TSC Group Holdings Limited

Stock Code: 206

INTERIM REPORT 2016

BEYOND INTEGRATION SEAMLESS SOLUTIONS™

Global Products and Services to Onshore
and Offshore Drilling Industry

TSC

Your Ultimate
Total Solutions Company

Sales Services Solutions

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 2016, together with the unaudited comparative figures for the corresponding period in 2015 as follows:

RESULTS HIGHLIGHTS

- The Group's turnover for the six months ended 30 June 2016 reached approximately US$75.5 million, representing a decrease of approximately 36.9% from US$119.6 million for the same period for 2015;

- Gross profit amounted to approximately US$25.0 million for the six months ended 30 June 2016, representing a decrease of approximately 33.8% from US$37.7 million for the same period for 2015;

- Net profit attributed to equity shareholders of the Company amounted to approximately US$2.3 million for the six months ended 30 June 2016, representing approximately 75.5% decrease over the same period for 2015;

- Earnings per share for the six months ended 30 June 2016 was US0.35 cent, representing a decrease of 74.1% compared with US1.35 cent for the same period in 2015. The basis of calculating the earnings per share is detailed in note 9;

- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016.


CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 June **2016** **(unaudited)** **US$'000**	 2015 (unaudited) US$'000
Revenue	*3, 4*	**75,471**	119,566
Cost of sales		**(50,500)**	(81,832)
Gross profit		**24,971**	37,734
Other revenue and net income	*5*	**2,681**	478
Selling and distribution expenses		**(3,939)**	(5,277)
General and administrative expenses		**(16,248)**	(17,994)
Other operating expenses		**(2,865)**	(2,211)
Profit from operations		**4,600**	12,730
Finance costs	*6*	**(1,769)**	(2,404)
Share of results of associate		**1**	–
Profit before taxation	*6*	**2,832**	10,326
Income tax	*7*	**(571)**	(1,079)
Profit for the period		**2,261**	9,247
Attributable to:			
Equity shareholders of the Company		**2,415**	9,466
Non-controlling interests		**(154)**	(219)
Profit for the period		**2,261**	9,247
Earnings per share			
Basic	*9(a)*	**US0.35 cent**	US1.35 cent
Diluted	*9(b)*	**US0.34 cent**	US1.34 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2016	2015
		(unaudited)	(unaudited)
	Notes	**US$'000**	US$'000
Profit for the period		**2,261**	9,247
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)		**(113)**	(272)
Total comprehensive income for the period		**2,148**	8,975
Attributable to:			
Equity shareholders of the Company		**2,267**	8,990
Non-controlling interests		**(119)**	(15)
Total comprehensive income for the period		**2,148**	8,975

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2016 (unaudited) US$'000**	As at 31 December 2015 (audited) US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**40,050**	42,400
Property under development		**21,804**	18,732
Interests in leasehold land held for own use under operating leases		**7,744**	8,063
Goodwill		**20,986**	22,996
Other intangible assets		**5,263**	6,464
Interest in associate		**189**	193
Other financial assets		**4,660**	4,661
Prepayments	*11*	**28**	46
Deferred tax assets		**11,313**	12,036
		112,037	115,591
CURRENT ASSETS			
Inventories		**58,503**	58,523
Trade and other receivables	*11*	**106,996**	107,293
Gross amount due from customers for contract work		**239,305**	236,539
Amount due from a related company		**101**	101
Tax receivable		**105**	132
Pledged bank deposits		**1,803**	5,045
Cash at bank and in hand		**27,483**	46,505
		434,296	454,138
CURRENT LIABILITIES			
Trade and other payables	*12*	**259,039**	278,230
Bank loans and other borrowings		**17,364**	28,725
Tax payable		**4,668**	5,326
		281,071	312,281
NET CURRENT ASSETS		**153,225**	141,857
TOTAL ASSETS LESS CURRENT LIABILITIES		**265,262**	257,448

	Notes	As at 30 June 2016 (unaudited) US$'000	As at 31 December 2015 (audited) US$'000
NON-CURRENT LIABILITIES			
Bank loans and other borrowings		**44,689**	38,185
Deferred tax liabilities		**516**	268
		45,205	38,453
NET ASSETS		**220,057**	218,995
CAPITAL AND RESERVES			
Share capital		**9,094**	9,094
Reserves		**209,676**	207,530
Total equity attributable to equity shareholders of the Company		**218,770**	216,624
Non-controlling interests		**1,287**	2,371
TOTAL EQUITY		**220,057**	218,995

