TSC Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 206)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS

- Revenue amounted to approximately US$76.6 million for the year ended 31 December 2017, representing a decrease of 46.3% as compared with 2016;
- Gross profit amounted to approximately US$9.2 million for the year ended 31 December 2017, representing a decrease of 75.6% as compared with 2016;
- Gross profit margin decreased from 26.5% for 2016 to 12.0% for 2017, representing a decrease of 54.7% as compared with 2016;
- Loss attributable to equity shareholders of the Company amounted to approximately US$82.8 million for the year ended 31 December 2017, representing a decrease of 25.0% as compared with 2016; and
- The Directors do not recommend the payment of a dividend for 2017.

ANNUAL RESULTS

The board of the directors (the "Board") announces the consolidated results of TSC Group Holdings Limited (the "Company" or "TSC") and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 (the "Year") together with the comparative figures for the year ended 31 December 2016 as follows using United States dollars as presentation currency:

Consolidated Statement of Profit or Loss
For the year ended 31 December 2017

	Note	**2017** **_US$'000_**	2016 *US$'000*
Revenue	*3*	**76,552**	142,531
Cost of sales		**(67,331)**	(104,745)
Gross profit		**9,221**	37,786
Other revenue and net income	*4*	**2,411**	5,685
Selling and distribution expenses		**(6,902)**	(5,170)
General and administrative expenses		**(25,991)**	(33,409)
Other operating expenses		**(10,652)**	(5,440)
Impairment losses on goodwill	*5(c)*	**–**	(19,621)
Impairment losses on doubtful debts	*5(c)*	**(3,461)**	(56,864)
Impairment losses on gross amount due from customers for contract work	*5(c)*	**(44,684)**	(29,916)
Loss from operations		**(80,058)**	(106,949)
Finance costs	*5(a)*	**(4,352)**	(4,363)
Share of profits of associates		**4**	–
Loss before taxation	*5*	**(84,406)**	(111,312)
Income tax credit/(expense)	*6(a)*	**987**	(264)
Loss for the year		**(83,419)**	(111,576)
Attributable to:			
Equity shareholders of the Company		**(82,790)**	(110,450)
Non-controlling interests		**(629)**	(1,126)
Loss for the year		**(83,419)**	(111,576)
Loss per share	*8*		
Basic and diluted		**US(11.79) cents**	US(15.73) cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2017

	2017	2016
	US$'000	*US$'000*
Loss for the year	**(83,419)**	(111,576)
Other comprehensive income for the year:		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of subsidiaries and associates (with nil tax effect)	**657**	(11,007)
Total comprehensive income for the year	**(82,762)**	(122,583)
Attributable to:		
Equity shareholders of the Company	**(82,142)**	(121,400)
Non-controlling interests	**(620)**	(1,183)
Total comprehensive income for the year	**(82,762)**	(122,583)

Consolidated Statement of Financial Position

At 31 December 2017

	Note	2017 US$'000	2016 US$'000
Non-current assets			
Property, plant and equipment		**41,200**	50,778
Investment properties		**8,157**	8,207
Interest in leasehold land held for own use under operating leases		**7,552**	7,339
Other intangible assets		**1,620**	3,619
Interest in associates		**288**	182
Other financial assets		**1,455**	2,226
Deferred tax assets		**13,083**	13,706
		73,355	86,057
Current assets			
Inventories		**29,765**	39,714
Trade and other receivables	*9*	**55,964**	76,068
Gross amount due from customers for contract work		**133,085**	199,186
Amount due from a related company		**101**	101
Tax recoverable		**405**	241
Pledged bank deposits		**563**	1,505
Cash and cash equivalents		**15,287**	9,952
		235,170	326,767
Non-current asset classified as held for sale	*10*	**6,082**	–
		241,252	326,767
Current liabilities			
Trade and other payables	*11*	**234,207**	259,467
Bank loans and other borrowings		**47,601**	8,057
Tax payable		**4,811**	7,835
		286,619	275,359

	Note	2017 US$'000	2016 US$'000
Net current (liabilities)/assets		**(45,367)**	51,408
Total assets less current liabilities		**27,988**	137,465
Non-current liabilities			
Bank loans and other borrowings		**14,321**	41,260
Deferred tax liabilities		**–**	131
		14,321	41,391
NET ASSETS		**13,667**	96,074
CAPITAL AND RESERVES			
Share capital		**9,094**	9,094
Reserves		**4,395**	86,202
Total equity attributable to equity shareholders of the Company		**13,489**	95,296
Non-controlling interests		**178**	778
TOTAL EQUITY		**13,667**	96,074

Note:

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2017 comprise the Group and the Group's interest in associates.

The functional currency of the Company is Hong Kong dollars ("HK$"). Subsidiaries of the Company have their functional currencies other than HK$, mainly 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, except for financial instruments classified as available-for-sale which are stated at their fair value.

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

As at 31 December 2017, the Group had net current liabilities of US$45,367,000. Notwithstanding the net current liabilities of the Group at 31 December 2017, the Group's consolidated financial statements for the year ended 31 December 2017 has been prepared on a going concern basis as the directors are of the opinion that the Group would have adequate funds to meet its obligations as and when they fall due in light of the completion of the allotment of new shares with net proceeds amounting to HK$505,070,000 (equivalent to US$64,649,000) on 9 February 2018.

