TSC Offshore Group Limited

Stock Code: 8149

2008 Interim Report

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This report, for which the directors (the "Directors") of TSC Offshore Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

RESULTS HIGHLIGHTS

- The Group's sales for the three and six months ended 30 June 2008 reached approximately US$45.7 million and US$65.1 million respectively, representing an increase of approximately 681.1% and 390.7% respectively over the same periods for 2007;

- Gross profit amounted to approximately US$16.8 million for the six months ended 30 June 2008, representing an approximately 188.8% increase over the same period for 2007;

- Net profit attributed to equity holders of the Company amounted to approximately US$3.5 million and US$3.8 million for the three and the first six months ended 30 June 2008 respectively, representing approximately 395.3% and 120.7% increase respectively over the same periods for 2007; and

- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008.

RESULTS

The board of Directors of the Company (the "Board") is pleased to announce the unaudited results of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 30 June 2008, together with the unaudited comparative figures for the corresponding periods in 2007 as follows:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		For the three months ended 30 June		**For the six months ended 30 June**	
		2008	2007	**2008**	2007
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	Notes	***US$'000***	*US$'000*	***US$'000***	*US$'000*
TURNOVER	*4*	**45,711**	5,852	**65,072**	13,262
COST OF SALES		**(33,243)**	(3,164)	**(48,246)**	(7,435)
GROSS PROFIT		**12,468**	2,688	**16,826**	5,827
OTHER REVENUE	*4*	**390**	331	**558**	606
SELLING AND DISTRIBUTION EXPENSES		**(864)**	(585)	**(1,359)**	(1,054)
GENERAL AND ADMINISTRATIVE EXPENSES		**(6,907)**	(1,641)	**(9,059)**	(3,293)
OTHER OPERATING EXPENSES	*5*	**(2,502)**	(11)	**(2,467)**	(102)
PROFIT FROM OPERATIONS		**2,585**	782	**4,499**	1,984
FINANCE COSTS	*6*	**(515)**	(62)	**(555)**	(128)
SHARE OF RESULTS OF ASSOCIATES		**1,462**	–	**(67)**	–
PROFIT BEFORE TAX		**3,532**	720	**3,877**	1,856
TAXATION	*7*	**(201)**	(11)	**(254)**	(133)
PROFIT FOR THE PERIOD		**3,331**	709	**3,623**	1,723
ATTRIBUTABLE TO:					
Equity holders of the Company		**3,512**	709	**3,804**	1,723
Minority interests		**(181)**	–	**(181)**	–
		3,331	709	**3,623**	1,723
DIVIDENDS	*8*	**–**	–	**–**	–
EARNINGS PER SHARE					
– basic (US cents)	*9(a)*	**0.89**	0.22	**0.97**	0.57
– diluted (US cents)	*9(b)*	**0.87**	0.22	**0.94**	0.54

CONSOLIDATED BALANCE SHEET

	Notes	**As at 30 June 2008 (Unaudited) *US$'000***	As at 31 December 2007 (Restated) *US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**11,982**	5,812
Property under development	*11*	**1,516**	1,070
Interests in leasehold land held for own use under operating leases		**1,295**	1,202
Intangible assets		**20,288**	2,824
Goodwill		**26,550**	2,272
Interests in associates		**9,268**	14,652
Deferred tax assets		**7,782**	680
		78,681	28,512
CURRENT ASSETS			
Other financial asset		**728**	676
Inventories		**42,091**	14,701
Trade and other receivables	*12*	**65,353**	28,169
Amount due from directors		**50**	38
Amount due from a related company		**–**	79
Pledged bank deposits		**549**	1,067
Cash at bank and in hand		**15,275**	44,334
		124,046	89,064
CURRENT LIABILITIES			
Trade and other payables	*13*	**94,246**	37,258
Amount due to a related company		**–**	2
Short term loans		**16,101**	3,298
Current taxation		**699**	454
		111,046	41,012

CONSOLIDATED BALANCE SHEET

	Notes	**As at 30 June 2008 (Unaudited)** *US$'000*	As at 31 December 2007 (Restated) *US$'000*
NET CURRENT ASSETS		**13,000**	48,052
TOTAL ASSETS LESS CURRENT LIABILITIES		**91,681**	76,564
NON-CURRENT LIABILITIES			
Obligations under finance leases		**265**	–
Bank and other loans		**4,093**	405
Deferred tax liabilities		**5,598**	331
		9,956	736
NET ASSETS		**81,725**	75,828
CAPITAL AND RESERVES			
Share capital		**5,068**	5,041
Reserves		**76,849**	70,787
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**81,917**	75,828
Minority interests		**(192)**	–
TOTAL EQUITY		**81,725**	75,828

