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## **TSC Group Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 206)**

### **DISCLOSEABLE TRANSACTION: DISPOSAL OF 49.05% EQUITY INTERESTS IN TSC OIL AND GAS SERVICES HOLDINGS LTD.**

#### **THE AGREEMENTS**

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

- (a) Agreement A: pursuant to which TCL agreed to sell 21.05% of the equity interests in Qingdao TSC to Purchaser A at the cash consideration of RMB25,684,000; and
- (b) Agreement B: pursuant to which TCL agreed to sell 28% of the equity interests in Qingdao TSC to Purchaser B at the cash consideration of RMB34,159,720.00.

Following completion of the Agreements, the Company will continue to hold 50.95% equity interest in Qingdao TSC.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the Agreements are entered into by the Group to dispose of its equity interest in the same indirect wholly-owned subsidiary, namely Qingdao TSC, the Agreements are required to be aggregated for the purpose of classification of the transactions. On an aggregate basis, as the highest of the applicable percentage ratios in respect of the Agreements exceeds 5% but each of them is less than 25% as calculated pursuant to Rule 14.07 of the Listing Rules, the Agreements constitute a discloseable transaction of the Company under Rule 14.06(2) and is therefore subject to the applicable notification, reporting and announcement requirements but the circular, shareholders' approval and accountants' report requirements are not required under Chapter 14 of the Listing Rules. Details of the Agreements are set out below in this announcement.

### **1. INTRODUCTION**

The Board announces that on 21 July 2017 (after trading hours), the following equity transfer agreements in relation to the disposals of the equity interests in an indirect wholly-owned subsidiary of the Company were entered into between the Group and the relevant purchasers:

- (a) Agreement A, pursuant to which TCL agreed to sell 21.05% of the equity interests in Qingdao TSC to Purchaser A; and
- (b) Agreement B, pursuant to which TCL agreed to sell 28% of the equity interests in Qingdao TSC to Purchaser B.

## 2. THE AGREEMENTS

The principal terms of the Agreements are set out below:

### 2.1 Agreement A

(a) Date: 21 July 2017 (after trading hours).

(b) Parties:

Vendor: TCL

Purchaser: Purchaser A

(c) Assets to be disposed of:

The assets to be disposed of by TCL is the Sale Shares A, being 21.05% of the equity interests in Qingdao TSC.

(d) Consideration and related information:

Sale Shares A shall be disposed of at Consideration A (i.e. RMB25,684,000 in cash). Consideration A is determined after arm's length negotiation between TCL and Purchaser A with reference to the financial status of Qingdao TSC at the time of negotiation and by considering the net assets, account payable and receivables settlement.

Consideration A shall be payable within 5 days after Agreement A has become effective and shall be payable in the equivalent Hong Kong dollars on the day of payment.

Agreement A has become effective on 21 July 2017 (i.e. the date of Agreement A).

## 2.2 Agreement B

(a) Date: 21 July 2017 (after trading hours).

(b) Parties:

Vendor: TCL

Purchaser: Purchaser B

(c) Assets to be disposed of:

The assets to be disposed of by TCL is the Sale Shares B, being 28% of the equity interests in Qingdao TSC.

(d) Consideration and related information:

Sale Shares B shall be disposed of at Consideration B (i.e. RMB34,159,720.00 in cash). Consideration B is determined after arm's length negotiation between TCL and Purchaser B with reference to the financial status of Qingdao TSC at the time of negotiation and by considering the net assets, account payable and receivable settlements.

25.07% of Consideration B (i.e. RMB8,564,759.24) shall be payable within 10 working days after Agreement B has become effective and shall be payable in the equivalent Hong Kong dollars on the day of payment. The remaining balance of 74.93% of Consideration B (i.e. RMB25,594,960.76) shall be payable within 3 months after Agreement B has become effective and shall be payable in the equivalent Hong Kong dollars on the day of payment.

Agreement B has become effective on 21 July 2017 (i.e. the date of Agreement B).

There are no outstanding conditions precedent for the completion of the Agreements.

### **2.3 Assets to be disposed of under the Agreements**

The assets to be disposed of by TCL are Sale Shares A and Sale Shares B, being 49.05% of the equity interests in Qingdao TSC in total.

