TSC Offshore Group Limited

Stock Code: 206

2009

INTERIM REPORT

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

The board (the "Board") of directors (the "Directors") of TSC Offshore Group Limited (the "Company" or "TSC") is pleased to announce the unaudited results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2009, together with the unaudited comparative figures for the corresponding period in 2008 as follows:

RESULTS HIGHLIGHTS

- The Group's turnover for the six months ended 30 June 2009 reached approximately US$69.7 million, representing an increase of approximately 7.1% over the same period for 2008;

- Gross profit amounted to approximately US$21.9 million for the six months ended 30 June 2009, representing an increase of approximately 30.0% over the same period for 2008;

- Net profit attributed to equity shareholders of the Company amounted to approximately US$5.9 million for the six months ended 30 June 2009, representing approximately 54.9% increase over the same period for 2008;

- Earnings per share for the six months ended 30 June 2009 were US1.05 cent, representing an increase of 8.2% compared with US0.97 cent per share for the same period in 2008. The basis of calculating the earnings per share is detailed in note 9;

- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 June 2009 (unaudited) US$'000	2008 (unaudited) US$'000
Turnover	4	**69,689**	65,072
Cost of sales		**(47,819)**	(48,246)
Gross profit		**21,870**	16,826
Other revenue	4	**342**	558
Selling and distribution expenses		**(2,470)**	(1,359)
General and administrative expenses		**(11,664)**	(9,059)
Other operating expenses	5	**(1,619)**	(2,467)
Profit from operations		**6,459**	4,499
Finance costs	6	**(391)**	(555)
Share of results of associates		**1,063**	(67)
Profit before taxation		**7,131**	3,877
Income tax	7	**(1,240)**	(254)
Profit for the period		**5,891**	3,623
Attributable to:			
Equity shareholders of the Company		**5,891**	3,804
Minority interests		**–**	(181)
Profit for the period		**5,891**	3,623
Dividends payable to equity shareholders of the Company attributable to the period	8	**–**	–
Earnings per share (US cent)			
Basic	9(a)	**1.05**	0.97
Diluted	9(b)	**1.04**	0.94

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the six months ended 30 June	
		2009	2008
		(unaudited)	(unaudited)
		US$'000	*US$'000*
Profit for the period		**5,891**	3,623
Other comprehensive income			
Exchange differences on translation of foreign operations		**4,142**	1,622
Total comprehensive income for the period		**10,033**	5,245
Attributable to:			
Equity shareholders of the Company		**10,033**	5,426
Minority interests		**–**	(181)
		10,033	5,245

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2009 (unaudited) US$'000	As at 31 December 2008 (audited) US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**16,849**	16,624
Property under development	11	**6,041**	4,282
Interests in leasehold land held for own use under operating leases		**3,251**	3,279
Goodwill		**25,086**	22,253
Other intangible assets		**18,388**	17,770
Interests in associates		**9,903**	9,141
Deferred tax assets		**8,454**	7,483
		87,972	80,832
CURRENT ASSETS			
Inventories		**29,229**	31,318
Trade and other receivables	12	**92,027**	67,363
Amount due from a related company		**101**	85
Tax recoverable		**162**	72
Pledged bank deposits		**4,439**	924
Cash at bank and in hand		**14,214**	16,156
		140,172	115,918
CURRENT LIABILITIES			
Trade and other payables	13	**74,904**	59,946
Loan from a director		**771**	–
Bank loans		**16,349**	7,811
Current taxation		**1,363**	1,136
Provisions		**1,151**	2,555
		94,538	71,448