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 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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:

	2017	2016
	US$'000	*US$'000*
Capital equipment and packages		
– Sales of capital equipment	**20,324**	7,989
– Construction contracts revenue		
– Rig products and technology	**5,313**	32,669
– Rig turnkey solutions	**903**	35,409
	26,540	76,067
Oilfield expendables and supplies		
– Sales of expendables and supplies	**45,135**	60,874
Engineering services		
– Service fee income	**4,877**	5,590
	76,552	142,531

The Group's customer base is diversified and includes three customers (2016: two customers) with whom transactions have exceeded 10% of the Group's revenues. In 2017, revenues from sales of capital equipment and packages and oilfield expendables and supplies to these customers, including sales to entities which are known to the Group to be under common control with these customers, are listed as follow:

	2017	2016
	US$'000	*US$'000*
Customer A[1]	**15,058**	N/A [3]
Customer B [2]	**9,417**	33,030
Customer C [2]	**8,334**	N/A [3]
Customer D [1]	**N/A [3]**	31,683

1 Revenue from sales of capital equipment and packages.

2 Revenue from sales of oilfield expendables and supplies.

3 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

(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, intangible assets and current assets with the exception of interest in associates, other financial assets, cash and cash equivalents, 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 finance costs and items not specifically attributed to individual segment, such as share of results of associates, 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 2017 and 2016 is set out below.

	Capital equipment and packages		Oilfield expendables and supplies		Engineering services		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Revenue from external customers	**26,539**	76,067	**45,135**	60,874	**4,878**	5,590	**76,552**	142,531
Inter-segment revenue	**1,514**	1,675	**1,723**	967	**325**	3,450	**3,562**	6,092
Reportable segment revenue	**28,053**	77,742	**46,858**	61,841	**5,203**	9,040	**80,114**	148,623
Reportable segment results	**(65,909)**	(51,838)	**(12,966)**	(46,084)	**(3,666)**	(3,894)	**(82,541)**	(101,816)
Depreciation and amortisation for the year	**4,477**	4,552	**1,968**	1,947	**682**	1,181	**7,127**	7,680
Reportable segment assets	**211,431**	293,177	**63,587**	78,984	**6,793**	11,340	**281,811**	383,501
Additions to non-current segment assets during the year	**155**	5,258	**3,021**	2,672	**–**	–	**3,176**	7,930
Reportable segment liabilities	**(195,903)**	(219,446)	**(36,433)**	(37,040)	**(1,246)**	(1,844)	**(233,582)**	(258,330)

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

	2017	2016
	US$'000	*US$'000*
Revenue		
Reportable segment revenue	**80,114**	148,623
Elimination of inter-segment revenue	**(3,562)**	(6,092)
Consolidated revenue *(note 3(a))*	**76,552**	142,531
Loss		
Segment results	**(82,541)**	(101,816)
Finance costs	**(4,352)**	(4,363)
Share of profits of associates	**4**	–
Unallocated head office and corporate income and expenses	**2,483**	(5,133)
Consolidated loss before taxation	**(84,406)**	(111,312)
Assets		
Reportable segment assets	**281,811**	383,501
Interest in associates	**288**	182
Other financial assets	**1,455**	2,226
Cash and cash equivalents	**15,287**	9,952
Pledged bank deposits	**563**	1,505
Deferred tax assets	**13,083**	13,706
Tax recoverable	**405**	241
Unallocated head office and corporate assets	**1,715**	1,511
Consolidated total assets	**314,607**	412,824
Liabilities		
Reportable segment liabilities	**(233,582)**	(258,330)
Bank loans and other borrowings	**(61,922)**	(49,317)
Tax payable	**(4,811)**	(7,835)
Deferred tax liabilities	**–**	(131)
Unallocated head office and corporate liabilities	**(625)**	(1,137)
Consolidated total liabilities	**(300,940)**	(316,750)

(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, investment properties, interest in leasehold land held for own use under operating leases, other intangible assets, interest in associates and other financial assets ("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, investment properties 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 intangible assets, and the location of operations, in the case of interest in associates and other financial assets.

	Revenue from external customers		**Specified non-current assets**	
	2017	2016	**2017**	2016
	US$'000	*US$'000*	***US$'000***	*US$'000*
Hong Kong	**–**	–	**228**	226
Mainland China	**10,456**	69,230	**53,643**	53,680
North America	**23,282**	13,790	**5,147**	15,056
South America	**30,667**	39,333	**39**	50
Europe	**3,759**	1,500	**1,171**	2,267
Singapore	**984**	4,800	**26**	48
Indonesia	**958**	8,208	**–**	–
Others (other part of Asia, India, etc.)	**6,446**	5,670	**18**	1,024
	76,552	142,531	**60,272**	72,351

4 OTHER REVENUE AND NET INCOME

	2017	2016
	US$'000	*US$'000*
Interest income	**187**	371
Rental income	**379**	251
Net foreign exchange (loss)/gain	**(107)**	2,470
Others	**1,952**	2,593
	2,411	5,685

5 LOSS BEFORE TAXATION

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

	2017	2016
	US$'000	*US$'000*
(a) Finance costs		
Interest on bank loans and other borrowings	**4,352**	4,785
Less: Interest expense capitalised into property under development*	**–**	(422)
	4,352	4,363

* The borrowing costs had been capitalised at a rate of 5.64% - 7.06% per annum during the year ended 31 December 2016.

