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TSC Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 206)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

HIGHLIGHTS

- Revenue amounted to approximately US\$194.9 million for the year ended 31 December 2015, representing a decrease of 28.0% as compared with 2014;
- Gross profit amounted to approximately US\$54.4 million for the year ended 31 December 2015, representing a decrease of 27.8% as compared with 2014;
- Gross profit margin increased slightly from 27.8% for 2014 to 27.9% for 2015;
- Profit attributable to equity shareholders of the Company amounted to approximately US\$2.1 million for the year ended 31 December 2015, representing a decrease of 89.8% as compared with 2014; and
- The Directors do not recommend the payment of a dividend for 2015.

ANNUAL RESULTS

The board of the Directors (the “Board”) is pleased to announce the results of TSC Group Holdings Limited (the “Company” or “TSC”) and its subsidiaries (collectively the “Group”) for the year ended 31 December 2015 (the “Year”) together with the comparative figures for the year ended 31 December 2014 as follows using United States dollars as presentation currency:

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

	<i>Note</i>	2015 \$'000	2014 \$'000
Revenue	3	194,899	270,586
Cost of sales		<u>(140,543)</u>	<u>(195,339)</u>
Gross profit		54,356	75,247
Other revenue and net income	4	3,842	883
Selling and distribution expenses		(12,554)	(9,849)
General and administrative expenses		(33,089)	(33,292)
Other operating expenses		<u>(5,975)</u>	<u>(5,461)</u>
Profit from operations		6,580	27,528
Finance costs	5(a)	(4,545)	(3,221)
Share of results of associate		<u>—</u>	<u>—</u>
Profit before taxation	5	2,035	24,307
Income tax	6(a)	<u>(738)</u>	<u>(3,365)</u>
Profit for the year		<u>1,297</u>	<u>20,942</u>
Attributable to:			
Equity shareholders of the Company		2,097	20,502
Non-controlling interests		<u>(800)</u>	<u>440</u>
Profit for the year		<u>1,297</u>	<u>20,942</u>
Earnings per share	8		
Basic		<u>0.30 cent</u>	<u>2.95 cents</u>
Diluted		<u>0.30 cent</u>	<u>2.87 cents</u>

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	2015 \$'000	2014 \$'000
Profit for the year	1,297	20,942
Other comprehensive income for the year:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences on translation of financial statements of subsidiaries and associate (with nil tax effect)	<u>(6,771)</u>	<u>(554)</u>
Total comprehensive income for the year	<u>(5,474)</u>	<u>20,388</u>
Attributable to:		
Equity shareholders of the Company	(4,544)	20,075
Non-controlling interests	<u>(930)</u>	<u>313</u>
Total comprehensive income for the year	<u>(5,474)</u>	<u>20,388</u>

Consolidated Statement of Financial Position

At 31 December 2015

		2015	2014
	Note	\$'000	\$'000
Non-current assets			
Property, plant and equipment		42,400	34,490
Property under development		18,732	10,644
Interest in leasehold land held for own use under operating leases		8,063	8,726
Goodwill		22,996	24,089
Other intangible assets		6,464	9,169
Interest in associate		193	–
Other financial asset		4,661	4,561
Prepayments		46	56
Deferred tax assets		12,036	11,355
		<u>115,591</u>	<u>103,090</u>
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Current assets			
Inventories		58,523	50,466
Trade and other receivables	9	107,293	97,658
Gross amount due from customers for contract work		236,539	182,489
Amount due from a related company		101	101
Tax recoverable		132	–
Pledged bank deposits		5,045	4,382
Cash at bank and in hand		46,505	52,337
		<u>454,138</u>	<u>387,433</u>
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Non-current assets classified as held for sale		–	3,470
		<u>454,138</u>	<u>390,903</u>
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Current liabilities			
Trade and other payables	10	278,230	195,226
Bank loans and other borrowings		28,725	27,310
Tax payable		5,326	7,930
		<u>312,281</u>	<u>230,466</u>
		=====	=====

	2015	2014
<i>Note</i>	\$'000	\$'000
Net current assets	141,857	160,437
Total assets less current liabilities	257,448	263,527
Non-current liabilities		
Bank loans and other borrowings	38,185	37,893
Deferred tax liabilities	268	467
	38,453	38,360
NET ASSETS	218,995	225,167
CAPITAL AND RESERVES		
Share capital	9,094	9,066
Reserves	207,530	212,821
Total equity attributable to equity shareholders of the Company	216,624	221,887
Non-controlling interests	2,371	3,280
TOTAL EQUITY	218,995	225,167