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2008

	Equity attributable to equity holders of the Company										
	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Exchange reserve US$'000	Employee share-based payment reserve US$'000	Capital reserve US$'000	Reserve funds US$'000	Retained profits US$'000	Total US$'000	Minority interests US$'000	Total equity US$'000
At 1 January 2007 (audited)	3,103	1,124	2,161	540	321	512	883	8,511	17,155	–	17,155
Issue of ordinary shares	311	5,537	–	–	–	–	–	–	5,848	–	5,848
Share issue expenses	–	(80)	–	–	–	–	–	–	(80)	–	(80)
Capitalisation issue	693	(693)	–	–	–	–	–	–	–	–	–
Shares issued under share option scheme	49	172	–	–	(91)	–	–	–	130	–	130
Equity-settled share-based transactions	–	–	–	–	83	–	–	–	83	–	83
Exchange differences on translation of financial statement of foreign subsidiaries and associates	–	–	–	592	–	–	–	–	592	–	592
Profit for the period	–	–	–	–	–	–	–	1,723	1,723	–	1,723
At 30 June 2007 (unaudited)	4,156	6,060	2,161	1,132	313	512	883	10,234	25,451	–	25,451
At 1 January 2008 (audited)	5,041	52,912	2,161	1,473	597	512	1,640	11,250	75,586	–	75,586
Adjustment on 2007 share of results of associate	–	–	–	–	–	–	–	242	242	–	242
At 1 January 2008 (restated)	5,041	52,912	2,161	1,473	597	512	1,640	11,492	75,828	–	75,828
Share issued under share option schemes	27	178	–	–	(62)	–	–	–	143	–	143
Equity-settled share-based transactions	–	–	–	–	520	–	–	–	520	–	520
Exchange differences on translation of financial statements of foreign subsidiaries and associates	–	–	–	1,622	–	–	–	–	1,622	–	1,622
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	(11)	(11)
Profit for the period	–	–	–	–	–	–	–	3,804	3,804	(181)	3,623
At 30 June 2008 (unaudited)	5,068	53,090	2,161	3,095	1,055	512	1,640	15,296	81,917	(192)	81,725

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
NET CASH FLOW FROM OPERATING ACTIVITIES	**(2,136)**	(3,549)
NET CASH FLOW FROM INVESTING ACTIVITIES	**(42,968)**	(1,443)
NET CASH FLOW FROM FINANCING ACTIVITIES	**16,342**	6,479
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(28,762)**	1,487
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**44,334**	2,778
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(297)**	544
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**15,275**	4,809

Notes:

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 February 2005 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and was listed on the GEM of the Stock Exchange on 28 November 2005.

The unaudited consolidated results for the six months ended 30 June 2008 have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

All inter-company transactions and balances within the Group are eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules. The measurement basis used in the preparation of the financial statements is the historical cost basis. The accounting policies adopted are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended 31 December 2007, except that contract revenue from a turnkey contract is recognised in the profit or loss when the outcome of a construction contract can be estimated reliably, and that revenue from a fixed price turnkey contract is recognised using the percentage of completion method, measured by reference to the percentage of contract cost incurred to date to estimated total costs for the contract. Such change has no effect on the financial statements for the six months ended 30 June 2007 if such change was applied for the same period in 2007.

3. SEGMENT INFORMATION

(a) Business segments

For the six months ended 30 June

	Rig turnkey solutions		Rig products and technology		Oilfield expendables and supplies		Consultancy services		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Turnover	**25,151**	–	**32,602**	6,101	**6,871**	6,589	**448**	572	**65,072**	13,262
Other revenue	**-**	–	**236**	183	**13**	251	**-**	4	**249**	438
	25,151	–	**32,838**	6,284	**6,884**	6,840	**448**	576	**65,321**	13,700
Segment results	**4,294**	–	**1,607**	796	**(422)**	889	**428**	571	**5,907**	2,256
Unallocated operating income and expenses									**(1,408)**	(403)
Gain on disposal of investment									**-**	131
Profit from operations									**4,499**	1,984
Finance costs									**(555)**	(128)
Share of results of associates									**(67)**	–
Profit before tax									**3,877**	1,856
Taxation									**(254)**	(133)
Profit for the period									**3,623**	1,723

(b) Geographical segments

For the six months ended 30 June

	Turnover	
	2008	2007
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Mainland China	**25,835**	4,695
North America	**5,120**	6,942
South America	**8,840**	–
Europe	**5,295**	1,473
Singapore	**15,025**	–
Others	**4,957**	152
	65,072	13,262

4. TURNOVER AND OTHER REVENUE

The analysis of the Group's turnover and other revenue are as follows:

	Unaudited For the six months ended 30 June 2008 US$'000	30 June 2007 US$'000
Turnover		
Sales of rig turnkey solutions *(note(a))*	**25,151**	–
Sales of rig products and technology	**32,602**	6,101
Sales of oilfield expendables and supplies	**6,871**	6,589
Consultancy service fee income	**448**	572
	65,072	13,262
Other revenue		
Interest income	**309**	37
Rental income	**–**	7
Gain on disposal of investment	**–**	131
Reversal of impairment losses on bad and doubtful debts	**56**	4
Other income	**193**	427
	558	606
Total revenue	**65,630**	13,868

The turnover was net of return, discount and sales tax.

Note(a): *Sales to Yantai Raffles Shipyard Limited ("YRS") or its associates which are the Company's connected persons amounted to approximately US$25.2 million, representing approximately 38.7% of the total turnover of the Group for the six month period ended 30 June 2008 (2007: nil). The sales to YRS were all generated from turnkey solutions.*

5. OTHER OPERATING EXPENSES

	Unaudited For the six months ended 30 June 2008 US$'000	30 June 2007 US$'000
Amortisation of intangible assets	**797**	6
Exchange difference	**1,670**	96
	2,467	102

6. FINANCE COSTS

	Unaudited For the six months ended 30 June 2008 US$'000	30 June 2007 US$'000
Interest on bank and other loans	**555**	128

7. TAXATION

Taxation in the consolidated income statement represents:

	Unaudited For the six months ended 30 June 2008 US$'000	30 June 2007 US$'000
Current tax		
UK tax	**–**	–
USA income tax	**–**	62
Mainland China enterprise income tax	**551**	231
	551	293
Deferred tax		
Origination and reversal of temporary differences	**(297)**	(160)
Tax (credit)/expenses	**254**	133

In accordance with latest applicable tax laws and regulations in China, the Group's subsidiaries in China are subject to enterprise income tax ("EIT") at a rate of 25% effective from the tax year of 2008.