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	**As at 30 June 2009 (unaudited)** ***US$'000***	As at 31 December 2008 (audited) *US$'000*
NET CURRENT ASSETS		**45,634**	44,470
TOTAL ASSETS LESS CURRENT LIABILITIES		**133,606**	125,302
NON-CURRENT LIABILITIES			
Bank loans		**2,703**	2,744
Loan from a director		**–**	2,056
Deferred tax liabilities		**4,700**	4,948
		7,403	9,748
NET ASSETS		**126,203**	115,554
CAPITAL AND RESERVES			
Share capital		**7,231**	7,225
Reserves		**118,972**	108,329
Total equity attributable to equity shareholders of the Company		**126,203**	115,554
Minority interests		**–**	–
TOTAL EQUITY		**126,203**	115,554

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Equity attributable to equity shareholders of the Company											
	Share capital	Share premium	Merger reserve	Exchange reserve	Employee share-based compensation reserve	Capital reserve	Revaluation reserve	Reserve funds	Retained profits	Total	Minority interests	Total equity
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
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	–	–	–	–	–	–	–	–	437	437	–	437
At 1 January 2008 (restated)	5,041	52,912	2,161	1,473	597	512	–	1,640	11,687	76,023	–	76,023
Shares issued under share option schemes	27	178	–	–	(62)	–	–	–	–	143	–	143
Equity-settled share-based transactions	–	–	–	–	520	–	–	–	–	520	–	520
Total comprehensive income for the period	–	–	–	1,622	–	–	–	–	3,804	5,426	(181)	5,245
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	(11)	(11)
At 30 June 2008 (unaudited)	5,068	53,090	2,161	3,095	1,055	512	–	1,640	15,491	82,112	(192)	81,920
At 1 January 2009 (audited)	**7,225**	**89,087**	**2,161**	**(10,279)**	**2,558**	**512**	**627**	**1,856**	**21,807**	**115,554**	**-**	**115,554**
Shares issued under share option schemes	**6**	**32**	**-**	**-**	**(24)**	**-**	**-**	**-**	**-**	**14**	**-**	**14**
Equity-settled share-based transactions	**-**	**-**	**-**	**-**	**602**	**-**	**-**	**-**	**-**	**602**	**-**	**602**
Total comprehensive income for the period	**-**	**-**	**-**	**4,142**	**-**	**-**	**-**	**-**	**5,891**	**10,033**	**-**	**10,033**
At 30 June 2009 (unaudited)	**7,231**	**89,119**	**2,161**	**(6,137)**	**3,136**	**512**	**627**	**1,856**	**27,698**	**126,203**	**-**	**126,203**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2009	2008
	(unaudited)	(unaudited)
	US$'000	*US$'000*
NET CASH USED IN OPERATING ACTIVITIES	**(2,930)**	(2,136)
NET CASH USED IN INVESTING ACTIVITIES	**(6,049)**	(42,968)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**6,835**	16,342
DECREASE IN CASH AND CASH EQUIVALENTS	**(2,144)**	(28,762)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**16,156**	44,334
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**202**	(297)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**14,214**	15,275

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 Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 November 2005. The Company has successfully transferred the listing of its shares from GEM to the Main Board of the Stock Exchange (the "Main Board") on 5 June 2009.

The interim consolidated results for the six months ended 30 June 2009 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

The unaudited interim report has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited interim report has been prepared on the historical cost basis.

Except as described below, the accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the reportable segments determined in accordance with HKAS 14 (see note 3). The adoption of the other new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early adopted the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised in 2008)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised in 2008)	Business Combinations[1]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[4]

1 Effective for annual periods beginning on or after 1 July 2009

2 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

3 Effective for annual periods beginning on or after 1 January 2010

4 Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in a Group's ownership interest in a subsidiary that do not result in a loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The Directors anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

(a) The segment results for the six months ended 30 June 2009 and 2008 are as follows:

	Rig turnkey solutions		Rig products and technology		Oilfield expendables and supplies		Engineering and services		Total	
	2009 (unaudited) US$'000	2008 (unaudited) US$'000	**2009 (unaudited) US$'000**	2008 (unaudited) US$'000	**2009 (unaudited) US$'000**	2008 (unaudited) US$'000	**2009 (unaudited) US$'000**	2008 (unaudited) US$'000	**2009 (unaudited) US$'000**	2008 (unaudited) US$'000
Revenue from external customers	**8,222**	25,151	**53,636**	32,602	**7,066**	6,871	**765**	448	**69,689**	65,072
Inter-segment revenue	**–**	–	**6,435**	2,091	**6,169**	7,647	**–**	–	**12,604**	9,738
Segment revenue	**8,222**	25,151	**60,071**	34,693	**13,235**	14,518	**765**	448	**82,293**	74,810
Segment results	**1,227**	4,294	**5,795**	1,607	**662**	(422)	**383**	428	**8,067**	5,907
Unallocated operating income and expenses									**(1,608)**	(1,408)
Profit from operations									**6,459**	4,499
Finance costs									**(391)**	(555)
Share of results of associates									**1,063**	(67)
Profit before taxation									**7,131**	3,877
Income tax									**(1,240)**	(254)
Profit for the period									**5,891**	3,623

(b) (i) The segment assets and liabilities as at 30 June 2009 are as follows:

	Rig turnkey solutions (unaudited) *US$'000*	**Rig products and technology (unaudited)** *US$'000*	**Oilfield expandables and supplies (unaudited)** *US$'000*	**Engineering and services (unaudited)** *US$'000*	**Consolidated (unaudited)** *US$'000*
Segment assets	11,729	170,952	24,561	225	207,467
Interests in associates	–	9,903	–	–	9,903
Unallocated assets					10,774
Total assets					228,144
Segment liabilities	10,789	61,801	3,137	–	75,727
Unallocated liabilities					26,214
Total liabilities					101,941

(ii) The segment assets and liabilities as at 31 December 2008 are as follows:

	Rig turnkey solutions (audited) *US$'000*	Rig products and technology (audited) *US$'000*	Oilfield expandables and supplies (audited) *US$'000*	Engineering and services (audited) *US$'000*	Consolidated (audited) *US$'000*
Segment assets	18,221	145,285	15,459	240	179,205
Interests in associates	–	9,141	–	–	9,141
Unallocated assets					8,404
Total assets					196,750
Segment liabilities	13,092	44,543	4,065	94	61,794
Unallocated liabilities					19,402
Total liabilities					81,196

(c) Geographical segments

	Turnover For the six months ended 30 June		**Segment assets**	
			As at 30 June	As at 31 December
	2009 (unaudited) *US$'000*	2008 (unaudited) *US$'000*	**2009 (unaudited) *US$'000***	2008 (audited) *US$'000*
Hong Kong	**–**	–	**–**	242
Mainland China	**26,131**	25,835	**93,260**	81,849
North America	**12,277**	5,120	**52,324**	40,128
South America	**8,597**	8,840	**579**	161
Europe	**7,573**	5,295	**54,858**	53,461
Singapore	**13,488**	15,025	**6,446**	3,087
Others	**1,623**	4,957	**–**	277
	69,689	65,072	**207,467**	179,205

4. TURNOVER AND OTHER REVENUE

The principal activities of the Group are the design, manufacture and sales of rig turnkey solutions, rig products and technology, expendables and supplies and the provision of engineering and services to the offshore industry.

Turnover represents the invoiced value of goods supplied to customers, revenue from mechanical handling equipment and rig turnkey contracts and revenue from engineering and services. The analysis of the Group's turnover and other revenue are as follow:

	Unaudited For the six months ended	
	30 June 2009	30 June 2008
	US$'000	*US$'000*
Turnover		
Rig products and technology		
– Sales of rig electrical control systems	**13,935**	6,780
– Sales of other rig equipment	**8,024**	3,863
– Contract revenue	**31,677**	21,959
	53,636	32,602
Rig turnkey solutions		
– Contract revenue	**8,222**	25,151
Oilfield expendables and supplies		
– Sales of expendables and supplies	**7,066**	6,871
Engineering and services		
– Service fee income	**765**	448
	69,689	65,072
Other revenue		
Interest income	**40**	309
Reversal of impairment losses on doubtful debts	**–**	56
Others	**302**	193
	342	558