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to equity shareholders of the Company												
	Share capital \$'000	Share premium \$'000	Merger reserve \$'000	Exchange reserve \$'000	Employee share-based compensation reserve \$'000	Shares held for share award scheme reserve \$'000	Capital reserve \$'000	Revaluation reserve \$'000	Reserve funds \$'000	Retained profits \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 January 2014	8,884	121,611	2,161	4,053	6,061	–	512	627	5,724	46,765	196,398	7,846	204,244
Changes in equity for 2014:													
Profit for the year	–	–	–	–	–	–	–	–	–	20,502	20,502	440	20,942
Other comprehensive income	–	–	–	(427)	–	–	–	–	–	–	(427)	(127)	(554)
Total comprehensive income	–	–	–	(427)	–	–	–	–	–	20,502	20,075	313	20,388
Shares issued under share option schemes	74	1,650	–	–	(531)	–	–	–	–	–	1,193	–	1,193
Equity-settled share-based transactions	–	–	–	–	409	–	–	–	–	–	409	–	409
Transferred to reserve funds	–	–	–	–	–	–	–	–	1,565	(1,565)	–	–	–
Acquisition of non-controlling interest without a change in control	108	4,224	–	–	–	–	–	–	–	(520)	3,812	(3,812)	–
Dividends paid to non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	–	(1,067)	(1,067)
Balance at 31 December 2014 and 1 January 2015	<u>9,066</u>	<u>127,485</u>	<u>2,161</u>	<u>3,626</u>	<u>5,939</u>	<u>–</u>	<u>512</u>	<u>627</u>	<u>7,289</u>	<u>65,182</u>	<u>221,887</u>	<u>3,280</u>	<u>225,167</u>

Attributable to equity shareholders of the Company

	Share capital \$'000	Share premium \$'000	Merger reserve \$'000	Exchange reserve \$'000	Employee share-based compensation reserve \$'000	Shares held for share award scheme reserve \$'000	Capital reserve \$'000	Revaluation reserve \$'000	Reserve funds \$'000	Retained profits \$'000	Total \$'000	Non- controlling interests \$'000	Total equity \$'000
Balance at 31 December 2014 and 1 January 2015	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 2015:													
Profit for the year	-	-	-	-	-	-	-	-	-	2,097	2,097	(800)	1,297
Other comprehensive income	-	-	-	(6,641)	-	-	-	-	-	-	(6,641)	(130)	(6,771)
Total comprehensive income	-	-	-	(6,641)	-	-	-	-	-	2,097	(4,544)	(930)	(5,474)
Shares issued under share option schemes	28	320	-	-	(105)	-	-	-	-	-	243	-	243
Equity-settled share-based transactions	-	-	-	-	323	-	-	-	-	-	323	-	323
Purchase of shares for share award scheme	-	-	-	-	-	(1,285)	-	-	-	-	(1,285)	-	(1,285)
Transferred to reserve funds	-	-	-	-	-	-	-	-	1,526	(1,526)	-	-	-
Capital contribution received from non-wholly owned subsidiaries from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	21	21
Balance at 31 December 2015	9,094	127,805	2,161	(3,015)	6,157	(1,285)	512	627	8,815	65,753	216,624	2,371	218,995

Note:

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries and the Group's interest in associate.

The functional currency of the Company is Hong Kong dollars. Subsidiaries of the Company have their functional currencies in Renminbi ("RMB"), United States dollars and Pound Sterling. In view of expanded foreign operations, the directors of the Company consider United States dollars, being an internationally well-recognised currency, can provide more meaningful information to the Company's investors and meet the needs of the Group's global customers. Therefore, the directors choose United States dollars as the presentation currency of the financial statements.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2 STATEMENT OF COMPLIANCE AND CHANGES IN ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

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

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a “related party” to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group’s related party disclosures as the Group does not obtain key management personnel services from management entities.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the design, manufacture, installation and commissioning of capital equipment and packages on land and offshore rigs and 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 year is as follows:

	2015 \$'000	2014 \$'000
Capital equipment and packages		
– Sales of capital equipment	15,260	24,926
– Construction contracts revenue		
– Rig products and technology	49,451	45,691
– Rig turnkey solutions	57,359	133,792
	122,070	204,409
Oilfield expendables and supplies		
– Sales of expendables and supplies	58,500	52,148
Engineering services		
– Service fee income	14,329	14,029
	194,899	270,586

The Group's customer base is diversified and includes two customers (2014: two customers) with whom transactions have exceeded 10% of the Group's revenues. In 2015, revenues from sales of capital equipment and packages to these customers, including sales to entities which are known to the Group to be under common control with these customers, amounted to approximately \$53 million and \$23 million respectively (2014: \$107 million and \$30 million respectively).

Further details regarding the Group's principal activities are described below:

(b) Segment reporting

The Group manages its business by divisions, which are organised by a mixture of both business lines (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

(i) *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 asset, cash at bank and in hand, pledged bank deposits, tax balances and other unallocated head office and corporate assets. Segment liabilities include trade and other payables and provisions attributable to the activities of the individual segment, with the exception of bank loans and other borrowings, tax balances and other unallocated head office and corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "segment results" i.e. "adjusted earnings before finance costs and taxes" of individual segment. To arrive at segment results, the Group's earnings are further adjusted for share of results of 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.

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 for the years ended 31 December 2015 and 2014 is set out below.