海爾海斯(西安)控制技術有限公司("海爾海斯") was subject to EIT at a rate of 7.5% for the tax year of 2007 and from 1 January 2008 was subject to EIT at a rate of 25%. However, since 海爾海斯 was set up in Xian falling to the Western region of China and is producing products encouraged by the Chinese government, 海爾海斯 has obtained approval from local provincial government on 25 April 2008 to entitle a tax break by paying EIT at a rate of 15%. It is expected that 海爾海斯 will be subject to EIT at a rate of 15% for tax years of 2008, 2009 and 2010.

青島天時海洋石油裝備有限公司("青島海洋") was set up in Qingdao, China before 31 December 2007. In accordance with relevant laws in China, 青島海洋was exempted from EIT for the first two profitable years of operations (i.e. for the years ended 31 December 2007 and 2008) after offsetting prior year losses and is entitled to a 50% reduction on the EIT of 25% for the following three years (i.e. started from 1 January 2009) in accordance with Article 8 of Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.

鄭州海來能源科技有限公司("海來") is a high-tech enterprise certified by Hena provincial government in China and enjoys the EIT rate of 15% for the year of 2007 and 2008. From 1 January 2009, 海來shall pay EIT at a rate of 25% unless 海來 can extend its high-tech enterprise certification in which case 海來 is expected to pay EIT at a rate of 15%.

The Group's subsidiaries in UK are normally subject to corporate income tax at a rate of 28% from April 2008 (30% before April 2008) while the subsidiaries in USA are normally subject to corporate income tax at a rate of 34%.

No provision of Hong Kong Profits Tax has been made as the Directors consider that the Group had no assessable profit in Hong Kong during the six months period ended 30 June 2008 (2007: Nil).

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: Nil).

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share for the three months and six months ended 30 June 2008 are based on the profit attributable to equity holders of the Company of approximately US$3,512,000 and US$3,804,000 (three months and six months ended 30 June 2007: US$709,000 and US$1,723,000) and the weighted average number of 393,908,004 and 393,757,775 (2007: 316,285,556 and 303,599,580) ordinary shares in issue during the periods.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the three and six months ended 30 June 2008 are based on the profit attributable to equity holders of the Company of approximately US$3,512,000 and US$3,804,000 respectively (2007: US$709,000 and US$1,723,000 respectively) and the weighted average number of 403,567,288 and 404,923,228 (2007: 329,439,301 and 316,787,004) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, additions to fixed assets amounted to approximately US$881,000.

In addition, there were approximately US$5,082,000 additions from the acquired subsidiary.

11. PROPERTY UNDER DEVELOPMENT

During the period, construction expenditure of approximately US$364,000 were added to our property under development in Xi'an.

12. TRADE AND OTHER RECEIVABLES

	30 June 2008 ***US$'000*** **(unaudited)**	31 December 2007 *US$'000* (audited)
Trade debtors and bills receivable	**31,138**	17,927
Less: allowances for doubtful debts	**(932)**	(497)
	30,206	17,430
Other receivables, prepayments and deposits	**9,935**	3,658
Gross amount due from customers for contract work *(note 15)*	**25,212**	7,081
	65,353	28,169

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	30 June 2008 ***US$'000*** **(unaudited)**	31 December 2007 *US$'000* (audited)
Current	**22,415**	7,148
Less than 1 month past due	**2,870**	2,334
1 to 3 months past due	**1,289**	1,470
More than 3 months but less than 12 months past due	**2,623**	6,173
More than 12 months but less than 24 months past due	**1,009**	305
Amounts past due	**7,791**	10,282
	30,206	17,430

13. TRADE AND OTHER PAYABLES

	30 June 2008	31 December 2007
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade creditors and bills payable	**28,060**	5,620
Other payables and accrued charges	**8,299**	4,163
Amount due to an associate	**17**	343
Gross amount due to customers for contract work *(note 15)*	**57,870**	–
Advances received	**–**	27,132
	94,246	37,258

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the balance sheet date:

	30 June 2008	31 December 2007
	US$'000	*US$'000*
	(unaudited)	(audited)
Within 1 month	**8,599**	3,987
More than 1 month but less than 3 months	**14,318**	872
More than 3 months but less than 12 months	**5,121**	761
More than 12 months but less than 24 months	**22**	–
	28,060	5,620

14. CAPITAL COMMITMENTS

The capital commitments outstanding at the balance sheet date not provided for in the financial statements were as follows:

	30 June 2008	31 December 2007
	US$'000	*US$'000*
	(unaudited)	(audited)
Contracted for	**2,065**	17,770

15. GROSS AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	30 June 2008	31 December 2007
	US$'000	*US$'000*
	(unaudited)	(audited)
Contract cost incurred plus recognised profits (less recognised losses) to date	**109,106**	7,081
Less: Progress billings	**(141,764)**	–
	(32,658)	7,081
Gross amount due from customers for contract work *(note 12)*	**25,212**	7,081
Gross amount due to customers for contract work *(note 13)*	**(57,870)**	–
	(32,658)	7,081

At 31 December 2007, the aggregate amount of costs incurred for construction contracts amounted to US$7,081,000 and has been included in gross amount due from customers for contract work. No contract revenue has been recognised and no progress billing has been made during the year ended 31 December 2007 as the progress was at initial stage. Advances received in relation to the construction contracts amounting to US$27,132,000 have been included in "Trade and other payables".