As at the date of this announcement, TCL holds 98.98% of Qingdao TSC's equity interests and TCL is a wholly-owned subsidiary of the Company; TSC China holds the remaining 1.02% of Qingdao TSC's equity interests and TSC China is a wholly-owned subsidiary of the Company; thus Qingdao TSC is an indirect wholly-owned subsidiary of the Company. Upon completion of the transfer of the Sale Shares the Purchaser A and Purchaser B respectively, the equity interests of the Vendor in Qingdao TSC will be reduced from 100% to 50.95%. Qingdao TSC will continue to be a subsidiary of the Company and its financial results will continue to be consolidated into the financial statements of the Group.

### **2.4 Information on Qingdao TSC**

Certain information on Qingdao TSC as at the Announcement Date is set out below:

Place of establishment	:	PRC
Registered and paid up capital	:	RMB190,000,000
Principal business	:	Manufacturing and trading of oilfield expendables and supplies
Shareholders	:	TCL as to 98.98% TSC China as to 1.02%

The unaudited consolidated financial information of Qingdao TSC and its subsidiaries for the two financial years ended 31 December 2015 and 2016 respectively extracted from its financial statements prepared in accordance with the PRC Accounting Standards are set out below:

	<b>For the year ended 31 December 2015 RMB</b>	<b>For the year ended 31 December 2016 RMB</b>
Profit/(loss) before tax and extraordinary items	27,108,497	(175,435,187)
Profit/(loss) after tax and extraordinary items	20,010,514	(178,447,659)
	<b>As at 31 December 2015 RMB</b>	<b>As at 31 December 2016 RMB</b>
Total assets	480,445,123	419,640,512
Total liabilities	261,708,812	307,515,709
Net Assets	218,736,311	112,124,803

### **3. INFORMATION ON THE GROUP AND THE PARTIES TO THE AGREEMENTS**

#### **3.1 The Group and the vendor**

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in manufacturing and trading of rig equipment and oilfield expendables.

TCL is a company established in the BVI and a wholly-owned subsidiary of the Company. As at the Announcement Date, TCL is an investment holding company.

### **3.2 Purchaser A**

Purchaser A is a company established in the PRC and an investment holding company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, (i) Purchaser A is an Independent Third Party; (ii) Purchase A is not connected with Purchaser B or otherwise associated with Purchaser B and (iii) Purchaser A is an investment holding company.

### **3.3 Purchaser B**

Purchaser B is a company established in the PRC by some of the employees of the Group. Mr. Zhang Menggui, a Director of the Company, together with his brother Mr. Zhang Mengzhen hold approximately 23.13% of the equity interests of Purchaser B and they do not have control over the management of Purchaser B. As the aggregate equity interests of Mr. Zhang Menggui and Mr. Mengzhen in Purchaser B is less than 30%, Purchaser B is not to be considered as a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, and to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, (i) Purchaser B is an Independent Third Party; (ii) Purchaser B is not connected with Purchaser A or otherwise associated with Purchaser A; and (iii) Purchaser B is an investment holding company.

## **4. LOSS EXPECTED TO ACCRUE TO THE GROUP**

### **4.1 Agreement A**

Based on Consideration A and after deduction of the currently estimated taxes, professional fees and other expenses attributable to the transactions contemplated by Agreement A, it is expected that an unaudited loss of approximately RMB1,944,885.67 calculated by reference to the unaudited net asset value of Sale Shares A as at 30 June 2017 will be accrued to the Group.

### **4.2 Agreement B**

Based on Consideration B and after deduction of the currently estimated taxes, professional fees and other expenses attributable to the transactions contemplated by Agreement B, it is expected that an unaudited loss of approximately RMB2,587,021.33 calculated by reference to the unaudited net asset value of Sale Shares B as at 30 June 2017 will be accrued to the Group.

### **4.3 Recognition of the loss in the Company's income statement**

Since the loss expected to accrue to the Group as disclosed in subsections 4.1 to 4.2 are calculated by reference to the unaudited financial figures of the Group as at 30 June 2017 whereas the recognition of the loss from the disposals pursuant to the Agreements in the income statement of the Group for the year ending 31 December 2017 will be by reference to the unaudited financial figures of the Group as at 30 June 2017 as required by the applicable accounting principles, the Company expects the loss to be recognized in the income statement of the Group for the year ending 31 December 2017 to be different from those disclosed above.