	Capital equipment and packages		Oilfield expendables and supplies		Engineering services		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	122,070	204,409	58,500	52,148	14,329	14,029	194,899	270,586
Inter-segment revenue	15,654	1,969	6,205	7,821	1,291	131	23,150	9,921
Reportable segment revenue	137,724	206,378	64,705	59,969	15,620	14,160	218,049	280,507
Reportable segment results	4,532	29,592	1,266	5,295	2,423	403	8,221	35,290
Depreciation and amortisation for the year	4,926	4,851	957	825	1,485	1,648	7,368	7,324
Reportable segment assets	426,101	354,874	55,905	42,275	17,657	22,733	499,663	419,882
Additions to non-current segment assets during the year	6,438	10,804	17,407	4,185	7	33	23,852	15,022
Reportable segment liabilities	(258,255)	(177,568)	(16,182)	(11,975)	(3,295)	(4,831)	(277,732)	(194,374)

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

	2015 \$'000	2014 \$'000
Revenue		
Reportable segment revenue	218,049	280,507
Elimination of inter-segment revenue	<u>(23,150)</u>	<u>(9,921)</u>
Consolidated revenue (<i>note 3(a)</i>)	<u>194,899</u>	<u>270,586</u>
Profit		
Segment results	8,221	35,290
Finance costs	(4,545)	(3,221)
Unallocated head office and corporate income and expenses	<u>(1,641)</u>	<u>(7,762)</u>
Consolidated profit before taxation	<u>2,035</u>	<u>24,307</u>
Assets		
Reportable segment assets	499,663	419,882
Interest in associate	193	–
Other financial asset	4,661	4,561
Cash at bank and in hand	46,505	52,337
Pledged bank deposits	5,045	4,382
Deferred tax assets	12,036	11,355
Tax recoverable	132	–
Unallocated head office and corporate assets	<u>1,494</u>	<u>1,476</u>
Consolidated total assets	<u>569,729</u>	<u>493,993</u>
Liabilities		
Reportable segment liabilities	(277,732)	(194,374)
Bank loans and other borrowings	(66,910)	(65,203)
Current taxation	(5,326)	(7,930)
Deferred tax liabilities	(268)	(467)
Unallocated head office and corporate liabilities	<u>(498)</u>	<u>(852)</u>
Consolidated total liabilities	<u>(350,734)</u>	<u>(268,826)</u>

(iii) *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 leases, goodwill, other intangible assets, interest in associate, other financial asset 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 asset, 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 operation to which they are allocated, in the case of goodwill and intangible assets, and the location of operations, in the case of interest in associate, other financial asset and non-current portion of prepayments.

	Revenue from external customers		Specified non-current assets	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Hong Kong	–	–	195	68
Mainland China	61,373	65,823	58,803	55,256
North America	27,483	131,803	17,937	6,494
South America	26,832	16,133	389	407
Europe	4,535	13,145	24,435	27,185
Singapore	17,446	32,519	8	5
Indonesia	56,129	–	–	–
Others (other part of Asia, India, Russia etc.)	1,101	11,163	1,788	2,320
	<u>194,899</u>	<u>270,586</u>	<u>103,555</u>	<u>91,735</u>

4 OTHER REVENUE AND NET INCOME

	2015	2014
	\$'000	\$'000
Interest income	186	134
Net foreign exchange gain	2,279	–
Others	1,377	749
	<u>3,842</u>	<u>883</u>

5 PROFIT BEFORE TAXATION

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

	2015 \$'000	2014 \$'000
(a) Finance costs		
Interest on bank loans and other borrowings	5,425	3,338
Less: Interest expense capitalised into property under development*	(880)	(117)
	<u>4,545</u>	<u>3,221</u>
* The borrowing costs have been capitalised at a rate of 6.87% – 7.09% per annum (2014: 6.71% – 7.21% per annum).		
(b) Staff costs[#]		
Contributions to defined contribution retirement plans	4,536	4,431
Equity-settled share-based payment expenses	323	409
Salaries, wages and other benefits	38,870	38,705
	<u>43,729</u>	<u>43,545</u>
(c) Other items		
Amortisation of interest in leasehold land held for own use under operating leases [#]	226	254
Amortisation of intangible assets	2,632	2,691
Depreciation [#]	5,161	4,741
Impairment losses on doubtful debts	1,941	1,696
Write-off of trade debtors	44	363
Research and development costs	4,328	1,282
Net foreign exchange (gain)/loss	(2,279)	341
Loss on disposal of property, plant and equipment	476	247
Auditors' remuneration	436	513
Minimum lease payments under operating leases in respect of land and buildings	4,071	3,615
Cost of inventories [#]	<u>137,663</u>	<u>192,147</u>

[#] Cost of inventories includes \$26,253,000 (2014: \$24,339,000) relating to staff costs, depreciation and amortisation expenses which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss represents:

	2015 \$'000	2014 \$'000
Current tax		
Provision for the year		
– Hong Kong Profits Tax	727	–
– PRC enterprise income tax	243	2,783
– Overseas corporation income tax	1,301	1,428
	<u>2,271</u>	<u>4,211</u>
Over-provision in respect of prior years		
– PRC enterprise income tax	(527)	(781)
	<u>1,744</u>	<u>3,430</u>
Deferred tax		
Origination of temporary differences	(1,006)	(65)
	<u>738</u>	<u>3,365</u>