5. OTHER OPERATING EXPENSES

	Unaudited For the six months ended	
	30 June 2009	30 June 2008
	US$'000	*US$'000*
Amortisation of intangible assets	**1,318**	797
Net foreign exchange losses	**293**	1,670
Loss on disposal of property, plant and equipment	**8**	–
	1,619	2,467

6. FINANCE COSTS

	Unaudited For the six months ended	
	30 June 2009	30 June 2008
	US$'000	*US$'000*
Interest on bank loans wholly repayable within five years	**391**	555

7. INCOME TAX

	Unaudited For the six months ended	
	30 June 2009	30 June 2008
	US$'000	*US$'000*
Current tax		
Provision for the period		
– People's Republic of China ("PRC") enterprise income tax	**1,283**	551
– United States corporation income tax	**101**	–
– Other overseas income tax	**152**	–
	1,536	551
Deferred tax		
Origination and reversal of temporary differences	**(296)**	(297)
	1,240	254

No provision for Hong Kong Profits Tax has been made in the condensed consolidated income statement as the Group had no assessable profit subject to Hong Kong Profits Tax for the period. Taxation for subsidiaries in other jurisdictions is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions. During the period, certain PRC subsidiaries are subject to tax at reduced rates of 15% (2008: 15%) under the relevant PRC tax rules and regulations.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which became effective on 1 January 2008. According to the new tax law, the standard PRC Enterprise Income Tax rate is 25%. Furthermore, the State Council of the PRC passed the implementation guidance ("Implementation Guidance") on 26 December 2007, which sets out the details of how the existing preferential income tax rate will be adjusted to the standard rate of 25%. According to the Implementation Guidance, income tax rate for the PRC subsidiaries of the Group, which are eligible to a 100% or 50% relief from PRC Enterprise Income Tax, will be gradually changed to the standard rate of 25% over a five-year transition period.

In accordance with the relevant PRC tax rules and regulations, a Company's PRC subsidiary is exempt from PRC Enterprise Income Tax for two consecutive years from their first profit making year, and are entitled to a 50% relief on the PRC Enterprise Income Tax for the following three years ("Tax Holidays"). Pursuant to the transitional arrangement under the new tax law, the PRC subsidiary will continue to enjoy the tax-exemption or 50% relief on the applicable PRC Enterprise Income tax rate under the new tax law until the expiry of the Tax Holidays previously granted, and thereafter they are subject to the unified rate of 25%.

In addition, under the new tax law, with effect from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 8 December 2006, the withholding income tax rate will be reduced to 5% if the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25%. On 22 February 2008, the Minister of Finance and State Administration of Tax approved Caishui (2008) No.1, pursuant to which dividend distributions out of pre-2008 retained earnings of foreign investment enterprises will be exempted from withholding income tax. No withholding income tax has been recognised in respect of the post-2008 retained earnings as the Group considers that no dividend will be distributed out of the post-2008 retained earnings in the foreseeable future.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share for the six months ended 30 June 2009 are based on the profit attributable to equity shareholders of the Company of approximately US$5,891,000 (six months ended 30 June 2008: US$3,804,000) and the weighted average number of 561,793,871 (six months ended 30 June 2008: 393,757,775) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2009 are based on the profit attributable to equity shareholders of the Company of approximately US$5,891,000 (six months ended 30 June 2008: US$3,804,000) and the weighted average number of 564,274,622 (six months ended 30 June 2008: 404,923,228) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option schemes.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, additions to property, plant and equipment amounted to approximately US$1,123,000 (six months ended 30 June 2008: US$881,000) .

11. PROPERTY UNDER DEVELOPMENT

During the period, construction expenditure of approximately US$1,754,000 (six months ended 30 June 2008: US$364,000) was added to our property under development in Qingdao (six months ended 30 June 2008 in Xi'an).