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to equity shareholders of the Company												
	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Exchange reserve US$'000	Employee share-based compensation reserve US$'000	Share held for share award plan US$'000	Capital reserve US$'000	Revaluation reserve US$'000	Reserve funds US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
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	28	320	–	–	(105)	–	–	–	–	–	243	–	243
Equity-settled share-based transactions	–	–	–	–	436	–	–	–	–	–	436	–	436
Balance at 30 June 2015 (unaudited)	9,094	127,805	2,161	3,150	6,270	(1,027)	512	627	7,289	74,648	230,529	3,265	233,794
Balance at 1 January 2016 (audited)	**9,094**	**127,805**	**2,161**	**(3,015)**	**6,157**	**(1,285)**	**512**	**627**	**8,815**	**65,753**	**216,624**	**2,371**	**218,995**
Changes in equity for the six months ended 30 June 2016:													
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,415**	**2,415**	**(154)**	**2,261**
Other comprehensive income	**–**	**–**	**–**	**(148)**	**–**	**–**	**–**	**–**	**–**	**–**	**(148)**	**35**	**(113)**
Total comprehensive income	**–**	**–**	**–**	**(148)**	**–**	**–**	**–**	**–**	**–**	**2,415**	**2,267**	**(119)**	**2,148**
Share purchase for shares Award plan	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Shares issued under share option schemes	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Equity-settled share-based transactions	**–**	**–**	**–**	**–**	**(121)**	**–**	**–**	**–**	**–**	**–**	**(121)**	**–**	**(121)**
Dividends paid to non-controlling shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(965)**	**(965)**
Transfer to reserve funds	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**267**	**(267)**	**–**	**–**	**–**
Balance at 30 June 2016 (unaudited)	**9,094**	**127,805**	**2,161**	**(3,163)**	**6,036**	**(1,285)**	**512**	**627**	**9,082**	**67,901**	**218,770**	**1,287**	**220,057**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	For the six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	US$'000	US$'000
Operating activities		
Cash used in operations	**(9,511)**	(14,497)
People's Republic of China ("PRC") enterprise income tax and oversea tax paid	**(1,193)**	(1,484)
Net cash used in operating activities	**(10,704)**	(15,981)
Investing activities		
Payment for the purchase of property, plant and equipment	**(638)**	(1,282)
Interest received	**436**	83
Construction expenditure on property under development	**(3,617)**	(5,064)
Decrease/(increase) in pledged bank deposits	**3,242**	(2,331)
Other cash flows generated from/(used in) investing activities	**5**	(1,090)
Net cash used in investing activities	**(572)**	(9,684)
Financing activities		
Proceeds from shares issued under share option schemes	**–**	243
(Repayment of)/proceeds from bank loans and other borrowings	**(4,857)**	6,564
Interest paid	**(1,769)**	(2,404)
Dividends paid to non-controlling shareholder	**(965)**	–
Net cash (used in)/generated from financing activities	**(7,591)**	4,403
Net decrease in cash and cash equivalents	**(18,867)**	(21,262)
Cash and cash equivalents at 1 January	**46,505**	52,337
Effect of foreign exchanges rates changes	**(155)**	(46)
Cash and cash equivalents at 30 June	**27,483**	31,029

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 2016 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 2015.

In the 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 2012–2014 Cycle

- Amendments to HKAS1. Presentation of financial statements: Disclosure initiative

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. REVENUE

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.

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

	Unaudited	
	For the six months ended	
	30 June 2016	30 June 2015
	US$'000	US$'000
Capital equipment and packages		
– Sales of capital equipment	**11,193**	19,590
– Construction contracts revenue	**31,472**	67,950
	42,665	87,540
Oilfield expendables and supplies		
– Sales of expendables and supplies	**30,067**	26,010
Engineering services		
– Service fee income	**2,739**	6,016
	75,471	119,566

4. REVENUE AND SEGMENT REPORTING

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

– Capital equipment and packages: the design, manufacturing, installation and commissioning of capital equipment and packages on land and offshore rigs

– Oilfield expendables and supplies: the manufacturing and trading of oilfield expendables and supplies

– Engineering services: the provision of engineering services

4. REVENUE AND SEGMENT REPORTING *(continued)*

(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 associate, other financial assets, 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 associate, finance costs and items not specifically attributed to individual segment, such as directors' and auditors' remuneration and other head office or corporate income and expenses.

In addition to receiving segment information concerning segment results, management is provided with segment information concerning revenue (including inter-segment revenue), depreciation and amortisation 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.

4. REVENUE AND 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 2016 and 2015 is set out below.

	Capital equipment and packages Unaudited For the period ended		Oilfield expendables and supplies Unaudited For the period ended		Engineering services Unaudited For the period ended		Total Unaudited For the period ended	
	30 June 2016 US$'000	30 June 2015 US$'000	**30 June 2016 US$'000**	30 June 2015 US$'000	**30 June 2016 US$'000**	30 June 2015 US$'000	**30 June 2016 US$'000**	30 June 2015 US$'000
Revenue from external customers	**42,665**	87,540	**30,067**	26,010	**2,739**	6,016	**75,471**	119,566
Inter-segment revenue	**102**	1,661	**1,200**	7,515	**382**	41	**1,684**	9,217
Reportable segment revenue	**42,767**	89,201	**31,267**	33,525	**3,121**	6,057	**77,155**	128,783
Reportable segment results	**3,687**	15,867	**3,123**	2,188	**(846)**	(2,181)	**5,964**	15,874