The provision for Hong Kong Profits Tax for 2015 is calculated at 16.5% of the estimated assessable profits for the year. 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 in 2014. Taxation for subsidiaries in other jurisdictions is charged at the appropriate current rates of taxation ruling in relevant jurisdictions. During the year, certain PRC subsidiaries are subject to tax at a reduced rate of 15% (2014: 15%) under the relevant PRC tax rules and regulations.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2015 \$'000	2014 \$'000
Profit before taxation	<u>2,035</u>	<u>24,307</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	509	5,729
Tax effect of non-deductible expenses	733	1,062
Tax effect of non-taxable income	(1,066)	(3,474)
Tax effect of profits entitled to tax reductions in the PRC	(1,119)	(1,938)
Tax effect of unused tax losses not recognised	2,208	2,767
Over-provision in prior years	(527)	(781)
Actual tax expense	<u>738</u>	<u>3,365</u>

7 DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31 December 2015 (2014: \$Nil).

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$2,097,000 (2014: \$20,502,000) and the weighted average number of 702,888,000 (2014: 695,582,000) ordinary shares in issue during the year after adjusting the shares held for share award scheme, calculated as follows:

Weighted average number of ordinary shares

	2015 '000	2014 '000
Issued ordinary shares at 1 January	704,915	690,754
Effect of share issue for acquisition of non-controlling interest	–	460
Effect of share options exercised	2,072	4,368
Effect of purchase of shares held for share award scheme	(4,099)	–
Weighted average number of ordinary shares at 31 December	702,888	695,582

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$2,097,000 (2014: \$20,502,000) and the weighted average number of 708,594,000 (2014: 713,790,000) ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2015 '000	2014 '000
Weighted average number of ordinary shares at 31 December	702,888	695,582
Effect of deemed issue of shares under the Company's share option schemes for nil consideration	5,706	18,208
Weighted average number of ordinary shares (diluted) at 31 December	708,594	713,790

9 TRADE AND OTHER RECEIVABLES

	2015 \$'000	2014 \$'000
Trade debtors and bills receivable	99,176	90,334
Less: allowance for doubtful debts	(7,590)	(5,767)
	<u>91,586</u>	<u>84,567</u>
Other receivables, prepayments and deposits	15,753	13,147
	<u>107,339</u>	<u>97,714</u>
Less: Non-current portion of prepayments	(46)	(56)
	<u>107,293</u>	<u>97,658</u>

(a) Ageing analysis

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 end of the reporting period:

	2015 \$'000	2014 \$'000
Current	28,780	31,222
Less than 1 month past due	15,779	9,436
1 to 3 months past due	7,365	16,529
More than 3 months but within 12 months past due	21,660	13,130
More than 12 months past due	18,002	14,250
	<u>62,806</u>	<u>53,345</u>
Amounts past due	<u>91,586</u>	<u>84,567</u>

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 in 1 to 2 months after delivery and acceptance of products. 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" of the Group are trade debtors and bills receivable of \$99,176,000 (2014: \$90,334,000) of which \$3,582,000 (2014: \$14,550,000) are due from subsidiaries of a substantial shareholder of the Group.

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2015 \$'000	2014 \$'000
At 1 January	5,767	4,208
Exchange adjustments	(108)	(4)
Impairment losses recognised	1,941	1,696
Uncollectible amounts written-off	(10)	(133)
At 31 December	7,590	5,767

At 31 December 2015, the Group's trade debtors of \$8,161,000 (2014: \$6,020,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of \$7,590,000 (2014: \$5,767,000) were recognised. The Group does not hold any collateral over these balances.

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	2015 \$'000	2014 \$'000
Neither past due nor impaired	28,737	31,222
Less than 1 month past due	15,759	9,436
1 to 3 months past due	7,341	16,529
More than 3 months but within 12 months past due	21,505	13,130
More than 12 months past due	17,673	13,997
	62,278	53,092
	91,015	84,314

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

10 TRADE AND OTHER PAYABLES

	2015 \$'000	2014 \$'000
Trade creditors and bills payable	217,978	156,747
Other payables and accrued charges	<u>60,252</u>	<u>38,479</u>
	<u>278,230</u>	<u>195,226</u>

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on invoice date, is as follows:

	2015 \$'000	2014 \$'000
Within 1 month	194,669	132,411
More than 1 month but within 3 months	6,094	9,597
More than 3 months but within 12 months	13,956	10,642
More than 12 months but within 24 months	2,414	1,340
More than 24 months	<u>845</u>	<u>2,757</u>
	<u>217,978</u>	<u>156,747</u>

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2015. The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny, Mr. Bian Junjiang and Mr. Guan Zhichuan.

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2015 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the Year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditors.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

TSC is a global product and service provider serving the worldwide onshore and offshore oil and gas E&P industries. These principal activities remained unchanged for 2015.

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 jack-up rig, R-550D, is under construction with estimated delivery at the second quarter of 2016. Leverage resources and partnership to create "All-Win" relationship will continue to be one of the primary strategies for us to grow the Company.