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2009 ***US$'000*** **(unaudited)**	As at 31 December 2008 *US$'000* (audited)
Trade debtors and bills receivable	**61,192**	44,919
Less: allowances for doubtful debts	**(2,860)**	(2,302)
	58,332	42,617
Other receivables, prepayments and deposits	**5,921**	5,464
Gross amount due from customers for contract work *(note 15)*	**27,774**	19,282
	92,027	67,363

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

	As at 30 June 2009 ***US$'000*** **(unaudited)**	As at 31 December 2008 *US$'000* (audited)
Current	**23,136**	25,689
Less than 1 month past due	**8,400**	8,758
1 to 3 months past due	**7,951**	5,766
More than 3 months but less than 12 months past due	**18,772**	2,275
More than 12 months but less than 24 months past due	**73**	129
Amounts past due	**35,196**	16,928
	58,332	42,617

The credit terms offered by the Group to its customers differ with each product/service. The credit items offered to customers of oilfield expendables and supplies and engineering and services are normally 30 to 90 days. The credit terms offered to customers of rig electrical control systems and other rig equipment 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 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 18 months after delivery of the products or 1 year after completion of the onsite testing, whichever is earlier. The amount of those retentions expected to be recovered after more than 1 year is approximately US$2,794,000 (31 December 2008: US$495,000).

13. TRADE AND OTHER PAYABLES

	As at 30 June 2009 *US$'000* **(unaudited)**	As at 31 December 2008 *US$'000* (audited)
Trade creditors and bills payable	**29,210**	33,727
Other payables and accrued charges	**5,585**	5,290
Amount due to an associate	**17**	36
Gross amount due to customers for contract work *(note 15)*	**40,092**	19,702
Advances received in relation to construction contracts	**–**	1,191
	74,904	59,946

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

	As at 30 June 2009 *US$'000* **(unaudited)**	As at 31 December 2008 *US$'000* (audited)
Within 1 month	**8,809**	16,791
More than 1 month but less than 3 months	**11,247**	10,337
More than 3 months but less than 12 months	**3,454**	6,476
More than 12 months but less than 24 months	**5,700**	123
	29,210	33,727

14. CAPITAL COMMITMENTS

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

	As at 30 June 2009 ***US$'000*** **(unaudited)**	As at 31 December 2008 *US$'000* (audited)
Contracted for the construction of property	**–**	4,273
Authorised but not contracted for the construction of property	**–**	1,310

15. CONSTRUCTION CONTRACTS

The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in gross amount due from/to customers for contract work at 30 June 2009, is US$154,877,000 (31 December 2008: US$114,978,000).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the six months ended 30 June 2009, the Group achieved a turnover of US$69.7 million which represents an increase of approximately 7.1% over the same period for 2008. The Group's turnover mainly comprises proceeds from the design, manufacture and sale of rig turnkey solutions, rig products and technology, expendables and supplies and the provision of engineering and services to the offshore industry. The increase was mainly due to the inclusion of sales of rig products and technology for the six months, whereas during the six months to June 2008 the sales of rig products and technology was included from 8 April 2008 onwards after the acquisition of TSC Offshore (UK) Limited ("TSC UK") (formerly known as Global Marine Energy plc.) on that date.