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the three months ended 30 June 2008, the Group achieved a result of approximately US$45.7 million in total sales and a net profit attributable to equity holders of approximately US$3.5 million. As a result, the Group realized a total revenue of approximately US$65.6 million for the six months ended 30 June 2008 and a net profit attributable to equity holders of approximately US$3.8 million.

FINANCIAL REVIEW

Turnover and Other Revenue

For the three months and six months ended 30 June 2008, the Group recorded a total sales of approximately US$45.7 million and US$65.1 million respectively, representing an increase of approximately 681.1% and 390.7% respectively over the sales in the same periods for 2007. Other revenue was approximately US$0.4 million for the three months ended 30 June 2008 and approximately US$0.6 million for the six months ended 30 June 2008.

COST OF SALES AND GROSS PROFIT MARGIN

The Group's cost of sales for the three and six months ended 30 June 2008 and the same periods in 2007 amounted to approximately US$33.2 million and US$48.2 million, US$3.2 million and US$7.4 million respectively, resulting in a consolidated gross profit margin of approximately 27.3% and 25.9%, 46.0% and 43.9% respectively. The decrease of the gross margin was caused by increase in material cost, production cost and subcontracting cost. Such increase in cost was intensified after the consolidation of the results of Global Marine Energy plc ("GME") that the Company acquired in the second quarter of 2008.

OPERATING COSTS AND NET EARNINGS

For the three and six months ended 30 June 2008, the Group's selling and distribution expenses amounted to approximately US$0.9 million and US$1.4 million respectively, accounting for approximately 1.9% and 2.1% respectively of the Group's turnover, as compared to approximately 10.0% and 7.9% for the same periods in 2007. The increase of selling and distribution expenses was mainly due to the increased number of sales-related staff, as well as other sales and marketing expenses.

For the three and six months ended 30 June 2008, the Group's general and administrative expenses amounted to approximately US$6.9 million and US$9.1 million respectively, representing approximately 15.1% and 13.9% of the Group's turnover, as compared to those of approximately 28.0% and 24.8% for the same periods in 2007. In comparison with the three months ended 31 March 2008, the general and administrative expenses for the second quarter ended 30 June 2008 were 31% higher due to the increase in number of staff in management and product development, rent, depreciation and legal and professional fee as well as the increase of the general management expenses in GME.

For the three and six months ended 30 June 2008, the Group's other operating expense amounted to approximately US$2.5 million and US$2.5 million respectively while approximately US$0.01 million and US$0.1 million occurred for the same periods in 2007 respectively. The increase in the other operating expense was mainly caused by the exchange loss. For the three months ended 30 June 2008, the Group's finance costs amounted to approximately US$0.6 million, as compared to approximately US$0.06 million for the same period in 2007.

For the three months and six months ended 30 June 2008, the Group realized a net profit attributable to equity holders of approximately US$3.5 million and US$3.8 million respectively, representing an increase of approximately 395.3% and 120.7% over the same periods in 2007 respectively.

BUSINESS REVIEW

For the six months ended 30 June 2008, the Group's expendable business grew approximately 4.3% over the same period in 2007. The Group realized sales of approximately US$32.6 million in rig products and technology, representing an increase of approximately 434.4% over the same period in 2007. The sales of drilling rig control system was satisfactory in the first six months in 2008 while the sales of mud pumps were slow. Another driven force for rig products and technology came from the sales made by GME. The Group realized sales of approximately US$22.0 million in handling equipment from 1 April 2008 to 30 June 2008 by GME. GME became the Group's subsidiary from 8 April 2008. The consultancy business realized a turnover of approximately US$0.4 million for the six months ended 30 June 2008.

The projects under turnkey solutions was carried out satisfactorily. The Group recognized a turnover of approximately US$25.2 million for the six months ended 30 June 2008 based on the percentage of completion. Although some vendors delayed their delivery of equipment for the projects, the Company has agreed with Yantai Raffles Shipyard Limited ("YRS") on new dates of completion of the projects. The Company shall target the completion and delivery of the first cantilever and drilling system package to YRS by the end of 2008, and the other two packages are targeted to be delivered in the first quarter of 2009.

In the period of six months ended 30 June 2008, the Group set up a deep water division to develop deep water rig market by offering tensioning and compensation products for deep water rigs.

In the first six months ended 30 June 2008, the Group successfully exhibited its rig products including jack control systems at OTC. In addition, the Group successfully participated in China 2008 Offshore Summit in Beijing, which offered the Group with a good exposure to potential customers.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the six month period ended 30 June 2008, the Group maintained a holding of approximately 28.02% interest in Goldman Offshore Design LLC which in turn holds approximately 25% interest in Friede Goldman Group, an internationally recognized offshore platform designing and engineering firm. In the same period, the Group maintained a holding of 25% interest in a PRC-based firm that is specialized in manufacturing jacking unit and other equipment for jack-ups. These investments are of strategic benefits to the Group. The financial performance of the investee companies for the six months ended 30 June 2008 was mixed but satisfactory overall. The management expect that the investee companies shall continue to make profit contribution in aggregate to the Group in near future.