The segment assets and liabilities as at 30 June 2016 and 31 December 2015 is set out below:

	Capital equipment and packages		Oilfield expendables and supplies		Engineering services		Total	
	As at 30 June 2016 (unaudited) US$'000	As at 31 December 2015 (audited) US$'000	**As at 30 June 2016 (unaudited) US$'000**	As at 31 December 2015 (audited) US$'000	**As at 30 June 2016 (unaudited) US$'000**	As at 31 December 2015 (audited) US$'000	**As at 30 June 2016 (unaudited) US$'000**	As at 31 December 2015 (audited) US$'000
Reportable segment assets	**420,659**	426,101	**62,916**	55,905	**15,172**	17,657	**498,747**	499,663
Reportable segment liabilities	**237,179**	258,255	**19,072**	16,182	**2,153**	3,295	**258,404**	277,732


4. REVENUE AND SEGMENT REPORTING *(continued)*

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

	Unaudited For the six months ended 30 June	
	2016	2015
	US$'000	US$'000
Revenue		
Reportable segment revenue	**77,155**	128,783
Elimination of inter-segment revenue	**(1,684)**	(9,217)
Condensed consolidated revenue	**75,471**	119,566
Profit		
Segment results	**5,964**	15,874
Finance costs	**(1,769)**	(2,404)
Share of results of associate	**1**	–
Unallocated head office and corporate income and expenses	**(1,364)**	(3,144)
Condensed consolidated profit before taxation	**2,832**	10,326

4. REVENUE AND SEGMENT REPORTING *(continued)*

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

	As at 30 June 2016 (unaudited) US$'000	As at 31 December 2015 (audited) US$'000
Assets		
Reportable segment assets	**498,747**	499,663
Interest in associate	**189**	193
Deferred tax assets	**11,313**	12,036
Other financial assets	**4,660**	4,661
Tax recoverable	**105**	132
Pledged bank deposits	**1,803**	5,045
Cash at bank and in hand	**27,483**	46,505
Unallocated head office and corporate assets	**2,033**	1,494
Condensed consolidated total assets	**546,333**	569,729
Liabilities		
Reportable segment liabilities	**(258,404)**	(277,732)
Bank loans and other borrowings	**(62,053)**	(66,910)
Tax payable	**(4,668)**	(5,326)
Deferred tax liabilities	**(516)**	(268)
Unallocated head office and corporate liabilities	**(635)**	(498)
Condensed consolidated total liabilities	**(326,276)**	(350,734)

4. REVENUE AND 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, other financial 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 2016 (unaudited) US$'000	For the six months ended 30 June 2015 (unaudited) US$'000	**As at 30 June 2016 (unaudited) US$'000**	As at 31 December 2015 (audited) US$'000
Hong Kong	**–**	–	**195**	195
Mainland China	**38,509**	48,755	**59,122**	58,803
North America	**14,451**	59,487	**17,993**	17,937
South America	**18,550**	6,467	**338**	389
Europe	**1,133**	2,890	**21,192**	24,435
Indonesia	**1,719**	–	**–**	–
Singapore	**542**	334	**57**	8
Others (Other part of Asia, India, Russia etc.)	**567**	1,633	**1,827**	1,788
	75,471	119,566	**100,724**	103,555

5. OTHER REVENUE AND NET INCOME

	Unaudited For the six months ended 30 June 2016 US$'000	30 June 2015 US$'000
Interest income	**436**	83
Net foreign exchange gain	**929**	–
Government subsidies	**766**	–
Others	**550**	395
	2,681	478

6. PROFIT BEFORE TAXATION

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

(a) Finance costs

	Unaudited For the six months ended 30 June 2016 US$'000	30 June 2015 US$'000
Interest on bank loans and other borrowings	**2,190**	2,404
Less: Interest expenses capitalised into property under development*	**(421)**	–
	1,769	2,404

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

(b) Other items

Amortisation of interest in leasehold land held for own use under operating lease and intangible assets	**1,497**	1,486
Depreciation	**1,736**	2,322
Research and development costs	**477**	1,770
Impairment losses on inventories	**153**	–
Impairment losses on doubtful debts	**1,105**	–
Net foreign exchange (gain)/loss	**(929)**	827
Gain on disposal of property, plant and equipment	**5**	14
Auditor remuneration	**419**	347


7. INCOME TAX

	Unaudited For the six months ended	
	30 June 2016	30 June 2015
	US$'000	US$'000
Current tax		
Provision for the period		
– Hong Kong Profits tax	**744**	–
– People's Republic of China ("PRC") enterprise income tax	**155**	1,085
– Overseas corporation income tax	**273**	539
	1,172	1,624
Deferred tax		
Origination of temporary differences	**(601)**	(545)
	571	1,079

