	3,982,000	-	-	-	-	3,982,000
Sub-total				3,982,000	-	-	-	-	3,982,000
(ii) Employees	12.11.2007	12.05.2008 to 11.11.2017	5.60	5,990,000	-	-	-	-	5,990,000
Consultants	12.11.2007	12.05.2008 to 11.11.2017	5.60	0	-	-	-	-	0
Sub-total				5,990,000	-	-	-	-	5,990,000
(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	0	-	-	-	-	0
Mr. Jiang Bing Hua	29.12.2008	29.06.2009 to 28.12.2018	0.54	0	-	-	-	-	0
Mr. Jiang Longsheng	29.12.2008	29.06.2009 to 28.12.2018	0.54	400,000	-	-	-	-	400,000
Mr. Chan Ngai Sang, Kenny	29.12.2008	29.06.2009 to 28.12.2018	0.54	500,000	-	(500,000)	-	-	0
Mr. Bian Junjiang	29.12.2008	29.06.2009 to 28.12.2018	0.54	350,000	-	-	-	-	350,000
Mr. Guan Zhichuan	29.12.2008	29.06.2009 to 28.12.2018	0.54	60,000	-	(60,000)	-	-	0
				1,310,000	-	(560,000)	-	-	750,000
Employees and other	29.12.2008	29.06.2009 to 28.12.2018	0.54	1,580,000	-	(600,000)	-	-	980,000
Sub-total				2,890,000	-	-	-	-	1,730,000
Total				16,562,000	-	(1,160,000)	-	-	15,402,000

MANAGEMENT DISCUSSION AND ANALYSIS

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 2015.

Details of movement of options under the New Scheme for the six months ended 30 June 2015 were as follows:

Name or category of participant	Date of grant (Notes 1 & 2)	Exercisable period (Notes 1, 2 & 3)	Exercise price per share HK\$	Number of share options					Balance as at 30.06.2015
				Balance as at 01.01.2015	Granted during the period (Note 4)	Exercised during the period (Note 4)	Cancelled during the period (Note 4)	Lapsed during the period (Note 4)	
(i) Employees	18.09.2009	18.03.2010 to 17.09.2019	2.06	8,558,000	-	-	-	-	8,558,000
(ii) Employees	01.09.2010	01.03.2011 to 31.08.2020	1.27	5,245,000	-	(785,000)	-	-	4,460,000
(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	7,325,000	-	(260,000)	-	-	7,065,000
(v) Employees	30.08.2013	28.02.2014 to 29.08.2023	2.9	5,080,000	-	-	-	-	5,080,000
(vi) Employees	02.09.2014	02.03.2015 to 01.09.2024	4.16	2,400,000	-	-	-	-	2,400,000
(vii) Employees	24.12.2014	24.06.2015 to 23.12.2024	2.11	1,500,000	-	-	-	-	1,500,000
Total				32,508,000	-	(1,045,000)	-	-	31,463,000

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 2015.

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 2015.

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 2015.

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 2015 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 2015.

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 2015.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2015 to 30 June 2015 as set out in Appendix 14 to Listing Rules at that time except for the deviation from CG Code A.6.7 where three independent non-executive directors and three non-executive directors were absent from the last annual general meeting and extraordinary general meeting of the Company held on 5 June 2015 as they were away from Hong Kong due to other important engagements at the time of these meetings.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2015, 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 2015 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://www.t-s-c.com>) in due course.

ACKNOWLEDGEMENT

The Directors would like to take this opportunity to express 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, 27 August 2015

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

ACTING CHIEF FINANCIAL OFFICER

Mr. Chung Man Lai, Desmond

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

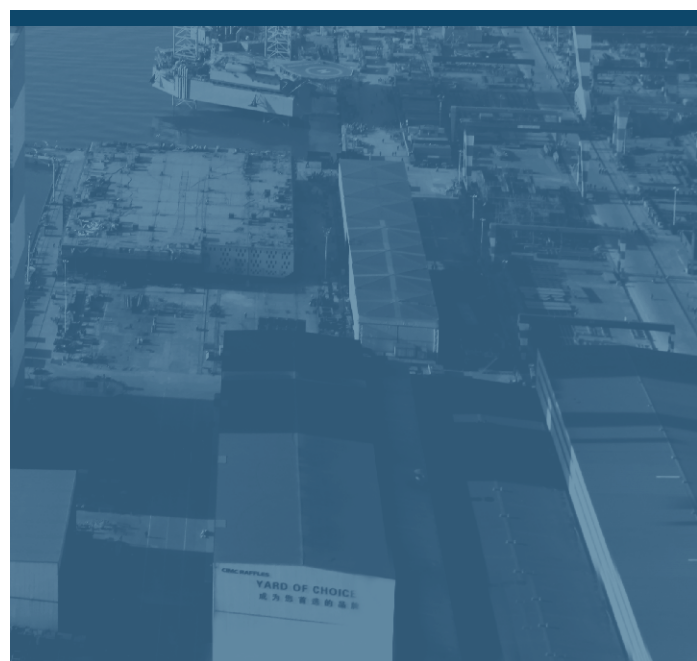
WEBSITE

www.t-s-c.com

STOCK CODE

206

www.t-s-c.com



TSC Group Holdings Limited