During the three months ended 30 June 2008, the Group did not make any new acquisition exception for completing the acquisition of GME announced in the first quarter of 2008.

ORDER BOOK AND PROSPECT

As of 30 June 2008, the Group as a whole carried an uninvoiced order book valued at approximately US$181 million for rig products & technology, turnkey solutions and expendables. As at the date of this report, the Company holds a master agreement with YRS, by which the Company and YRS can negotiate for possible orders from YRS up to approximately RMB589 million (US$86.4 million) and approximately RMB1,028 million (US$151 million) for the two years ending 31 December 2009 respectively. The Company is actively bidding for new contracts from other potential customers in China and from other countries. The management has the confidence that the Company will obtain more contract awards in future.

LIQUIDITY, FINANCIAL RESOURCES AND CHARGE OF ASSETS

As at 30 June 2008, the Group maintained a current assets of approximately US$124.0 million in which approximately US$15.3 million was cash and bank balances while current liabilities were approximately US$111.0 million. As at 30 June 2008, the Group carried a short-term bank borrowings of approximately US$2.1 million which were secured by the Group's inventory assets in its USA warehouse, leasehold land use right and buildings located in Qingdao and Xi'an as well as machineries located in Qingdao.

GEARING RATIO

As at 30 June 2008, the Group maintained a gearing ratio, based on total liabilities over total assets, of approximately 59.6% (31 December 2007: approximately 35.6%).

CONTINGENT LIABILITY

As at 30 June 2008, the Company has issued guarantees to banks in respect of banking facilities granted to a subsidiary.

As at 30 June 2008, the Directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company under the guarantees issued is the facilities drawn down by a subsidiary of US$1.3 million (31 December 2007: US$2.4 million).

As at 30 June 2008, the Group had outstanding performance bonds in place totalling approximately US$9.6 million (31 December 2007: Nil).

As at 30 June 2008, the Group has potential exposure to liquidated damages approximately US$4.2 million (31 December 2007: Nil).

There is no history of customers levying liquidated damages against the Group and as such the Directors assess the likelihood of a liability crystallising in this respect to be remote. As such no provision has been booked.

CAPITAL STRUCTURE

As at 30 June 2008, the Company carried 393,908,004 shares in issue, and a share capital of approximately US$5,068,000.

CAPITAL COMMITMENT

Save as disclosed in note 14 of this report on page 13, there is no other capital commitment.

FOREIGN CURRENCY EXCHANGE EXPOSURE AND TREASURY POLICY

Most of the Group's trading transactions, assets and liabilities were denominated in Renminbi and United States dollars. Since July 2005, magnitude of fluctuation of the exchange rates of Hong Kong dollars and United States dollars to Renminbi have become larger than before, the Directors considered that the impact of the foreign exchange exposure of the Group has some adverse effect on the income of the Group. As at 30 June 2008, no related hedges were made by the Group. The Group will continue to seek cost-effective ways to hedge currency exchange risk in future.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2008, the Group had approximately 700 full-time staff in USA, UK, Brazil, United Arab Emirates, Russia, Singapore, Hong Kong and China. The Group's remuneration policy is basically determined by the performance of individual employee and the market condition. In addition to salaries, employees' benefits included medical scheme, pension contributions and share option schemes.

PROSPECTS AND STRATEGIES

The Group will continue to focus its core business of providing products and services to the oil and gas drilling industry worldwide, especially in the offshore sector which offers much more market potential and carries higher entry barrier than on-shore sector. Because of the acquisition of GME in UK and the combining GME's business and product line into the Group's overall business scope, the Group has expanded its product line from drilling equipment and expendables to other rig products and technology such as pipe handling, BOP handling, riser handling and offshore cranes. The acquisition expanded the Group's international operation locations into Brazil, UK and Singapore.

Through the set up of the deep water division and the development of rig products and technology for deep water rigs, the Group has positioned itself to enter the deep water rig market, offering drilling products, mechanical handling products, tensioning and compensation products as well as complete rig packages for semi-submersible rigs and drill ships.

With its international operation locations and the ability of offering a wide range of offshore rig products (rig and handling systems for jack up platform and modular platform for shallow water as well as rig and handling systems for semi-submersible platform/drill ship for deep water), the Group thus has developed itself as one of the very few major players in the global market.

The management of the Group expect that the demand for offshore rigs and the demand for expendables and supplies will continue to be strong in the foreseeable future. The Group will continue to leverage its competitive positioning and capacity to develop more business in offshore sector by serving our customers a choice of comprehensive products and services to the oil and gas drilling industry.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2008, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Name of Directors	Number of issued ordinary shares of HK$0.10 each in the Company (long position)					Number of underlying shares (in respect of share options granted under the Pre-IPO Share Option Scheme) *(Note 3)*	Approximate percentage of the Company's issued share capital
	Personal interests	Family interests	Corporate interests	Other interests	Total		
Mr. Zhang Menggui *(Note 1)*	864,000	–	136,871,200	–	137,735,200	2,592,000	35.62%
Mr. Jiang Bing Hua *(Note 1)*	864,000	–	136,871,200	–	137,735,200	2,592,000	35.62%
Mr. Zhang Hongru *(Note 2)*	4,690,800	–	16,228,800	–	20,919,600	1,555,200	5.71%
Mr. Chen Yunqiang	1,123,200	–	–	–	1,123,200	1,684,800	0.71%