FINANCIAL REVIEW

	2015 US\$'000	2014 US\$'000	Change US\$'000	%
Revenue	194,899	270,586	(75,687)	(28.0)
Gross Profit	54,356	75,247	(20,891)	(27.8)
Gross Profit Margin	27.9%	27.8%		
Profit before Interest and Taxation	6,580	27,528	(20,948)	(76.1)
Net Profit attributable to Equity				
Shareholders	2,097	20,502	(18,405)	(89.8)
Net Profit Margin	1.1%	7.6%		
Earnings per Share (Basic)	US0.30 cent	US2.95 cents	(US2.65 cents)	(89.8)
Earnings per Share (Diluted)	US0.30 cent	US2.87 cents	(US2.57 cents)	(89.5)

Revenue

Consolidated revenue decreased 28.0% to US\$194.9 million from US\$270.6 million in 2014. The decrease mainly came from a 40.3% decrease in Capital Equipment and Packages recognised revenue and partly offset by 12.2% increase in Oilfield Expendables and Supplies sales. Engineering Services revenue remained stable compared to the previous year.

The 89.8% decrease in net profit attributable to equity shareholders was mainly due to the decreased revenue from Capital Equipment and Packages business segment.

Segment Information by Business Segments

	2015		2014		Increase/ (decrease)	
	US\$'000	%	US\$'000	%	US\$'000	%
Capital Equipment and Packages	122,070	62.6	204,409	75.5	(82,339)	(40.3)
Oilfield Expendables and Supplies	58,500	30.0	52,148	19.3	6,352	12.2
Engineering Services	14,329	7.4	14,029	5.2	300	2.1
Total revenue	194,899	100.0	270,586	100.0	(75,687)	(28.0)

Capital Equipment and Packages

Revenue recognised based on progress achieved on Capital Equipment and Packages projects decreased by 40.3% in 2015 compared to 2014. The decrease of US\$82.3 million came mainly from the downturn in oil market which resulted in less drilling activities as well as the shrinking demand on rig-turnkey package in 2015. The remaining Capital Equipment and Packages revenue was fairly consistent with the previous year coming from the various capital equipment business units.

Oilfield Expendables and Supplies

The increase of 12.2% from US\$52.1 million in 2014 to US\$58.5 million in 2015 in Oilfield Expendables and Supplies was mainly arisen from the expansion of the Group's distribution network to Venezuela market and revenue of approximately US\$24.0 million was recognised in 2015.

Engineering Services

Engineering Services revenue remained stable in 2014 and 2015 at US\$14.0 million and US\$14.3 million respectively.

Segment Information by Geographical Regions

	2015		2014		Increase/ (decrease)	
	US\$'000	%	US\$'000	%	US\$'000	%
Mainland China	61,373	31.5	65,823	24.3	(4,450)	(6.8)
North America	27,483	14.1	131,803	48.7	(104,320)	(79.1)
South America	26,832	13.8	16,133	6.0	10,699	66.3
Europe	4,535	2.3	13,145	4.9	(8,610)	(65.5)
Singapore	17,446	9.0	32,519	12.0	(15,073)	(46.4)
Indonesia	56,129	28.8	–	–	56,129	n/a
Others	1,101	0.5	11,163	4.1	(10,062)	(90.1)
Total revenue	<u>194,899</u>	<u>100.0</u>	<u>270,586</u>	<u>100.0</u>	<u>(75,687)</u>	<u>(28.0)</u>

Due to the change of ultimate customer of R-550D jack-up drilling rig from a customer in North America to a customer in Indonesia, the revenue in Indonesia in 2015 increased significantly.

Gross Profit and Gross Profit Margin

The Group's Gross Profit of US\$54.4 million for the Year decreased 27.8% from US\$75.2 million in the previous year. Gross Profit Margin increased slightly from 27.8% in 2014 to 27.9% in 2015.

Other Revenue

The increase in Other Revenue from US\$0.9 million to US\$3.8 million was mainly due to the depreciation of Renminbi, which resulted in net foreign exchange gain in 2015, while there was no such income in 2014.

Operating Expense and Profit Attributable to Equity Shareholders of the Company **General and Administrative Expenses**

General and Administrative Expenses remained stable in 2014 and 2015 at US\$33.3 million and US\$33.1 million respectively. Cost control, higher efficiency and productivity continue to be the focus at all levels of management in the Group.

Selling and Distribution Expenses

Selling and Distribution Expenses increased by US\$2.8 million from US\$9.8 million in 2014 to US\$12.6 million in 2015. Selling and Distribution Expenses mainly comprised of sales staff salaries, commissions, marketing expenses including participation in trade shows, travel costs and other sales promotional expenditure. The increase in Selling and Distribution Expenses was due to the expansion of the distribution network and sales forces in North America and Middle East.

Other Operating Expenses

The increase in Other Operating Expenses from US\$5.5 million in 2014 to US\$6.0 million in 2015 was mainly due to the increase in provision for impairment of trade receivable during the year.

Finance Costs

Finance Costs, primarily interest on bank loans and other borrowings, amounted to approximately US\$4.5 million in 2015 compared to US\$3.2 million in the previous year. The increase was due to the interest-bearing bond issued near the end of 2014.

Group's Liquidity and Capital Resources

As at 31 December 2015, the Group had intangible assets of approximately US\$29.5 million (2014: US\$33.3 million). As at 31 December 2015, the Group carried tangible assets of approximately US\$69.2 million (2014: US\$53.9 million) being property, plant and equipment, property under development and interest in leasehold land held for own use under operating leases. The increase in the Group's tangible assets was due to the addition of construction of a new facility in Qingdao, PRC.