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2016. During the same period in 2015, no provision for Hong Kong Profits Tax was made in the financial statements as the Group did not have assessable profits subject to Hong Kong Profits Tax. 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.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share for the six months ended 30 June 2016 are based on the profit attributable to ordinary equity shareholders of the Company of approximately US$2,415,000 (six months ended 30 June 2015: US$9,466,000) and the weighted average number of 699,820,000 (six months ended 30 June 2015: 700,946,000) 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 2016 are based on the profit attributable to ordinary equity shareholders of the Company of approximately US$2,415,000 (six months ended 30 June 2015: US$9,466,000) and the weighted average number of 701,550,000 (six months ended 30 June 2015: 708,599,000) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option schemes.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, additions to property, plant and equipment amounted to approximately US$638,000 (six months ended 30 June 2015: US$1,282,000).

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2016 US$'000 (unaudited)	As at 31 December 2015 US$'000 (audited)
Trade debtors and bills receivable	**105,115**	99,176
Less: allowances for doubtful debts	**(8,634)**	(7,590)
	96,481	91,586
Other receivables, prepayments and deposits	**10,543**	15,753
	107,024	107,339
Less: Non-current portion of prepayments	**28**	46
	106,996	107,293

11. 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 2016 US$'000 (unaudited)	As at 31 December 2015 US$'000 (audited)
Current	**8,705**	28,780
Less than 1 month past due	**7,411**	15,779
1 to 3 months past due	**19,114**	7,365
More than 3 months but within 12 months past due	**37,319**	21,660
More than 12 months past due	**23,932**	18,002
Amounts past due	**87,776**	62,806
	96,481	91,586

12. TRADE AND OTHER PAYABLES

	As at 30 June 2016 US$'000 (unaudited)	As at 31 December 2015 US$'000 (audited)
Trade creditors and bills payable	**232,460**	217,978
Other payables and accrued charges	**26,579**	60,252
	259,039	278,230

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 2016 US$'000 (unaudited)	As at 31 December 2015 US$'000 (audited)
Within 1 month	**210,775**	194,669
More than 1 month but within 3 months	**4,388**	6,094
More than 3 months but within 12 months	**12,419**	13,956
More than 12 months but within 24 months	**3,912**	2,414
More than 24 months	**966**	845
	232,460	217,978

13. 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 2016 US$'000	30 June 2015 US$'000
Sales of capital equipment and packages	**944**	6,688

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

14. EMPLOYEE SHARE-BASED ARRANGEMENT

The Group operates a share 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 2016, no share options were granted under the share award plan.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirm 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 onshore and offshore oil and gas E&P industry worldwide. These principal activities remained unchanged for the period ended 30 June 2016.

Our Capital Equipment and Packages segment comprises design, manufacture, 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, gas wells as well as for land rigs.

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

Alliance Offshore Drilling Pte. Ltd. ("AOD"), incorporated and based in Singapore, is a wholly-owned subsidiary of the Group. Its primary business is to implement the alliance strategy with our partners, Zentech Incorporated and CSSC Huangpu Wenchong Shipbuilding Company Ltd. to build, sell and lease certain type of jack-up rigs. Our first 400 ft jackup rig, R-550D, is under construction with estimated delivery at the third quarter of 2016. The objective of the strategic alliance is to leverage resources and partnership to create "All-Win" relationship to grow the Company.

INDUSTRY REVIEW

The first half of 2016 was an extremely challenging year for the industry as the price of oil fell by over 50% from US$107 per barrel in July 2014 to current levels hovering around low US$40 per barrel. The impact of OPEC lifting production targets to produce at maximum rates, combining with the slower than expected decline in shale production in North America, have resulted in an oversupply market. As a result, overall commodity prices fell dramatically, with oil price dropping to a 12-year low at the end of June 2016.

According to the International Energy Agency ("IEA"), growth estimates for global oil demand is at 1.2 million barrels a day to average 95.6 million a day. This growth is weaker than the five-year (2010 – 2015) peak of 1.6 million barrels a day, amid slowdowns in Europe, China and the U.S.

Major Oil and Gas ("O&G") companies have reacted swiftly to plunging oil prices, dramatically cutting capital expenditure budgets. Global O&G Capital Expenditure ("CAPEX") fell 10 per cent in 2015, and has shrunk further in the first six months of 2016.

The impact on the offshore oil and gas sector has been dramatic with numerous projects or campaigns cancelled or deferred, contracts retendered to achieve lower pricing and renegotiation of rates on longer term projects.

BUSINESS REVIEW

In the first half of 2016, 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.

In January 2016, TSC Oil & Gas Services successfully completed the quotation application documents for submission to the NEEQ. The submission was approved by NEEQ in April 2016 and TSC Oil & Gas is now listed on the NEEQ.

The 400 feet jack-up rig (R-550D) was successfully undocked and has completed jacking trials. The rig is currently in final phase of commissioning at CSSC Huangpu Wenchong Shipyard ("HPWS") in Guangzhou.