	2017	2016
(b) Staff costs#		
Contributions to defined contribution retirement plans	**3,051**	3,965
Equity-settled share-based payment expenses	**335**	72
Salaries, wages and other benefits	**19,899**	26,290
	23,285	30,327
(c) Other items		
Amortisation of interest in leasehold land held for own use under operating leases#	**208**	211
Amortisation of intangible assets	**1,691**	2,294
Depreciation#		
– property, plant and equipment	**5,302**	5,628
– investment properties	**512**	347
Impairment losses on doubtful debts	**3,461**	56,864
Impairment losses on other financial assets	**772**	2,435
Impairment losses on goodwill	**–**	19,621
Impairment losses on property, plant and equipment	**3,251**	–
Impairment losses on other intangible assets	**448**	–
Impairment losses on gross amount due from customers for contract work	**44,684**	29,916
Write-off of trade debtors	**142**	16
Research and development costs	**4,417**	5,662
Net foreign exchange loss/(gain)	**107**	(2,470)
(Gain)/loss on disposal of property, plant and equipment	**(78)**	520
Loss on deregistration of subsidiaries	**786**	–
Auditors' remuneration	**453**	451
Minimum lease payments under operating leases in respect of land and buildings	**2,164**	2,689
Cost of inventories#	**64,037**	103,437

Cost of inventories includes US$8,423,000 (2016: US$15,462,000) 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

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

	2017	2016
	US$'000	*US$'000*
Current tax		
Provision for the year		
– Hong Kong Profits Tax	**–**	1,159
– PRC enterprise income tax	**63**	833
– Overseas corporation income tax	**204**	707
	267	2,699
Over-provision in respect of prior years	**(2,387)**	(769)
	(2,120)	1,930
Withholding tax		
PRC withholding tax	**592**	492
Deferred tax		
Origination of temporary differences	**541**	(2,158)
	(987)	264

The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year. Taxation for the United States corporate income tax for 2017 is calculated at 34% (2016: 34%) of the estimated taxable income for the year.

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% (2016: 15%) under the relevant PRC tax rules and regulations.

7 DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31 December 2017 (2016: Nil).

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of US$82,790,000 (2016: loss of US$110,450,000) and the weighted average number of 702,025,000 (2016: 702,025,000) ordinary shares in issue during the year excluding ordinary shares purchased by the Group, calculated as follows:

Weighted average number of ordinary shares

	2017	2016
	'000	*'000*
Issued ordinary shares at 1 January	**707,120**	707,120
Effect of purchase of shares held for share award scheme	**(5,095)**	(5,095)
Weighted average number of ordinary shares at 31 December	**702,025**	702,025

(b) Diluted loss per share

Diluted loss per share equals to basic loss per share for the years ended 31 December 2017 and 2016 because the potential ordinary shares outstanding were anti-dilutive.

9 TRADE AND OTHER RECEIVABLES

	2017	2016
	US$'000	*US$'000*
Trade debtors and bills receivable	**108,703**	123,958
Less: allowance for doubtful debts	**(68,577)**	(62,057)
	40,126	61,901
Other receivables, prepayments and deposits	**15,838**	14,167
	55,964	76,068

All of the other receivables, prepayments and deposits are expected to be recovered or recognised as expense within one year.

(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:

	2017	2016
	US$'000	*US$'000*
Current	**5,657**	23,971
Less than 1 month past due	**3,356**	5,540
1 to 3 months past due	**5,477**	4,847
More than 3 months but within 12 months past due	**17,315**	15,124
More than 12 months past due	**8,321**	12,419
Amounts past due	**34,469**	37,930
	40,126	61,901

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.

Of the trade debtors and bills receivable of US$108,703,000 (2016: US$123,958,000), an amount of US$144,000 (2016: US$2,566,000) is 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:

	2017	2016
	US$'000	*US$'000*
At 1 January	**62,057**	7,590
Exchange adjustments	**3,059**	(2,397)
Impairment losses recognised, net	**3,461**	56,864
At 31 December	**68,577**	62,057

At 31 December 2017, the Group's trade debtors of US$81,962,000 (2016: US$68,916,000) 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 US$68,577,000 (2016: US$62,057,000) were recognised.

(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:

	2017	2016
	US$'000	*US$'000*
Neither past due nor impaired	**5,065**	23,843
Less than 1 month past due	**2,937**	5,478
1 to 3 months past due	**4,285**	4,729
More than 3 months but within 12 months past due	**10,010**	12,115
More than 12 months past due	**4,444**	8,877
	21,676	31,199
	26,741	55,042

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.

10 NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2017, the Group committed to a plan to sell a premise previously included in land and buildings held for own use (the "Disposable Asset") in the United States within the oilfield expendables and supplies segment, which is not part of the core businesses of the Group. In the opinion of the directors, the disposal of the Disposable Asset is expected to be completed within twelve months from the end of the reporting period.

The Disposable Asset with a carrying amount of US$8,304,000 immediately prior to the classification as held for sale was written down to its fair value less cost to sell of US$6,082,000.