As at 31 December 2015, the Group's interest in associate was approximately US\$0.2 million (2014: nil) and deferred tax assets was approximately US\$12.0 million (2014: US\$11.4 million). Non-current portion of prepayments was approximately US\$0.1 million (2014: US\$0.1 million).

As at 31 December 2015, the Group had current assets of approximately US\$454.1 million (2014: US\$390.9 million). Current assets mainly comprised cash and bank balances of approximately US\$46.5 million (2014: US\$52.3 million), pledged bank deposits of approximately US\$5.0 million (2014: US\$4.4 million), non-current assets classified as held for sales of nil (2014: US\$3.5 million), inventories of approximately US\$58.5 million (2014: US\$50.5 million), trade and other receivables of approximately US\$107.3 million (2014: US\$97.7 million), amount due from a related company of approximately US\$0.1 million (2014: US\$0.1 million), and gross amount due from customers for contract work of approximately US\$236.5 million (2014: US\$182.5 million). The increase in the gross amount due from customers for contract work was due mainly to work performed on the R-550D jack-up drilling rig towards the end of the year which had not yet reached invoicing milestones.

As at 31 December 2015, current liabilities amounted to approximately US\$312.3 million (2014: US\$230.5 million), mainly comprising trade and other payables of approximately US\$278.2 million (2014: US\$195.2 million), bank loans and other borrowings of approximately US\$28.7 million (2014: US\$27.3 million), and current tax payables of approximately US\$5.3 million (2014: US\$7.9 million). The increase in trade and other payables was mainly due to the increase in project advances received for capital equipment and packages contracts signed towards the end of the year.

As at 31 December 2015, the Group had non-current liabilities of approximately US\$38.5 million (2014: US\$38.4 million), comprising bank loans and other borrowings of approximately US\$38.2 million (2014: US\$37.9 million) and deferred tax liabilities of approximately US\$0.3 million (2014: US\$0.5 million). The Group monitors capital with reference to its debt position. The Group's strategy is to maintain the gearing ratio, being the Group's total liabilities to total assets, under 100%. The gearing ratio as at 31 December 2015 was 62% (2014: 54%).

Details of movements in the statement of financial position balances are further provided in the Consolidated Cash Flow Statement and accompanying notes to the financial statements.

Significant Investments and Disposals

There were no other significant investments or disposal during the year.

Capital Structure

At 1 January 2015, there were 704,915,204 shares in issue and the Company carried a share capital of approximately US\$9,066,000.

During the Year, the Company issued 2,205,000 shares to option holders who exercised their options under the Company's employee share option schemes. At 31 December 2015, the Company had 707,120,204 Shares in issue, and a paid up capital of approximately US\$9,094,000.

Charges on Assets

To secure the loans from banks, the Group agreed to charge certain assets to banks. Details are set out as follows:

- (i) Interest in leasehold land held for own use under operating leases, buildings, inventories, trade receivables and plant and machinery with aggregate net book value of US\$38.2 million (2014: US\$43.6 million).
- (ii) Corporate guarantees given by Qingdao TSC Offshore Equipment Co. Ltd, TSC-HHCT (Xian) Control Technologies Limited, Zhengzhou TSC Offshore Equipment Co. Ltd., TSC Offshore China Limited and TSC Oil and Gas Services Ltd. to the extent of banking facilities outstanding of US\$16.3 million (2014: US\$12.2 million) as at 31 December 2015.
- (iii) Corporate guarantee given by the Company to the extent of banking facilities outstanding of US\$2 million (2014: US\$2 million) as at 31 December 2015.
- (iv) Guarantees given by the directors of the Company (the “Director”) to the extent of banking facilities outstanding of US\$0.4 million (2014: US\$0.4 million) as at 31 December 2015. No guarantee fee was received by the director during the Year.

Certain bank loans of the Group are subject to the fulfilment of covenants relating to certain aspects of the subsidiaries’ statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. The drawn down loan balances would become payable on demand if the covenants were breached.

The Group regularly monitors its compliance with these covenants. As at 31 December 2015, none of the covenants relating to the Group’s bank loans had been breached.

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 resulting from most of the Group’s subsidiaries in the PRC carrying out production locally with Renminbi while approximately 50% of the Group’s revenue was denominated in United States dollars. As at 31 December 2015, no related hedges were made by the Group.

In order to mitigate that foreign exchange exposure, we may utilise 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.

Non-Exempt Continuing Connected Transactions

The Group conducted the following continuing connected transactions with connected parties of the Company, namely CIMC Raffles Offshore (Singapore) Limited (“CIMC Raffles”):

On 10 April 2015, the Company and CIMC Raffles entered into a new master agreement (the “New Master Agreement”) to renew certain continuing connected transactions. Pursuant to the New Master Agreement, the Group shall provide certain equipment under a number of turnkey projects to CIMC Raffles. The New Master Agreement is valid for a period starting from 5 June 2015 and ending on 31 December 2017.

The Company’s independent non-executive directors have reviewed the continuing connected transactions and have confirmed that the continuing connected transactions have been entered into (1) in the ordinary and usual course of business of the Group; (2) on normal commercial terms or better; and (3) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company’s shareholders as a whole.