The Group established a Joint Venture ("JV") with Offshore CC FZE in August 2016. The JV's objective is to provide cost effective and practical solutions for a rapidly growing demand for Plug and Abandonment ("P&A") operations on offshore oil wells and decommissioning platform removal ("Decommissioning").

Through the JV, the Group leverages its expertise in drilling engineering, offshore rig equipment manufacturing and jack-up rig solution capabilities in a more profitable segment of the oil and gas industry.

FINANCIAL REVIEW

	30 June 2016 (unaudited) US$'000	30 June 2015 (unaudited) US$'000	Decrease US$'000	%
Revenue	**75,471**	119,566	(44,095)	(36.9%)
Gross profit	**24,971**	37,734	(12,763)	(33.8%)
Gross profit margin	**33.1%**	31.6%		
Profit from operations	**4,600**	12,730	(8,130)	(63.9%)
Profit for the period	**2,261**	9,247	(6,986)	(75.5%)
Earnings per share (Basic)	**US0.35 cent**	US1.35 cent		
Earnings per share (Diluted)	**US0.34 cent**	US1.34 cent		

Revenue for the first six months of 2016 decreased by 36.9% to US$75.5 million from US$119.6 million in 2015. The net profit for the first six months of 2016 was US$2.3 million, representing a decrease of 75.5% from the previous year of US$9.2 million. The decrease in net profit was mainly due to the downturn in worldwide drilling activities and resulted in decrease in operating profit in capital equipment and packages segment.

Segment Information by Business Segments

	30 June 2016		30 June 2015		Decrease	
	US$'000	**% of total**	US$'000	% of total	US$'000	%
Revenue						
Capital Equipment and Packages	**42,665**	**56.5%**	87,540	73.2%	(44,875)	(51.3%)
Oilfield Expendables and Supplies	**30,067**	**39.8%**	26,010	21.8%	4,057	15.6%
Engineering Services	**2,739**	**3.7%**	6,016	5.0%	(3,277)	(54.5%)
Total	**75,471**	**100.0%**	119,566	100.0%	(44,095)	(36.9%)

Capital Equipment and Packages

Revenue from the capital equipment and packages segment decreased from US$87.5 million in the first half year of 2015 to US$42.7 million in the first half year of 2016. This was mainly due to the decrease of upstream oil companies CAPEX and the market demand for our related products. The gross profit ratio of this segment decreased from 25.7% in the first half year of 2015 to 17.0% in the first half year of 2016.

Oilfield Expendables and Supplies (MRO Supplies)

Revenue from the Oilfield expendables and supplies segment slightly increase from US$26.0 million in the first half year of 2015 compared to US$30.1 million in the first half year of 2016. This was mainly due to the expansion of Venezuela market and approximately US$17 million was recognized in the period.

Engineering Services (MRO Services)

The decrease of 54.5% in engineering services revenue from US$6.0 million in the first half year of 2015 to US$2.7 million in the first half year of 2016 came from the downturn in worldwide drilling activities and less repair and maintenance services required.

Gross Profit and Gross Profit Margins

Overall gross profit decreased by 33.8% from US$37.7 million to US$25.0 million with the decrease of 36.9% in Group's revenue. Gross profit margin remained at around 33.1% in the first half year of 2016.

Other Revenue and Net Income

Other revenue and net income increased from US$0.5 million in the first half of 2015 to US$2.7 million in the first half of 2016 due to US$0.9 million gain on foreign exchange recognized during the period compared to US$0.8 million exchange loss recognised in the same period of 2015.

Operating Expenses and Profit Attributable to Equity Shareholders of the Company

Selling & Distribution Expenses

Selling & distribution expenses decreased 25.4% by US$1.3 million from US$5.3 million in the first half year of 2015 to US$3.9 million in the first half year of 2016. The decrease came from the cost reduction exercises implemented in line with the decline in business activity.

General & Administrative Expenses

General & administration expenses decreased from US$18.0 million in the first half year of 2015 to US$16.2 million in the first half of 2016 by 9.7%. The decrease is primarily due to the cost reduction exercises implemented during the period.

Other Operating Expenses

The other operating expenses increased from US$2.2 million from the first half year of 2015 to US$2.9 million from the first half year of 2016. It is mainly due to impairment losses in doubtful debts of US$1.1 million for the period ended 30 June 2016.

Finance Costs

Finance cost decreased from US$2.4 million to US$1.8 million in the first half year of 2016. The decrease is mainly due to the interest expense for the unsecured notes issued and paid in the 4th quarter of 2015.

Group's Liquidity and Capital Resources

As at 30 June 2016, the Group carried fixed assets of approximately US$69.6 million (31 December 2015 – US$69.2 million) comprising property, plant and equipment, property under development and interest in leasehold land held for own use under operating leases. The Group had intangible assets of approximately US$26.2 million (31 December 2015 – US$29.5 million).