Notes:

1. *Global Energy Investors, LLC is the beneficial owner of 136,871,200 shares. The entire shares capital of Global Energy Investors, LLC is beneficially owned as to 50% each by Mr. Zhang Menggui and Mr. Jiang Bing Hua, both are the executive Directors of the Company. Accordingly, both Mr. Zhang Menggui and Mr. Jiang Bing Hua are deemed to be interested in the 136,871,200 shares beneficially owned by Global Energy Investors, LLC under Part XV of the SFO.*

2. *Mr. Zhang Hongru personally holds 4,690,800 shares and indirectly holds 16,228,800 shares through Osbeck Investments Limited which is an investment holding company wholly owned by him. He is deemed to be interested in the shares held by Osbeck Investments Limited under Part XV of the SFO.*

3. *Please refer to the section "Share Option Schemes" below for details of share options held by the Directors and chief executives of the Company.*

Save as disclosed above, as at 30 June 2008, none of the Directors or chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2008, the following persons had interests or short positions in the shares and underlying shares of the Company which as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

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

Name	Capacity and Nature of interest	Number of shares/underlying shares held	Approximate percentage of the Company's issued share capital
Global Energy Investors, LLC *(Note 1)*	Corporate	136,871,200 Shares	34.75%
Madam Chen Fengying *(Note 2)*	Interest of the spouse	137,735,200 Shares and 2,592,000 share options	35.62%
Madam Zhang Jiuli *(Note 3)*	Interest of the spouse	137,735,200 Shares and 2,592,000 share options	35.62%
YRS Investments Limited *(Note 4)*	Corporate	42,800,000 Shares	10.87%
Yantai Raffles Shipyard Limited *(Note 4)*	Corporate	42,800,000 Shares	10.87%

Name	Capacity and Nature of interest	Number of shares/underlying shares held	Approximate percentage of the Company's issued share capital
Mr. Brian Chang *(Note 4)*	Interest in controlled entities	108,872,800 Shares	27.64%
Windmere International Limited *(Note 4)*	Corporate	50,000,000 Shares	12.69%
Keywise Greater China Opportunities Master Fund *(Note 5)*	Corporate	41,488,000 Shares	10.53%
Keywise Capital Management (HK) Limited *(Note 5)*	Corporate	41,488,000 Shares	10.53%
NESTOR Fernost Fonds *(Note 6)*	Corporate	22,828,000 Shares	5.80%
NESTOR Investment Management S.A. *(Note 6)*	Corporate	22,828,000 Shares	5.80%
Mr. Ou Yaping *(Note 7)*	Interest in controlled entities	32,000,000 Shares	8.12%
Asia Pacific Promotion Limited *(Note 7)*	Corporate	32,000,000 Shares	8.12%
Enerchina Holdings Limited *(Note 7)*	Corporate	32,000,000 Shares	8.12%
Multiwin Corporation *(Note 7)*	Corporate	32,000,000 Shares	8.12%
Roxy Link Limited *(Note 7)*	Corporate	32,000,000 Shares	8.12%
Madam Gao Haiping *(Note 8)*	Interest of the spouse	20,919,600 Shares and 1,555,200 share options	5.71%
FMR LLC	Corporate	20,030,000 Shares	5.08%

Notes:

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

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

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

4. *YRS Investments Limited ("YRSI") is ultimately wholly owned by Yantai Raffles Shipyard Limited ("YRS"), a company incorporated in Singapore and the shares of which are traded on the Oslo Over-the-Counter Market. Accordingly, YRS is deemed to be interested in 42,800,000 shares held by YRSI. YRS is owned as to approximately 45% by Mr. Brian Chang and his associates. Mr. Brian Chang is deemed to be interested in 42,800,000 shares held by YRSI as he holds more than one-third interest of the issued share capital of YRSI. Mr. Brian Chang is also deemed to be interested in 16,072,800 shares and 50,000,000 shares held by his wholly-owned companies, Asian Infrastructure Limited and Windmere International Limited, respectively under Part XV of the SFO.*

5. *Keywise Greater China Opportunities Master Fund is an investment fund registered in the Cayman Islands and is managed by Keywise Capital Management (HK) Limited, a company incorporated in Hong Kong.*

6. *NESTOR Investment Management S.A. held 22,828,000 shares on behalf of NESTOR Fernost Fonds, an undertaking for collection investments under the laws of the Grand Duchy von Luxembourg.*

7. *Roxy Link Limited ("Roxy") is the beneficial owner of 32,000,000 shares. Roxy is a wholly-owned subsidiary of Multiwin Corporation ("Multiwin"), which in turn is a wholly-owned subsidiary of Enerchina Holdings Limited ("Enerchina").*

   Asia Pacific Promotion Limited ("Asia Pacific") is wholly-owned by Mr. Ou Yaping ("Mr. Ou"). Enerchina is owned as to approximately 35.5% held by Asia Pacific and approximately 0.17% held by Mr. Ou directly respectively. Therefore, Mr. Ou, Asia Pacific, Enerchina and Multiwin are deemed to be interested in 32,000,000 shares held by Roxy under Part XV of the SFO.