Details of the continuing connected transactions under the New Master Agreement are as follows:

The Supply of Drilling Packages and Electrical Power Packages

Category of transaction	Continuing Connected Transactions
Transaction Date	10 April 2015
Transaction with	CIMC Raffles
Purpose of Transaction	The New Master Agreement with CIMC Raffles by which the Group can provide the Equipment and the Turnkey Project(s) to CIMC Raffles for three years ending 31 December 2017.
Contract Values and Other Details	The annual caps under the New Master Agreement for three years ending 31 December 2017 are approximately US\$100 million (equivalent to approximately HK\$780 million) each year.
Detailed announcement and shareholder approval	Details of the transaction were announced on 10 April 2015 which was published on the websites of the Stock Exchange and the Company. The New Master Agreement was approved by independent shareholders at extraordinary general meeting on 5 June 2015.

During the Year, the Group transacted contracts with CIMC Raffles under the continuing connected transactions mandate approved by the Company's independent shareholders at extraordinary general meeting held on 5 June 2015. The abovementioned contracts cover the supply of drilling packages, electrical power packages and a jacking system with a total contract value of approximately US\$14.0 million, which is within the cap of US\$100 million for the year ended 31 December 2015 approved by the independent shareholders of the Company. The actual sales amount of the continuing connected transactions between the Group and CIMC Raffles was approximately US\$14.0 million for the year ended 31 December 2015 (2014: US\$29.2 million).

Employees and Remuneration Policy

As at 31 December 2015, the Group had approximately 1,353 full-time staff in the U.S.A., the United Kingdom ("UK"), Brazil, United Arab Emirates, Russia, Singapore, Hong Kong and the PRC. The Group's remuneration policy is basically determined by the performance of individual employees and the market conditions. The Group also provides other benefits to its employees, including medical schemes, pension contributions and share option schemes.

MARKET AND BUSINESS PROSPECTS

This was a challenging year for the whole industry as the price of oil fell from US\$107 per barrel in July 2014 to the current level of around US\$40 per barrel. In addition, 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 in market. Under the current market environment, most of the O&G companies reacted in a way by cutting capital expenditure budgets, which resulted in numerous projects or campaigns being cancelled or deferred, contracts being retendered to achieve lower pricing and renegotiation of rates on longer term projects. It was expected to continue throughout the industry for a period of time.

The market demands more competitive, cost-effective products and services under this new environment. The general concurrence on the oil price and market is that this down turn will last a while till the later part of 2017. During this period of time, new rig building activities will sharply decline for both land rigs and offshore rigs. To survive this down turn, oil companies are putting pressures on all the service companies to cut prices. Lower day rates for rigs became the new norm for the industry.

Our strength lies in the great values that we create for our customers through flexible solutions. With the oil prices staying at the current level, customers in our industries become more and more sensitive to their spending versus values they receive. The competitive prices with our comprehensive range of products, innovative technology and expertise provide the best combination to address the current market needs.

Geographically, China has been our major market for many years. The slowdown of new offshore rig builds in the country will have certain impact to our growth. However, with our strong presence in China and growing market share, we feel that the revenue impact in the China market is minimal.

In 2015, we continue to build-up more presence in certain emerging markets such as Venezuela. During the year, the Group has signed contracts valued at US\$60 million to supply MRO spare parts and top drives to two main O&G Companies in Venezuela.

FUTURE PLANS FOR MATERIAL INVESTMENTS, CAPITAL ASSETS AND CAPITAL COMMITMENT

To address the market changes, there will be less investment this year.

Our Qingdao facility with approximately 382,000 square feet (35,500 square meters) will be officially put into use in the first half of 2016. The facility was constructed as the first phase on 24.7 acres (10.08 hectares) of industrial land and will be used for manufacturing of various products. Total cost of land and building, and plant and equipment is approximately US\$32.3 million and will be funded partly by our working capital and partly by long-term bank loans.

To improve the co-operation between the Group and CSSC Huangpu Wenchong shipyard, a joint venture, namely “廣州星際海洋有限公司” was established. The total investment amount is US\$0.2 million. The investment was aimed at participating in drilling activities in China.

To provide better value to our clients and to grow the Company for our shareholders, the Group will continue to leverage our core competence and product offering to explore new avenues with innovative business models.

The Group is also in the process of implementing a cost reduction and reorganisation plan to improve operational and financial efficiency.

POTENTIAL QUOTATION OF TSCQD ON THE NATIONAL EQUITIES EXCHANGE AND QUOTATIONS SYSTEM (THE “NEW THIRD BOARD”)

On 9 June 2015, the Board announced that the Group was in the process of selecting and appointing professional advisers to advise on the process of applying for a potential quotation and open transfer (the “Potential Quotation”) of the shares of TSC Oil and Gas Services Ltd. (“TSC Oil & Gas Services”) (formerly known as “TSC (Qingdao) Manufacture Co., Ltd” (“TSCQD”)) on the National Equities Exchange and Quotations System (the “NEEQ”) in Mainland China. The implementation of the Potential Quotation will be subject to, among other things, the approvals of National Equities Exchange and Quotations Co. Ltd. (“NEEQ Co. Ltd.”).

On 29 January 2016, TSC Oil & Gas Services successfully completed the quotation application documents submission to NEEQ. Such submission has been accepted by NEEQ after checking that the documents provided conformed to the requirements of the NEEQ’s quotation application requirements.