11 TRADE AND OTHER PAYABLES

	2017	2016
	US$'000	*US$'000*
Trade creditors and bills payable	**196,286**	217,800
Other payables and accrued charges	**37,921**	39,103
Gross amount due to customers for contract work	**–**	2,564
	234,207	259,467

All of the trade and other payables are expected to be settled or recognised as income within one year or repayable on demand.

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:

	2017	2016
	US$'000	*US$'000*
Within 1 month	**174,982**	192,936
More than 1 month but within 3 months	**2,153**	9,044
More than 3 months but within 12 months	**9,891**	9,297
More than 12 months but within 24 months	**8,597**	3,368
More than 24 months	**663**	3,155
	196,286	217,800

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

2017 was the third year in succession of extraordinarily difficult market conditions for the Oil & Gas (O&G) industry. Demand for the Company's products continued to remain low as major O&G customers kept capital expenditure to a minimum despite recovery of average oil price to above US$60 per barrel. Our customers continued to be conservative on Capital Expenditure (CAPEX) which further reduced in 2017 compared to the previous year which had already reduced by about 50% since 2014.

In these market circumstances the main activities of the Company during 2017 were to transform its businesses while striving to survive financially. Transformation efforts were focused on non-drilling related segments leveraging on the relevant engineering technology and solutions accumulated by the Company in past years. The non-drilling segments which the Company focused on were mainly related to decommissioning and crude oil production solutions. The decommissioning segment has a potential to grow due to increasing numbers of aged offshore installations, possible lower oil prices for a longer period, uneconomical oil reservoirs, environmental risks and high cost of maintenance of aged installations with inherent unknowns and unavailability of purpose build equipment and vessels for decommissioning. The oil production segment also offers unique solutions related to the need to significantly reduce production cost by means of alternatives to costly conventional offshore installation and production vessels.

Meanwhile, the Company continues to seek opportunities in the drilling segment which has seen some signs of recovery and is expected to eventually recover and grow. The landscape of the O&G market, particularly the drilling segment, has significantly changed during the past three years. These changes will provide fresh opportunities for the Group's businesses, especially now with participation of the China Merchant and Great Wall Ocean Strategy and Technology Fund (FUND) in the Company as our major shareholder. Key factors such as the rate of retirement of unproductive oil rigs, availability or effective participation of new rigs, investor's confidence and operational cost competitiveness will potentially have significant impact on supply and production of oil and gas. These factors will contribute to different supply and demand scenarios which the Company continues to explore and develop for the Group's business and long term growth.

FINANCIAL REVIEW

	2017	2016	Change	
	US$'000	*US$'000*	*US$'000*	*%*
Revenue	**76,552**	142,531	(65,979)	(46.3)
Gross Profit	**9,221**	37,786	(28,565)	(75.6)
Gross Profit Margin	**12.0%**	26.5%		
Loss before Interest and Taxation	**(80,058)**	(106,949)	26,891	25.1
Net loss attributable to Equity Shareholders	**(82,790)**	(110,450)	27,660	25.0
Net Loss Margin	**(108.1%)**	(77.5%)		
Loss per Share (Basic and diluted)	**(US11.79 cents)**	(US15.73 cents)	US3.94 cents	(25.0)

Revenue

Due to the difficult market conditions for the O&G industry, customers demand for capital expenditure remained depressed in 2017. Group revenue decreased significantly by 46.3% from US$142.5 million in 2016 to US$76.6 million in 2017. 65.1% of the decrease was in respect of Capital Equipment and Packages and 25.9% of the decrease was from Oilfield Expendables and Supplies.

The net loss attributable to equity shareholders in 2017 includes substantial write downs of assets and provision for receivables which was necessary to reflect impairment in fair values. The provisions for impairment were in respect of certain trade receivables and gross amount due from customers for contract work of US$3.5 million and US$44.7 million respectively during 2017. The recoverability of these balances is to a certain extent tied with the pace of recovery of the industry.

Segment Information by Business Segments

	2017		2016		Increase/ (decrease)	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
Capital Equipment and Packages	**26,540**	**34.7**	76,067	53.4	(49,527)	(65.1)
Oilfield Expendables and Supplies	**45,135**	**56.3**	60,874	42.7	(15,739)	(25.9)
Engineering Services	**4,877**	**9.0**	5,590	3.9	(713)	(12.8)
Total revenue	**76,552**	**100.0**	142,531	100.0	(65,979)	(46.3)

Capital Equipment and Packages

Revenue recognised based on progress achieved on Capital Equipment and Packages projects decreased by 65.1% in 2017 compared to 2016. The decrease of US$49.5 million was due to the persisting lack of demand for drilling related equipment. The Company continues in its efforts to diversify applications of its products to a broader range of customers in offshore services to improve future revenues.

Oilfield Expendables and Supplies

The decrease of 25.9% from US$60.9 million in 2016 to US$45.1 million in 2017 for Oilfield Expendables and Supplies was due to the lower drilling activities in Northern America. The Group also decided to suspend further business with PDVSA and PDVSA Petropair SA due to political instability and uncertainties in Venezuela.

Engineering Services

Engineering Services revenue decreased from US$5.6 million in 2016 to US$4.9 million in 2017 mainly due to reduced offshore drilling activities and reduced global demand for offshore engineering services.