## **5. INTENDED USE OF PROCEEDS**

As at the Announcement Date, the Group intended to apply the aggregated proceeds from the disposal pursuant to the Agreements as general working capital.

## **6. REASONS FOR ENTERING INTO THE AGREEMENTS**

Since early-2017, it has been the strategy of the Group to reduce its investment and management involvement in various non-core businesses which are not aligned with the expertise or development focus of the Group. Accordingly, the reduction of the Group's shareholding interests in Qingdao TSC from 100% to 50.95% is in line with such strategy.

After taking into account the factors set out above and the terms of each of the Agreements, the Directors (including the independent non-executive Directors) consider that the terms of each of the Agreements are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.



## **7. IMPLICATIONS UNDER THE LISTING RULES**

As the aggregate equity interests of Mr. Zhang Menggui and Mr. Mengzhen in Purchaser B is less than 30% and they do not have control over the management of Purchaser B, Purchaser B is not to be considered as a connected person of the Company under Chapter 14A of the Listing Rules. Agreement B is thus not to be considered as a connected transaction under Chapter 14A of the Listing Rules.

As Agreement A and Agreement B are entered into by the Group for the disposal of interests in one particular company concurrently, Agreement A and Agreement B are required to be aggregated for the purpose of classification of the transactions pursuant to Rules 14.22 and 14.23 of the Listing Rules. Since the highest of the applicable percentage ratios in respect of the Agreement A and Agreement B on an aggregate basis, exceeded 5% but all of them are less than 25%, Agreement A and Agreement B together constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, Agreement A and Agreement B, on an aggregate basis, are subject to the notification and announcement requirements but the circular, shareholders' approval and accountants' report requirements are not required under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

“Agreement A”	the equity transfer agreement in relation to Sale Shares A dated 21 July 2017 and entered into between TCL as vendor and Purchaser A as purchaser and any amendments thereto
“Agreement B”	the equity transfer agreement in relation to Sale Shares B dated 21 July 2017 and entered into between TCL as vendor and Purchaser B as purchaser and any amendments thereto
“Agreements”	Agreement A and Agreement B
“Announcement Date”	the date of this announcement, being 21 July 2017
“Board”	the board of Directors
“BVI”	the British Virgin Islands

“Company”	TSC Group Holdings Limited, a company incorporated in the Cayman Islands and whose share are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“Consideration A”	the consideration of RMB25,684,000 in cash payable by Purchaser A for the acquisition of the Sale Shares A under Agreement A
“Consideration B”	the consideration of RMB34,159,720.00 in cash payable by Purchaser B for the acquisition of the Sale Shares B under Agreement B
“Directors”	director(s) of the Company from time to time
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region
“Independent Third Party”	a third party independent of, and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	has the meaning given to it under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Taiwan, Hong Kong and Macao Special Administrative Region

“PRC Accounting Standards”	中國企業會計準則 (Accounting Standards for Business Enterprises) as promulgated by the Ministry of Finance of the PRC
“Purchaser A”	Beijing He Ju Tian Yang Investment Management Centre* (北京合聚天揚投資管理中心(有限合伙)), a company established in the PRC with limited liability
“Purchaser B”	Zheng Yuan Heng Tong (Tianjin) Petroleum Technology Limited* (正源恆通(天津)石油科技合夥企業(有限合伙)), a company established in the PRC with limited liability
“Qingdao TSC”	TSC Oil and Gas Services Group Holdings Ltd. 青島天時油氣裝備服務集團股份有限公司, a company incorporated in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	Sales Shares A and Sale Shares B
“Sale Shares A”	21.05% of the equity interest in Qingdao TSC owned by TCL as at the Announcement Date
“Sale Shares B”	28% of the equity interest in Qingdao TSC owned by TCL as at the Announcement Date
“Shares”	ordinary shares of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“TCL”	Thousand Code Limited 千碼有限公司, a company incorporated in the BVI with limited liability
“TSC China”	TSC Offshore China Limited 北京TSC海洋石油裝備有限公司, a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“working day”	means a day (other than a Saturday or Sunday) on which the banks in the PRC are open for routine banking business

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

Hong Kong, 21 July 2017

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

\* *For identification purpose only*