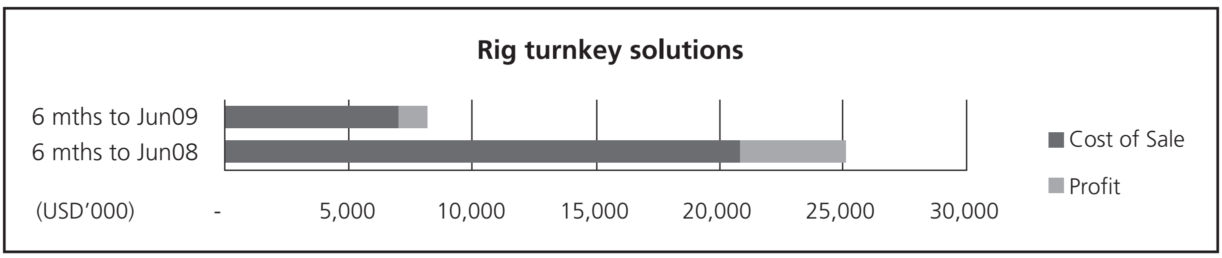
The net profit attributable to equity shareholders for the six months ended 30 June 2009 was US$5.9 million which represents an increase of approximately 54.9% over the same period for 2008. Despite further decline in demand and the challenges associated with market conditions, the Company was able to meet its strategic objectives of becoming a total solutions provider to the offshore marine industry, through diversification of its product range, thereby achieving a sustainable increase in returns to its shareholders.

FINANCIAL REVIEW

Turnover and Other Revenue

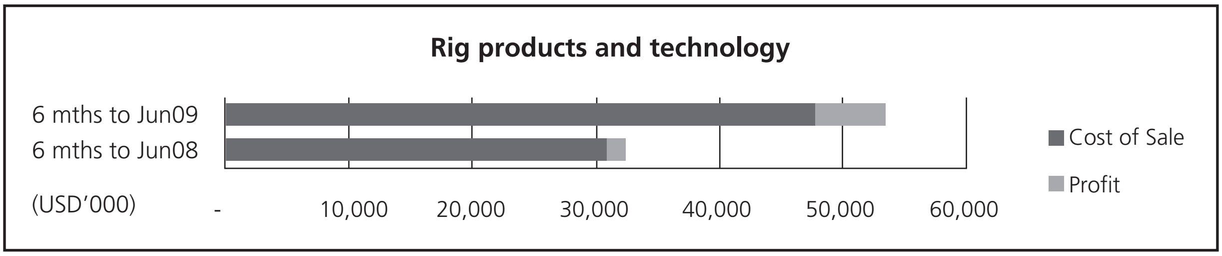
For the six months ended 30 June 2009, the Group recorded total sales of approximately US$69.7 million, representing an increase of approximately 7.1% over the sales in the same period for 2008. Other revenue was approximately US$0.3 million for the six months ended 30 June 2009. We include below a further discussion by business segments comprised in our turnover:

Rig Turnkey Solutions



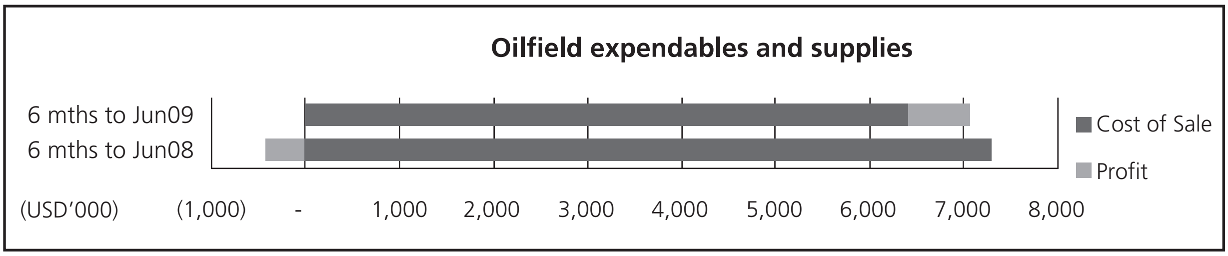
Revenue from rig turnkey solutions reduced from US$25.1 million in the same period of 2008 to US$8.2 million for the six months to 30 June 2009. The reduction of 67.3% was mainly due to the higher recognition of revenue measured by reference to the percentage of contract costs incurred in the six months to 30 June 2008 compared to 30 June 2009. A lower deployment rate of rigs worldwide as well as slowdown in demand due to general cautiousness over capital expenditure seen during the first half of 2009 led to a lower level of new orders received.