TSC Oil & Gas Services, a specific business spun-off by the Company, which is principally engaged in MRO supplies and oil & gas equipment services, is expected to be officially listed in Mainland China at the end of April or the beginning of May 2016. Over the next three months, further auditing will occur. The successfully listing of TSC Oil & Gas Services will not only provide a viable financing channel and broadened capital markets environment for TSC Group, but would also inject new power into China’s oil & gas equipment services industry.

SHARE AWARD PLAN

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

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

No grant was made for the year ended 31 December 2015. As at 31 December 2015, 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

STRATEGY, PROSPECTS AND ORDER BOOK

Strategies

Our product offering will still be a 3-tier pyramid structure: MRO, Capital Equipment and Integrated Solution. MRO is the base comprises our cash cow business of MRO Supplies and Services (which include Repair and Offshore Services, Engineering, Training, Installation and Commissioning), Rack Cutting, Solids Control and other developed range of services and equipment. The mid-section of the pyramid comprises our individual sales of the wide range of capital equipment products such as Deck Cranes, Mechanical Handling, Mud Pumps, Jacking Systems, Electrical Controls and Drives. These are equipment which we design and supply individually. The top section of our strategy pyramid, our 'growth engine' is where we put together our range of products as an 'Integrated Solution', addressing customers' needs by leveraging the Group's product range, engineering capability, project execution and financial needs taken together as one product offering.

To transform the Group into a formidable player in the global oil and gas service and equipment industry, new business models and better ways of doing things to benefit our clients will become more and more important in today's competitive world. The Group's strategy is to offer customised solutions to certain focused markets and customers by teaming up with partners and by leveraging all partners' resources.

We stress on a corporate culture represented by the acronym "4D TOP-E" core value which stands for the four drivers of behavior, to be Customer-Driven, Service-Driven, Solution-Driven and Results-Driven in everything we do with emphasis on Teamwork, Openness, Passion and Entrepreneurship to achieve our common goals.

Prospects

The landscape of the industry has significantly changed as a result of the recent steep decline in oil prices. Oil companies and drilling contractors are reducing activities and cutting back their capital expenditures. With the possibility of low oil price being the new norm in the near future, our clients are looking for value, for cost-effective solutions and for innovative business models of serving them. We believe that the Group's strategy will serve the market well. We realise that the market prospects present many new challenges. There will be more obstacles to overcome this year than ever before in order to continue our growth in the depressed market. However, we feel that the adjustment of the Group's strategy and our market positioning will help us to take advantage of some of the opportunities in this down-turn environment.

Order Book

As at 31 December 2015, the Group as a whole carried an order backlog of approximately US\$187.8 million for capital equipment and packages, expendables and services. Subsequent to 31 December 2015, the Group had secured further new orders amounting to US\$12.3 million up to the date of this announcement.

Subsequent Events

Save as disclosed in the announcement, no subsequent event occurred after 31 December 2015 which may have significant effects on the assets and liabilities of future operations of the Group.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had received from each of the independent non-executive Directors an annual confirmation of his independence. The Company considered all the independent non-executive Directors are independent.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the Code. To ensure on-going compliance with the Code, the audit committee's terms of reference takes into account the Board's responsibility for reviewing the adequacy of staffing of the financial reporting functions and the oversight role of the audit committee. The audit committee comprises a minimum of three members with a majority of independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny (being the chairman), Mr. Bian Junjiang and Mr. Guan Zhichuan, all of them are independent non-executive Directors; and at least one member has the appropriate professional qualifications or accounting or related financial management expertise which in compliance with Rule 3.10(2) of the Listing Rules. The Company considers these Directors to be independent under the guidelines set out in Rule 3.13 of the Listing Rules.

Throughout the Year, the audit committee held three meetings in considering and reviewing the interim and annual results of the Group, and discussing the audit plan and strategy complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The audit committee also met the external auditor twice without the presence of the executive Directors to described the audit plan and scoping and identified the significant risks and other areas of focus to be addressed by external auditor.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2015.

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 at the end of the year or at any time during the year ended 31 December 2015.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain 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.

The Company has complied with the code provisions ("CG Code") of the Code on Corporate Governance Practices for the year ended 31 December 2015 as set out in Appendix 14 to Listing Rules at that time except for the deviation from CG Code A.6.7 where three independent non-executive Directors and three non-executive Directors were absent from the last annual general meeting and extraordinary general meeting of the Company held on 5 June 2015, as they were away from Hong Kong due to other important engagements at the time of these meetings.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

A copy of annual report containing all information required by relevant paragraphs of Appendix 16 to the Listing Rules will be published on the Stock Exchange's website (<http://www.hkex.com.hk>) and the Company's website (<http://www.t-s-c.com>) in due course.

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

Hong Kong, 30 March 2016

As of the date of this announcement, the Board comprises 2 executive Directors, namely Mr. Jiang Bing Hua and Mr. Zhang Menggui; 3 non-executive Directors, namely Mr. Jiang Longsheng, Mr. Brian Chang and Mr. Yu Yuqun; and 4 independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny, Mr. Bian Junjiang, Mr. Guan Zhichuan and Mr. Robert William Fogal Jr.