Segment Information by Geographical Regions

	2017		2016		Increase/ (decrease)	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
Hong Kong	**–**	**–**	–	–	–	–
Mainland China	**10,456**	**13.7**	69,230	48.5	(58,774)	(84.9)
North America	**23,282**	**30.4**	13,790	9.7	9,492	68.8
South America	**30,667**	**40.1**	39,333	27.5	(8,666)	(22.0)
Europe	**3,759**	**4.9**	1,500	1.1	2,259	150.6
Singapore	**984**	**1.3**	4,800	3.4	(3,816)	(79.5)
Indonesia	**958**	**1.3**	8,208	5.8	(7,250)	(88.3)
Others	**6,446**	**8.3**	5,670	4.0	776	13.7
Total revenue	**76,552**	**100.0**	142,531	100.0	(65,979)	(46.3)

Gross Profit and Gross Profit Margin

The Gross Profit of US$9.2 million for the year of 2017 decreased by 75.6% from US$37.8 million in the previous year. Gross Profit Margin decreased from 26.5% in 2016 to 12.0% in 2017. The decrease was mainly due to the impairment loss for inventories raised and the under utilisation of production capacity during the year.

Other Revenue and Net Income

The decrease in Other Revenue and Net Income from US$5.7 million in 2016 to US$2.4 million in 2017 was mainly due to an exchange gain amounting to $2.5 million recognised in 2016 whereas an exchange loss of US$0.1 million was incurred in 2017.

Selling and Distribution Expenses

Selling and Distribution Expenses increased by US$1.7 million from US$5.2 million in 2016 to US$6.9 million in 2017. 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. Included in 2017 were payments to sales agencies for oilfield expendables and supplies commissions which were necessary in the highly competitive and challenging environment.

General and Administrative Expenses

General and Administrative Expenses decreased from US$33.4 million in 2016 to US$26.0 million in 2017. The decrease was from further cost mitigation measures which continues to be one of the main initiatives of the Company in view of prevailing market conditions.

Other Operating Expenses

The increase in Other Operating Expenses from US$5.4 million in 2016 to US$10.7 million in 2017 was mainly due to the impairment losses on Property, plant and equipment amounting to US$3.3 million.

Finance Costs

Finance Costs, primarily interest on bank loans and other borrowings, amounted to approximately US$4.4 million in 2017 and remained stable as compared with 2016. The interest was mainly incurred in respect of the bond notes issued at the end of 2014. The bond notes are due for repayment in April and May 2018.

Group's Liquidity and Capital Resources

As at 31 December 2017, the Group carried tangible assets of approximately US$56.9 million (2016: US$66.3 million) being property, plant and equipment, investment properties, and interest in leasehold land held for own use under operating leases. During the year, the Group decided to dispose of a production facility in the United States with a valuation of US$6.1 million which was consequently reclassified to current assets.

As at 31 December 2017, Group intangible assets was approximately US$1.6 million (2016: US$3.6 million). The reduction in intangible assets was due to amortization. As at 31 December 2017, the Group's interest in associates was approximately US$0.3 million (2016: US$0.2 million) and deferred tax assets was approximately US$13.1 million (2016: US$13.7 million).

As at 31 December 2017, Group current assets amounted to approximately US$241.2 million (2016: US$326.8 million). Current assets comprised mainly of inventories of approximately US$29.8 million (2016: US$39.7 million), trade and other receivables of approximately US$56.0 million (2016: US$76.1 million), and gross amount due from customers for contract work of approximately US$133.1 million (2016: US$199.2 million). The overall reduction is mainly due to the lower level of activities resulting from the depressed O&G market.

The further deterioration of the O&G market compared to the previous year resulted in further provision for inventory of US$6.0 million (2016: US$9.8 million) and provision for trade and other receivables of US$3.5 million (2016: US$56.9 million). The decrease on gross amount due from customers for contract work was mainly due to a provision of US$44.7 million on a contract with uncertainties attached to its outcome.

As at 31 December 2017, amount due from a related company amounted to approximately US$0.1 million (2016: US$0.1 million), pledged bank deposits amounted to approximately US$0.6 million (2016: US$1.5 million) and cash and cash equivalents amounted to approximately US$15.3 million (2016: US$10.0 million).

As at 31 December 2017, current liabilities amounted to approximately US$286.6 million (2016: US$275.4 million), mainly comprised of trade and other payables of approximately US$234.2 million (2016: US$259.5 million), bank loans and other borrowings of approximately US$47.6 million (2016: US$8.1 million), and current tax payables of approximately US$4.8 million (2016: US$7.8 million). The increase in short term bank loans and other borrowings was contributed by the Bond Notes of US$27.5 million, which will expire in April and May 2018.

As at 31 December 2017, the Group had non-current liabilities of approximately US$14.3 million (2016: US$41.4 million), which comprised of bank loans and other borrowings of approximately US$14.3 million (2016: US$41.3 million) and deferred tax liabilities of Nil (2016: US$0.1 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 2017 was 95.7% (2016: 76.7%).