As at 30 June 2016, the Group's interest in associate was approximately US$0.2 million (30 June 2015 – 0.2 million). The Group had deferred tax assets of approximately US$11.3 million (31 December 2015 – US$12.0 million). The Group had other financial assets of approximately US$4.7 million (31 December 2015 – US$4.7 million) and non-current portion of prepayments was approximately US$0.1 million (31 December 2015 – US$0.1 million).

As at 30 June 2016, the Group had current assets of approximately US$434.3 million (31 December 2015 – US$454.1 million). Current assets mainly comprised cash and bank in hand of approximately US$27.5 million (31 December 2015 – US$46.5 million), pledged bank deposits of approximately US$1.8 million (31 December 2015 – US$5.0 million), inventories of approximately US$58.5 million (31 December 2015 – US$58.5 million), trade and other receivables of approximately US$107.0 million (31 December 2015 – US$107.3 million), gross amount due from customers for contract work of US$239.3 million (31 December 2015 – US$236.5 million), and amount due from a related company of approximately US$0.1 million (31 December 2015 – US$0.1 million).

As at 30 June 2016, current liabilities amounted to approximately US$281.1 million (31 December 2015 – US$312.3 million), mainly comprising trade and other payables of approximately US$259.0 million (31 December 2015 – US$278.2 million), bank loans and other borrowings of approximately US$17.4 million (31 December 2015 – US$28.7 million) and current taxation of approximately US$4.7 million (31 December 2015 – US$5.3 million).

As at 30 June 2016, the Group had non-current liabilities of approximately US$45.2 million (31 December 2015 – US$38.5 million), comprising bank loans and other borrowings of approximately US$44.7 million (31 December 2015 – US$38.2 million) and deferred tax liabilities of approximately US$0.5 million (31 December 2015 – US$0.3 million). Gearing ratio was 59.8%, as compared to 61.6% in 2015.

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 2016, there were 707,120,204 shares in issue (the "Shares") and the Company carried a share capital of approximately US$9,094,000. There were no issue of shares during the first six months of 2016.

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 2016, 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 2016, 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$Nil (2015: US$Nil).

Employees and Remuneration Policy

As at 30 June 2016, the Group had approximately 984 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 a 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), Land Rigs, Solids Control and other developed range of equipment. These business are now consolidated into Oil and Gas Services Business Group ("OGS"). 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, Jacking Systems, Jack-up Rack and Chord, Electrical Controls and Drives. These are equipment which we design and supply individually are now consolidated into the Offshore Business Group ("OFS"). The top section of our strategy pyramid, our "growth engine", where we tailor our range of products as Offshore Integrated Solutions ("OIS"), 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.


During the Period, the Group completed the spinoff of OGS Business Group under TSC Oil and Gas Services Holdings Ltd. ("TSC Oil & Gas Services") (formerly known as "TSC (Qingdao) Manufacture Co., Ltd"). Quotation of its shares on the National Equities Exchange and Quotation System ("NEEQ", also known as the "New Third Board") was recently approved and quotation of TSC Oil & Gas Services commenced on 19 July 2016.

Order Book

As at 30 June 2016, the Group as a whole carried an order backlog of approximately US$114.1 million, of which US$49.5 million relates to Capital Equipment and Packages, US$62.7 million relates to MRO Supplies and US$1.9 million relates to MRO Services.

Share Award Plan

The Company adopted a share award plan ("Share Award Plan") on 16 January 2015 (the "Adoption Date of Share Award Plan"). The Share Award Plan does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is awarded at the discretion of the Company. The purpose of the Share Award Plan is to 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 of the Share Award Plan. A trust has been set up and Treasure Maker Investments Limited has been appointed as the trustee (the "Trustee"). Pursuant to the Share Award Plan, the Trustee may purchase Shares from the public market out of cash contributed by the Company from time to time. Shares purchased under the Share Award Plan will be held in trust for the Eligible Persons until such Shares are vested in accordance with the provisions of the rules relating to the Share Award Plan. The Share Award Plan will be effective for a period until 15 January 2025 unless terminated at the discretion of the Board at an earlier date.

No grant was made during the six months ended 30 June 2016. As at 30 June 2016, the trustee held 5,095,000 Shares (representing 0.72% of the issued share capital of the Company) on trust under the Share Award Plan.

Share Award Incentive Scheme

The Company adopted a share award incentive scheme ("Share Award Incentive Scheme") on 27 May 2016 (the "Adoption Date of Share Award Incentive Scheme"). The purposes of the Share Award Incentive Scheme are (i) to align the interests of Eligible Persons with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares; and (ii) to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of the Group. The Share Award Incentive Scheme is a separate scheme from the Share Award Plan adopted by the Company on 16 January 2015, which is specifically for granting Share awards sourced from existing Shares purchased from the stock market. The Share Award Incentive Scheme will give the Company flexibility in granting Awards of new Shares. The Share Award Incentive Scheme will be effective for a period until 26 May 2026 unless terminated at the discretion of the Board at an earlier date.