Rig Products and Technology



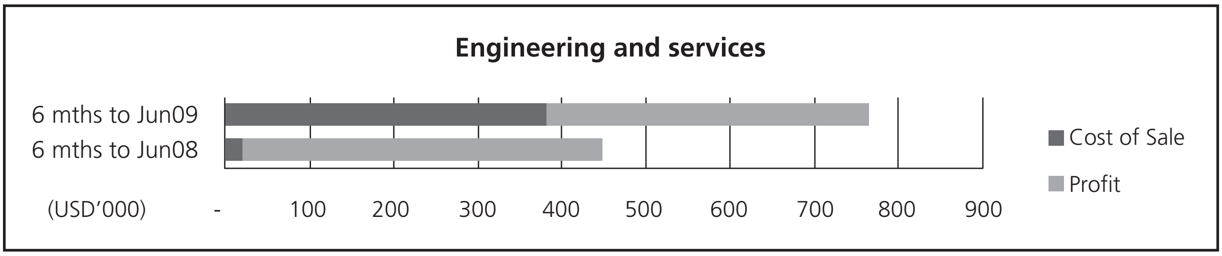
Revenue from rig products and technology comprises the sales of the TSC UK Group companies which were acquired in April 2008 and sales of rig electrical control systems and rig equipment in the PRC. A significant increase of 106.6% from US$10.6 million for the six months to 30 June 2008 to US$21.9 million for 30 June 2009 was achieved in sales of rig electrical control systems and sales of rig equipment. Further increase was mainly due to the inclusion of TSC UK companies for the six months to 30 June 2009 compared to the inclusion of a partial period in the comparatives.

Oilfield Expendables and Supplies



Revenue from oilfield expendables and supplies increased slightly from US$6.9 million in the same period of 2008 to US$7.1 million for the six months to 30 June 2009. The increase of 2.8% was mainly due to intensified marketing efforts to take advantage of the repair and refurbishment opportunities as customers scale down on new capital expenditure.

Engineering and Services



The increase in service revenue during the first six months of 2009 came from the Qingdao and Brazil offices as a result of improvement in deployment strategies of service personnel and marketing efforts.

COST OF SALES AND GROSS PROFIT MARGIN

The Group's cost of sales for the six months ended 30 June 2009 and the same period in 2008 amounted to approximately US$47.8 million and US$48.2 million respectively, resulting in a consolidated gross profit margin of approximately 31.4% and 25.9% respectively. The increase in the gross profit margin was attributable to the increase in sales of rig products and technology following the incorporation of the TSC UK group results and a significant increase in sales of rig electrical control systems which contributed higher gross margins. The downturn in prices in the prevailing economy also presented opportunities for cost reduction and lower raw material and component costs.

OPERATING COSTS AND NET EARNINGS

For the six months ended 30 June 2009, the Group's selling and distribution expenses amounted to approximately US$2.5 million, accounting for approximately 3.5% of the Group's turnover, as compared to approximately 2.1% for the same period in 2008.

For the six months ended 30 June 2009, the Group's general and administrative expenses amounted to approximately US$11.7 million, representing approximately 16.7% of the Group's turnover, as compared to those of approximately 13.9% for the same period in 2008.

The increase in both selling and distribution expenses and general and administrative expenses was mainly due to the increased number of staff in selling, management and product development after the acquisition of TSC UK in April 2008. Therefore, full consolidation of results of TSC UK has been recorded since April 2008.

For the six months ended 30 June 2009, the Group's other operating expenses amounted to approximately US$1.6 million while approximately US$2.5 million was incurred for the same period in 2008. The decrease in the other operating expenses was mainly due to the decrease in exchange losses. For the six months ended 30 June 2009, the Group's finance costs amounted to approximately US$0.4 million, as compared to approximately US$0.6 million for the same period in 2008.

For the six months ended 30 June 2009, the Group realised a net profit attributable to equity shareholders of approximately US$5.9 million, representing an increase of approximately 54.9% over the same period in 2008.