Significant Investments and Disposals

On 21 July 2017, 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:

The agreement between the Company and Beijing He Ju Tian Yang Investment Management Centre* (北京合聚天揚投資管理中心(有限合伙)) dated 21 July 2017, pursuant to which the Company agreed to transfer 40,000,000 ordinary shares of RMB1.00 each, which is equivalent to 21.05% of 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) at a consideration of RMB25,684,000. The parties to this agreement have agreed to defer completion of this transfer to a date to be mutually agreed.

The agreement between the Company and Zheng Yuan Heng Tong (Tianjin) Petroleum Technology Limited* (正源恒通(天津)石油科技有限合伙公司) dated 21 July 2017, pursuant to which the Company agreed to transfer 53,200,000 ordinary shares of RMB1.00 each, which is equivalent to 28.00% of 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) at a consideration of RMB34,159,720. The parties to this agreement have agreed to defer completion of this transfer to a date to be mutually agreed.

Save as disclosed above, there were no significant investments or disposals during the year.

Capital Structure
At 31 December 2017, there were 707,120,204 shares in issue and the Company carried a share capital of approximately US$9,094,000. Subsequent to the year end, on 9 February 2018 the capital structure of the Company increased by way of issue of new shares as set out in the Subsequent Events section.

Charges on Assets
To secure the loans from banks, the Group has charged 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$57.7 million (2016: US$50.2 million).

(ii) Corporate guarantees given by Qingdao TSC Offshore Equipment Co. Ltd, Zhengzhou TSC Offshore Equipment Co. Ltd., TSC Oil and Gas Services Group Holdings Ltd. and TSC MS Holdings Inc. to the extent of banking facilities outstanding of $10.8 million (2016: given by Qingdao TSC Offshore Equipment Co. Ltd, TSC-HHCT Control and Drive Technology Co. Ltd., Zhengzhou TSC Offshore Equipment Co. Ltd., TSC Offshore China Ltd. and TSC Oil and Gas Services Group Holdings Ltd. to the extent of banking facilities outstanding of US$2.1 million) as at 31 December 2017.

(iii) Corporate guarantees given by the Company to the extent of banking facilities outstanding of US$4.2 million (2016: US$0.7 million) as at 31 December 2017.

(iv) 52.6% (2016: Nil) equity interest in TSC Oil and Gas Services Group Holdings Ltd.

Certain bank loans of the Group are subject to the fulfilment of covenants relating to statement of financial position ratios of certain subsidiaries, as are commonly found in lending arrangements with financial institutions. The drawn down loan balances would become payable on demand if the covenants are breached. The Group regularly monitors its compliance with these covenants. As at 31 December 2017, the Group did not meet certain covenants of a bank loan of US$4.2 million (2016: US$0.3 million), which was fully repaid subsequent to the year end in accordance with the repayment schedule. Other than that, 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 using Renminbi while approximately 50% of the Group's revenue was denominated in United States dollars. As at 31 December 2017, no related hedges were made by the Group.

In order to mitigate that foreign exchange exposure, the Company 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 Group did not entered into any contract with CIMC Raffles for the year ended 31 December 2017. The actual sales amount of the continuing connected transactions between the Group and CIMC Raffles was approximately US$0.9 million for the year ended 31 December 2017 (2016: US$1.8 million).

Staff Employees and Remuneration Policy

As at 31 December 2017, the Group had approximately 516 full-time staff in the United States, the United Kingdom ("UK"), Brazil, United Arab Emirates, 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.

STRATEGY AND PROSPECTS

Market Review

Presently, the recovery of Oil price to current levels is supported by production quotas agreed by members of the Organization of the Petroleum Exporting Countries (OPEC) and the ten non-OPEC countries which will remain in effect till end 2018. This has led to a drop in crude oil inventories in the second half of 2017 due to a deficit in supply versus demand.

The key factors which contributed to the downturn in oil prices in 2014 appears to be abated now whilst volatilities in the Middle East could contribute to uncertainties on the supply side. There also appears to be some doubt whether the United States shale production will establish or maintain its position as the swing producer as investors, banks and regulators in the United States continue to reduce exposure to the oil and gas industry.

On the demand side, the stronger than expected economic performance in the Euro Zone, North America, the Southeast Asian region, China and India has contributed to increasing consumption. This is expected to continue in 2018 on the back of robust, coordinated global economic growth.

Some confidence is returning to the O&G market. Upstream capital expenditure has increased following a cumulative two-year drop that nearly halved global upstream capital expenditure. This is typically a lead indicator of increase in demand on oilfield services and demand for our oilfield capital equipment products further down the value-chain.

Strategy and Prospects

Although the Group supplies equipment to a wide range of vessels, the Jack-up drilling rig market is an important factor within which the Company formulates its plans and strategies. Current market day-rates for Jack-up rigs are underpinned by availability of rigs and the general view that oil price will range between US$50 to US$70 per barrel. In such a scenario, the market is likely to see more consolidation of fleet ownership, more competitive supply of newbuilds and decisions whether idle rigs will be hot (or warm) stacked, cold-stacked* or even retired. It is expected that the rate of retirement will increase for older rigs which are not working on contracts. In 2017, out of the global fleet of 619 Jack-up rigs available, only 14 units were retired and scrapped. This was twice as high as it was in 2015 and 2016 combined as fleet owners had hoped for a quicker recovery of oil prices. However, it is likely that this rate will increase in 2018 as fleet ownership is actively consolidating. One notable transaction announced earlier this year was Borr Drilling Ltd (OSE: BDRILL) acquisition of Paragon Offshore Ltd which has a fleet of 32 Jack-up rigs of which 30 units are over 35 years old. The acquisition valuation of Paragon Offshore Ltd was equivalent to the fair market value of the two premium Jack-up rigs less than 5 years old. BDRILL has announced its intentions to continue to consolidate the Jack-up rig market and indications are that BDRILL intends to retire most of the 30 rigs over 35 years old off the market.