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

No grant was made during the six months ended 30 June 2016. As at 30 June 2016, the total number of shares that may be granted under the Share Award Incentive Scheme is 21,213,606 Shares, representing 3% of the issued share capital of the Company.

Change in Information of Directors

The change in the information of directors since the publication of the 2015 annual report is set out below pursuant to Rule 13.51(B)(1) of the Listing Rules:

Director's position

- Mr. Zhang Menggui, Morgan, ("Mr. Zhang") resigned as Chief Executive Officer from the Company to serve as the executive Chairman of Oil and Gas Services Business Group. Mr. Zhang has been re-designated from Executive Director to Non-executive Director of the Company.

Directors' Emoluments

- The basic annual salary of Mr. Jiang Bing Hua in 2016 has been adjusted from HK$2,700,000 to HK$1,940,000, and the basic annual salary of Mr. Zhang Menggui, Morgan in 2016 has also been adjusted from HK$2,700,000 to HK$1,940,000.

Change of non-executive Director

On 29 June 2016, Mr. Wang Jianzhong was recommended by the Company's nomination committee to be appointed as non-executive Director of the Company. Subsequently, the Company convened the meeting of the Board and resolved to appoint Mr. Wang Jianzhong as non-executive Director of the Company with effect from 4 July 2016. On the same day, Mr. Yu Yuqun resigned as non-executive Director of the Company. Mr. Yu Yuqun has resigned to devote more time to his personal commitments.

The Company would like to take this opportunity to thank Mr. Yu Yuqun for his valuable contribution during his tenure as non-executive Director of the Company.

Change of Chief Financial Officer

With effect from 2 May 2016, Mr. Chung Man Lai, Desmond, has resigned from the position of acting chief financial officer of the Company due to family issues; and Mr. Lim Joo Heng, Paul, 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 2016, the Group has no new sales contracts with CIMC Raffles under the continuing connected transactions mandate pursuant to the New Master Agreement approved by the Company's independent shareholders at EGM. The actual sales amount of those continuing connected transactions between the Group and CIMC Raffles was approximately US$0.9 million for the period ended 30 June 2016.

The Quotation of TSC Oil & Gas Services on The National Equities Exchange and Quotations System (The "New Third Board")

It is also noteworthy that the Group has received the approval for the application for the quotation of shares of TSC Oil & Gas Services on the NEEQ in the PRC. The quotation of shares of TSC Oil & Gas Services commenced on 19 July 2016 and will trade under the stock code of 837290. This spinoff will help unlock the value of TSC Oil & Gas Services and provide it an independent fund-raising platform with respect to its own operations and future expansion.

Subsequent Events

Save as disclosed in this report, no subsequent events occurred after 30 June 2016 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 2016, 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	–	120,046,200	–	124,702,200	0	17.64%
Mr. Jiang Bing Hua *(Note 1)*	4,656,000	–	120,046,200	–	124,702,200	0	17.64%
Mr. 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%

Notes:

1. Global Energy Investors, LLC. is the beneficial owner of 120,046,200 Shares. The entire share capital of Global Energy Investors, LLC. is beneficially owned as to 50% each by Mr. Zhang Menggui and Mr. Jiang Bing Hua, both are the executive Directors of the Company. Accordingly, both Mr. Zhang Menggui and Mr. Jiang Bing Hua are deemed to be interested in the 120,046,200 Shares beneficially owned by Global Energy Investors, LLC. under Part XV of the SFO.

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 2016, 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 2016, 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	124,702,200 Shares	17.64%
Madam Zhang Jiuli *(Note 2)*	Interest of the spouse	124,702,200 Shares	17.64%
Global Energy Investors, LLC. *(Note 3)*	Corporate	120,046,200 Shares	16.98%
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	71,106,800 Shares	10.06%


Notes:

1. These interests represent the same block of Shares and share options held by Mr. Zhang Menggui as shown in the above section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES". Since Madam Chen Fengying is the spouse of Mr. Zhang Menggui, she is deemed to be interested in the Shares and share options held by him under Part XV of the SFO.

2. These interests represent the same block of Shares and share options held by Mr. Jiang Bing Hua as shown in the above section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES". Since Madam Zhang Jiuli is the spouse of Mr. Jiang Bing Hua, she is deemed to be interested in the Shares and share options held by him under Part XV of the SFO.

3. This interest represents the same block of corporate interest held by Mr. Zhang Menggui and Mr. Jiang Bing Hua as shown in the above section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES".

4. Mr. Brian Chang indirectly holds 66,072,800 Shares through Windmere International Limited which is his wholly-owned company. Mr. Brian Chang's interest is shown in the above section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES". Accordingly, he is deemed to be interested in the shares held by Windmere International Limited under Part XV of the SFO.