8. *These interest represent the same block of shares and share options held by Mr. Zhang Hongru as shown in the previous section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES". Since Madam Gao Haiping is the spouse of Mr. Zhang Hongru, she is deemed to be interested in the shares and share options held by him under Part XV of the SFO.*

Save as disclosed above, as at 30 June 2008, there was no person (other than the Directors and chief executives of the Company whose interests are set out under the paragraph headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES" above and section headed "SHARE OPTION SCHEMES" below), had an interest or short position in the shares or underlying shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

SHARE OPTION SCHEMES

On 1 February 2005, Oxford Asia Investments Limited ("Oxford"), a wholly-owned subsidiary of the Company, adopted a share option scheme pursuant to which 1,690 share options were granted to certain employees of the Group. On 19 October 2005, the Company adopted a share option scheme ("Pre-IPO Share Option Scheme") to replace the share option scheme of Oxford which was cancelled on the same date. The total number of shares in the Company that are subject to the Pre-IPO Share Option Scheme is 15,210,000 shares at HK$0.286 each, and all the options under the Pre-IPO Share Option Scheme were granted to the option holders of the Oxford's option scheme in the same proportion with their original holding. No further options will be granted under the Pre-IPO Share Option Scheme after 28 November 2005. Details of the Pre-IPO Share Option Scheme are summarised in the paragraph headed "Summary of terms of the Pre-IPO Share Option Scheme" in Appendix 5 to the prospectus of the Company dated 21 November 2005.

On 26 March 2007, the Directors of the Company announced in its annual results for the year ended 31 December 2006 of a bonus issue of shares (the "Bonus Issue") to those shareholders whose names appear on the register of members of the Company on 7 May 2007 on the basis of one bonus share for every five existing shares held. The above adjustments to the subscription price and the number of shares subject to the Pre-IPO Share Option became effective on the day of the Bonus Issue becoming unconditional on 10 May 2007.

Details of the adjusted outstanding options which have been granted and remaining unexercised under the Pre-IPO Scheme as at 30 June 2008 are as follows:

				Number of share options				
Name or category of participant	Date of grant	Exercisable period	Exercise price per share	Outstanding as at 31.3.2008	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30.6.2008
	(Notes 1 & 2)	*(Notes 1, 2 & 3)*	*HK$*		*(Note 4)*	*(Note 4)*	*(Note 4)*	
Directors:								
Mr. Zhang Menggui	19.10.2005	29.11.2005 to 18.10.2015	0.2383	2,592,000	-	-	-	2,592,000
Mr. Jiang Bing Hua	19.10.2005	29.11.2005 to 18.10.2015	0.2383	2,592,000	-	-	-	2,592,000
Mr. Chen Yunqiang	19.10.2005	29.11.2005 to 18.10.2015	0.2383	1,684,800	-	-	-	1,684,800
Mr. Zhang Hongru	19.10.2005	29.11.2005 to 18.10.2015	0.2383	1,555,200	-	-	-	1,555,200
				8,424,00	-	-	-	8,424,000
Employees	19.10.2005	29.11.2005 to 18.10.2015	0.2383	2,527,200	-	-	-	2,527,200
Total				10,951,200	-	-	-	10,951,200

Notes:

1. *All dates are shown day, month, year.*

2. *The vesting period of the options is 5 years and starts from the date of grant and become vested at stepped semi-annual increments of 10% of the total options originally granted subject to any adjustment due to the bonus issue, for a period of 5 years from the date of grant.*

3. *These grants are exercisable, starting from the first anniversary of the listing date at stepped semi-annual increments of 10% of the total options originally granted subject to any adjustment due to the bonus issue, for a period not later than 10 years from the date of grant.*

4. *The period refers to the three months ended 30 June 2008.*

Pursuant to the share option scheme adopted by the Company on 20 October 2005 ("Share Option Scheme"), the board of Directors granted 7,280,000 share options at HK$2.43 each to 14 employees of the Group on 10 May 2007, granted 9,700,000 share options at HK$5.60 each to 51 employees and 2 consultants of the Group on 12 November 2007, and granted 2,000,000 share options at HK$5.23 each to 3 employees of the Group on 15 January 2008. Based on valuation reports prepared by an independent valuer Jones Lang LaSalle Sallmanns, the values of the option granted on 10 May 2007, 12 November 2007 and 15 January 2008 were HK$7,252,000, HK$21,812,000 and HK$4,166,000 respectively.

Details of share options under the Share Option Scheme as at 30 June 2008:

				Number of share options					
Name or category of participant	**Date of grant**	**Exercisable period**	**Exercise price per share**	**Outstanding as at 31.3.2008**	**Granted during the period**	**Exercised during the period**	**Cancelled during the period**	**Lapsed during the period**	**Outstanding as at 30.6.2008**
	(Notes 1 & 2)	*(Notes 1, 2 & 3)*	*HK$*		*(Note 4)*	*(Note 4)*	*(Note 4)*	*(Note 4)*	
Employees	10.05.2007	10.11.2007 to 09.05.2017	2.43	7,002,000	-	-	-	-	7,002,000
Total				7,002,000	-	-	-	-	7,002,000
Employees	12.11.2007	12.05.2008 to 11.11.2017	5.60	9,360,000	-	-	-	150,000	9,210,000
Consultants	12.11.2007	12.05.2008 to 11.11.2017	5.60	200,000	-	-	-	-	200,000
Total				9,560,000	-	-	-	150,000	9,410,000
Employees	15.01.2008	15.07.2008 to 14.01.2018	5.23	2,000,000	-	-	-	-	2,000,000
Total				2,000,000	-	-	-	-	2,000,000