In brief, these factors and the various decisions made to preserve old idle rigs will have an impact on elasticity of supply of rigs and will have impact on the Jack-up rig market. And further down the value chain, this will in turn contribute to supply factors and future oil price. More importantly, TSC's engineering capability on rigs and proven experience in supply and services on rigs puts the Company in a position to participate in this unique part of the rig market cycle. With the participation of the FUND, the Company will formulate business strategies to take advantage of the opportunities presented in this changing market.

The affiliation with the FUND with the China Merchant Group as the main General Partner will provide the Company opportunities to offer a comprehensive range of offshore products and services on vessels. As a local supplier of marine offshore equipment and services, TSC is well-positioned to offer more competitive services and products in China.

* Hot stacking includes having a skeleton crew on the rig and maintenance is conducted to the extent that the rig can be reactivated into drilling operations within a brief preparation period. Cold stacking is equivalent to closing down a factory and equipment is packed up and stored and crew is laid off. Regardless the approach to stacking, technical complexities and costs increases with the period of stacking.

FUTURE PLANS FOR MATERIAL INVESTMENTS, CAPITAL ASSETS AND CAPITAL COMMITMENT

Following the Share Subscription (details as provided in the Subsequent Events section below), the Company has raised approximately HK$505.07 million which is intended to be used to fund repayment of debts, general working capital and expansion of the Group's existing business and/or potential acquisition/s to be decided by the Board.

The Company will selectively invest in or acquire businesses that are complementary to its existing business including (i) offshore drilling business and (ii) plug and abandonment (P&A) and decommissioning business.

As reported in the financial statements included in this announcement, both revenue and gross profit for the year decreased significantly in 2017 compared to the previous years mainly due to the prolonged depressed drilling market which resulted in further impairment provisions. In order to broaden the revenue base and improve financial performance, the Group is in the process of evaluating potential business developments and investment opportunities which will provide strategic growth to the Company.

In determining the potential investment or acquisition targets, the Company considers a combination of factors such as alignment with the Group's strategic plans, synergies, market position and strengths, management team capability, valuation, track record, financial performance and potential growth.

This investment intention is also aligned with the China Merchant and Great Wall Ocean Strategy and Technology Fund ("FUND") now a major shareholder of the Company. The FUND is primarily focused on making investments in the marine industry which includes companies providing drilling, workover and well construction services in shallow water to upstream oil and gas companies through the use of Jack-up rigs and in regions that are more resilient, such as Middle East and India in order to create synergies with the business of the FUND. This complements well with TSC's core engineering capability and other competencies accumulated over the years.

For the development of P&A and decommissioning business, the Group has various rig design solutions which have gained interest of oil companies planning to carry out P&A and decommissioning activities. The Group has completed over two years of intensive technical and market development of the P&A and decommissioning business and has now reached financial investment decision ("FID") phase. These intensive technical and market developments were an extension and transformation of existing business necessary during this phase of the oil price cycle. The opportunities presented in this business sector relate to specific and identified customers with specific needs and interest in the Group's new products. Several major oil companies consider the solutions presented to be innovative, effective and will be cost effective for the purposes required.

Overall, the potential acquisition and expansion being considered is intended to improve financial performance of the Group which will provide a firm basis for future growth expansion.

Order Book

As at 31 December 2017, the Group as a whole carried an order backlog of approximately US$20.6 million for capital equipment and packages, expendables and services. Subsequent to 31 December 2017, the Group had secured further new orders amounting to US$8.5 million up to the date of this announcement.

SHARE AWARD PLAN

The Company adopted a share award plan ("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 2017. As at 31 December 2017, 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 for the year ended 31 December 2017. As at 31 December 2017, 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.

Delisted TSC Oil & Gas Services from The National Equities Exchange and Quotations System (The "New Third Board")

TSC Oil and Gas Services Holdings Ltd. 青島天時油氣裝備服務集團股份有限公司 ("Qingdao TSC"), the wholly-owned subsidiary of the Company, was listed on the National Equities Exchange and Quotations System (the "NEEQ", the "New Third Board") on 19 July 2016. During its one-year listing, the total number of the listing companies reached more than 11,000, resulting in the lack of liquidity on NEEQ and difficulty in seeking financing. Furthermore, a direct transfer to the Main Board from the New Third Board is yet to be practical in terms of regulatory policies. The management of Qingdao TSC arrived at a decision that in order to carry out its transformation and development and achieve its future strategic plan, Qingdao TSC should be delisted from NEEQ. An application for delisting was approved by NEEQ on 15 June 2017 and Qingdao TSC was delisted from the NEEQ, effective from 21 June 2017.