5. China International Marine Containers (Hong Kong) Limited ("CIMC HK") is the beneficial owner of 92,800,000 Shares. CIMC HK is a wholly-owned subsidiary of China International Marine Containers (Group) Company Limited ("CIMC Group"). Therefore, CIMC Group is deemed to be interested in the 92,800,000 Shares of the Company held by CIMC HK under Part XV of the SFO.

6. Harmony Master Fund ("Harmony Fund") is a long-only equity fund registered in Cayman Islands. Harmony Fund is managed by DM Fund Management Limited, a company registered in Cayman Islands and a subsidiary of DM Capital Limited, a company incorporated in British Virgin Islands. Harmony Fund primarily holds long equity positions in small capitalization stocks that derive a majority of their revenues within the Greater China region.

(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.	33%
	Petromax Industry Inc.	16%
Texas Unconventional Resources LLC	Mr. YANG Anping	20%

Save as disclosed above, as at 30 June 2016, 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 2016.

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 14,822,000 share options, representing 2.10% of the issued share capital of the Company, remain valid and outstanding as at 30 June 2016.

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 30,108,000 share options, representing 4.26% of the issued share capital of the Company, remain valid and outstanding as at 30 June 2016. Save as disclosed above, no option had been granted or agreed to be granted by the Company pursuant to the New Scheme.


The total number of share options that may be further granted under all the share option schemes as at the date of this interim report is 3,784,040 Shares, representing 0.54% 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 44,930,000 Shares, representing 6.35% 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 2016 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 01.01.2016**	**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 30.06.2016**
(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	–	–	–	(580,000)	5,410,000
	Sub-total				5,990,000	–	–	–	(580,000)	5,410,000
(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	0	–	–	–	–	0
	Mr. Bian Junjiang	29.12.2008	29.06.2009 to 28.12.2018	0.54	350,000	–	–	–	–	350,000
	Mr. Guan Zhichuan	29.12.2008	29.06.2009 to 28.12.2018	0.54	0	–	–	–	–	0
					750,000	–	–	–	–	750,000
	Employees and other	29.12.2008	29.06.2009 to 28.12.2018	0.54	980,000	–	–	–	–	980,000
	Sub-total				1,730,000	–	–	–	–	1,730,000
	Total				**15,402,000**	**–**	**–**	**–**	**(580,000)**	**14,822,000**

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 2016.

Details of movement of options under the New Scheme for the six months ended 30 June 2016 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 01.01.2016**	**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 30.06.2016**
(i)	Employees	18.09.2009	18.03.2010 to 17.09.2019	2.06	8,558,000	–	–	–	(500,000)	8,058,000
(ii)	Employees	01.09.2010	01.03.2011 to 31.08.2020	1.27	4,460,000	–	–	–	(30,000)	4,430,000
(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	7,065,000	–	–	–	(825,000)	7,065,000
(v)	Employees	30.08.2013	28.02.2014 to 29.08.2023	2.9	5,080,000	–	–	–	–	4,255,000
(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				31,463,000	–	–	–	(1,355,000)	30,108,000

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 2016.

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 2016.


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 2016.

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 financial results of the Group for the six months ended 30 June 2016 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.

RISK MANAGEMENT AND INTERNAL CONTROL

Based on the respective assessments made by management and the Corporate Governance team responsible for internal audit activities, the Audit Committee considered that for the first six months of 2016:

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

– An ongoing process is in place for identifying, evaluating and managing the significant risks faced by the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director had a direct and indirect material interest, subsisted during or at the end of the six months ended 30 June 2016.

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 2016.

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 2016 to 30 June 2016 as set out in Appendix 14 to Listing Rules at that time except for the deviation from CG Code A.6.7 where one executive director, three independent non-executive directors and three non-executive directors were absent from the last annual general meeting of the Company held on 27 May 2016 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 2016, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities, except that the trustee of the share award plan, pursuant to the terms of the rules and trust deed of the share award plan, purchased on the Stock Exchange a total number of 5,095,000 TSC shares at a total consideration of about HK$9,999,418.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

An interim report for the six months ended 30 June 2016 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, 30 August 2016

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Mr. Jiang Bing Hua *(Executive Chairman)*

Non-executive Directors

Mr. Zhang Menggui, Morgan
Mr. Jiang Longsheng
Mr. Brian Chang
Mr. Wang Jianzhong

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. Lim Joo Heng, Paul

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
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

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cricket Square
Hutchins Drive
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Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
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PRINCIPAL BANKERS

Industrial and Commercial Bank of China, Qingdao Branch
China CITIC Bank International Ltd.
Standard Chartered Bank
Industrial and Commercial Bank of China (Asia) Limited
China Construction Bank, Qingdao Branch
China Construction Bank, Shaanxi Branch
Hi-Tech Development Zone Sub-branch
Bank of Communications, Qingdao Branch
Agricultural Bank of China, Qingdao Branch
Evergrowing Bank
East West Bank
The Royal Bank of Scotland

AUDITORS

KPMG

WEBSITE

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STOCK CODE

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