Notes:

1. *All dates are shown day, month, year.*

2. *The vesting period of the options is 5 years and starts from the date of grant and become vested at stepped semi-annual increments of 10% of the total options granted for a period of 5 years from the date of grant.*

3. *These grants are exercisable, starting from the first anniversary of the listing date at stepped semi-annual increments of 10% of the total options granted, for a period not later than 10 years from the date of grant.*

4. *The period refers to the three months ended 30 June 2008.*

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any businesses that competes or may compete, either directly or indirectly, with the business of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the six months period ended 30 June 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board has reviewed the Company's corporate governance practices and it was satisfied that the Company has fully complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules for the six months period ended 30 June 2008.

Besides, in response to the tragic events resulting from the recent massive earthquake in Sichuan Province, the Company decided to donate a sum of HK$100,000 to the China Charity Federation as a corporate citizen with social responsibilities. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that corporate social responsibility, business activities and decision-making processes are performed in a proper and prudent manner.

In order to maintain high standard of disclosure, a profit warning statement was announced to the shareholders of the Company and investors on 14 March 2008 that the Group expected a substantial decline for the year ended 31 December 2007 compared with the same period in 2006 due to (1) the appreciation of Renminbi against the U.S. dollars, (2) increase in the costs and surge in general and administrative expenses and marketing expenses caused by increased staff costs to cater for future business expansion during the year under review, and (3) the six contracts for the sale of cantilever and drilling turnkey packages would not be booked in the financial statements for the year ended 31 December 2007 in accordance with Hong Kong Financial Reporting Standards.

AUDIT COMMITTEE

The Company established an audit committee on 20 October 2005 with terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Group.

The audit committee comprises three members, namely Mr. Chan Ngai Sang, Kenny (being the chairman of the audit committee), Mr. Bian Junjiang and Mr. Guan Zhichuan. All of them are independent non-executive Directors. The audit committee of the Company has reviewed the unaudited results of the Group for the six months ended 30 June 2008 and are of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director had a direct and indirect material interest, subsisted during or at the end of the six months ended 30 June 2008.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 Rules 5.48 to 5.67 of the GEM 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 six months ended 30 June 2008.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2008, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

SUBSEQUENT EVENTS

1. As of 31 December 2007, the Company held 20,992,498 shares of GME, representing approximately 28.73% of the issued share capital of GME. On 17 March 2008, the shareholders of the Company approved the conditional cash offer at 16 pence for all shares of GME to all shareholders of GME. On 4 July 2008, GME became a wholly-owned subsidiary of the Company. GME was delisted on the London Stock Exchange and subsequently was renamed as TSC Offshore (U.K.) Limited.

2. On 4 June 2008, the Company (as seller) entered into the master agreement (the "Master Agreement") with YRS (as buyer) in relation to the sale of the products (which include the equipment used on offshore platforms including but not limited to power control package, jacking control system, BOP handling and transport, burner boom, etc. and the project(s) related to offshore platforms including (i) cantilever and drill floor projects; (ii) rack material cutting projects; (iii) other material processing projects; and (iv) design, engineering and consulting service projects) by the Company to YRS for the two years ending 31 December 2009 (the "Transaction"). Pursuant to the Master Agreement, the annual caps for the Transaction for the two years ending 31 December 2009 would be approximately RMB589 million and approximately RMB1,028 million respectively (the "Annual Caps").

YRS was a substantial shareholder which through its wholly-owned subsidiary, YRSI, owned approximately 10.9% of the issued share capital of the Company as at the date of the Transaction. Accordingly, the Transaction constituted continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules and was subject to the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules. The Master Agreement and the Annual Caps were approved by the independent shareholders by poll at the extraordinary general meeting ("EGM") on 18 July 2008.

3. On 18 June 2008, the Company entered into the conditional placing agreement (the "Placing Agreement") with CCB International Capital Limited and Platinum Securities Company Limited for the placing of up to an aggregate of 155,000,000 new shares (the "Placing") to five placees at the placing price of HK$1.88 per placing share (the "Placing Share"). As one of the placees, Keywise Greater China Opportunities Master Fund ("Keywise Fund"), was a substantial shareholder, owned approximately 10.53% of the issued share capital of the Company as at the date of the Placing and would subscribe for 10,000,000 Placing Shares (the "Keywise Subscription"), the Keywise Subscription constituted a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, it was therefore subject to the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

   On 18 July 2008, the Placing and the Keywise Subscription were approved by the shareholders and independent shareholders by poll at the EGM. On 24 July 2008, the Company completed the Placing and raised approximately HK$286 million net proceeds. Afterwards, the Company's total issued shares are enlarged by the Placing Shares to 548,908,004 shares.

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

Hong Kong, 11 August 2008

As at the date of this report, the Board comprises of Mr. Jiang Bing Hua (executive Director), Mr. Zhang Menggui (executive Director), Mr. Zhang Hongru (executive Director), Mr. Chen Yunqiang (executive Director), Mr. Jiang Longsheng (non-executive Director), Mr. Chan Ngai Sang, Kenny (independent non-executive Director), Mr. Bian Junjiang (independent non-executive Director) and Mr. Guan Zhichuan (independent non-executive Director).

TSC Offshore Group Limited

www.tscoffshore.com