SUBSEQUENT EVENTS

Issue and Subscription of New Shares

– On 14 December 2017, the Company entered into a subscription agreement ("Subscription Agreement") with China Merchants and Great Wall Ocean Strategy and Technology Fund (L.P.) (the "Subscriber"). Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue to the Subscriber or Prime Force Investment Corporation (the "Subscriber Nominee"), and the Subscriber has conditionally agreed to subscribe for, or nominate the Subscriber Nominee to subscribe for, at completion, 765,186,000 Subscription Shares at the Subscription Price of HK$512,674,620, being HK$0.67 per Subscription Share. An application was made by the Subscriber to the Executive Director of the Corporate Finance Division of the Securities and Futures Commission (the "Executive") for a Whitewash Waiver in respect of the allotment and issuance of the Subscription Shares. On 5 February 2018, the Company held the extraordinary general meeting ("EGM") at which all Resolutions set out in the notice of the EGM dated 19 January 2018 were duly passed by the Independent Shareholders by way of poll. The Executive granted the Whitewash Waiver on 1 February 2018, subject to the fulfillment of the conditions set out therein. Accordingly, no mandatory general offer under Rule 26 of the Takeovers Code was required to be made by the Subscriber Nominee as a result of the subscription of the Subscription Shares pursuant to the Subscription Agreement. All conditions precedent in respect of the Subscription have been fulfilled and completion of the Subscription took place on 9 February 2018. Further details regarding the Subscription Agreement were as set out in the announcement of the Company dated 14 December 2017 and the circular of the Company dated 19 January 2018.

Change of Directors

– On 9 February 2018, Mr. Wang Yong has resigned as an executive Director and Chief Executive Officer (and has been re-appointed as President of the Group); and each of Mr. Jiang Longsheng and Mr. Brian Chang has resigned as a non-executive Director.

– On 9 February 2018, Mr. Wang Hongyuan and Mr. Yang Guohui have been appointed as executive Directors; and Ms. Li Rong has been appointed as a non-executive Director.

Change of Board Committees Members

– On 9 February 2018, Mr. Guan Zhichuan ceased to be the chairman but remains as a member of the Remuneration Committee; Mr. Zhang Menggui, Morgan ceased to be a member of the Remuneration Committee and the chairman of the Compliance Committee; and Mr. Jiang Bing Hua ceased to be the chairman of the Nomination Committee.

– On 9 February 2018, Dr. Lu Xiaoming has been appointed as the chairman of the Remuneration Committee; Mr. Wang Hongyuan has been appointed as a member of the Remuneration Committee and the chairman of the Nomination Committee; and Mr. Yang Guohui has been appointed as the chairman of the Compliance Committee.

Redesignation of Executive Chairman and Appointment of New Executive Chairman

– On 9 February 2018, Mr. Jiang Bing Hua has resigned as the Executive Chairman and is re-designated as the Co-Chairman while remaining as an executive Director; and Mr. Wang Hongyuan has been appointed as the Executive Chairman.

Appointment of Chief Executive Officer and Chief Operating Officer

– On 9 February 2018, Wang Hongyuan has been appointed as the Chief Executive Officer and Mr. Yang Guohui has been appointed as the Chief Operating Officer of the Group.

Save as disclosed above in this announcement, no subsequent event occurred after 31 December 2017 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.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2017.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standards of dealings as set out in the Model Code for Securities Transactions by the Directors of Listed Issuers (the "Model Code") as set forth 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 standards of dealings as set out in the Model Code by the Directors throughout the year ended 31 December 2017.

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 ("CG Code") of the Stock Exchange.

Save as disclosed below, the Company has complied with the code provisions of the CG Code for the year ended 31 December 2017 as set out in Appendix 14 to Listing Rules at that time except for the deviation from CG Code A.6.7 where two independent non-executive Directors and three non-executive Directors were absent from the last annual general meeting of the Company held on 25 May 2017, as they were away from Hong Kong due to other important engagements at the time of this meeting. The Board considered that sufficient measures had been taken for the absent Directors to understand the views of shareholders.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the CG Code. To ensure on-going compliance with the CG 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 independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny (being the chairman), Mr. Guan Zhichuan and Dr. Lu Xiaoming, all of whom are independent non-executive Directors; and at least one member has the appropriate professional qualifications or accounting or related financial management expertise which is 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 discuss the audit plan and scoping and the identified significant risks and other areas of focus to be addressed by external auditor.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2017. The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny, and Mr. Guan Zhichuan and Dr. Lu Xiaoming.

The financial figures in respect of Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the websites of the Company (http://www.t-s-c.com) and the Stock Exchange (www.hkexnews.hk). An annual report of the Company for the year ended 31 December 2017 containing all information required by the Listing Rules will be dispatched to shareholders of the Company and made available on the abovementioned websites in due course.

By Order of the Board
TSC Group Holdings Limited
Wang Hongyuan
Executive Chairman

Hong Kong, 28 March 2018

As of the date of this announcement, the Board comprises 4 executive Directors, namely Mr. Wang Hongyuan, Mr. Jiang Bing Hua, Mr. Zhang Menggui and Mr. Yang Guohui; 2 non-executive Directors, namely Mr. Wang Jianzhong and Ms. Li Rong; and 3 independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny, Mr. Guan Zhichuan and Dr. Lu Xiaoming.