Business Review and Outlook

Overall, the industry outlook is cautiously optimistic in view of the strong fundamentals underpinning the marine, oil and gas industries as well as the healthy order books of many major shipyards and recent improvement in the price of crude oil to a level that is sustainable over the long term. TSC in particular, have in place a master sales agreement with Yantai Raffles Shipyard Limited ("YRS") which will present opportunities for future growth as soon as these are presented with some early signs of recovery.

On a global level, the signs of improvement can be seen in the increase in the number of working rigs compared to the low of a month ago.

	Current	Month Ago	6 Months Ago	1 Year Ago
Rigs Working	470	465	491	499
Total Rigs	615	609	595	572
Utilisation	76%	76%	83%	87%

Source: Rigzone

The Group continues with its strategy to build a solid foundation for further growth in the future and is in a good position to ride through the current global economic downturn to stay resilient and to emerge a stronger entity that is more capable of providing total and competitive solutions to the offshore marine industry.

In addition to building on the strong support that TSC has from its stakeholders, the Group's strategies also include the capitalisation on the broad base of customers that it has recently acquired and to build on the strengths that the Group now has through the integration of its global presence, expanded capabilities and broad range of technical capabilities. The integration of activities will lead to a more profitable combination of revenues and improvements in the delivery and execution of projects to better meet expectation of our customers.

TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD

On 7 May 2009, the Company submitted an application to the Stock Exchange to transfer listing of all its issued shares of par value HK$0.10 each from GEM to the Main Board (the "Transfer of Listing") pursuant to the new streamlined transfer of listing procedures under Chapter 9A of the Rules Governing the Listing of Securities on the Stock Exchange effective from 1 July 2008. Subsequent to receiving the approval-in-principle for the Transfer of Listing from the Stock Exchange on 27 May 2009, dealings in the Company's shares on the Main Board commenced at 9:30 a.m. on 5 June 2009. The Board is of the view that the Transfer of Listing has enhanced the profile of the Group making it more attractive to institutional and retail investors and thus increasing the trading liquidity of its shares. With improved ability to raise capital, the Group is confident of its business development and growth prospects in the long run.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the six month period ended 30 June 2009, 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 recognised offshore platform designing and engineering firm. In the same period, the Group maintained a holding of 25% interest in a PRC-based firm that specialises in manufacturing jacking units and other equipment for jack-ups. These investments are of strategic benefit to the Group. The financial performance of the investee companies for the six months ended 30 June 2009 was mixed but satisfactory overall. The management expect that the investee companies shall continue to make profit contribution in aggregate to the Group in the near future.

During the six months ended 30 June 2009, the Group did not make any new acquisitions.

ORDER BOOK AND PROSPECT

As of 30 June 2009, the Group as a whole carried an uninvoiced order book valued at approximately US$98.9 million for rig products and technology, turnkey solutions, expendables and services. 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 RMB1,028 million (approximately US$150 million) for the year ending 31 December 2009. During the six months ended 30 June 2009, the Group transacted a contract with YRS to supply a BOP handling and transport system with a total contract value of RMB15.6 million. The Company is actively bidding for new contracts from other potential customers worldwide. Management is confident that the Company will obtain more contract awards in future.

LIQUIDITY, FINANCIAL RESOURCES AND CHARGE OF ASSETS

As at 30 June 2009, the Group maintained current assets of approximately US$140.2 million in which approximately US$14.2 million was cash and bank balances while current liabilities were approximately US$94.5 million. As at 30 June 2009, the Group carried a short-term bank borrowing of approximately US$16.3 million which is secured by the Group's inventories in its United States of America ("U.S.A.") warehouse, leasehold land use right and buildings located in U.S.A., Qingdao and Xi'an as well as machineries located in Qingdao.

GEARING RATIO

As at 30 June 2009, the Group maintained a gearing ratio, based on total liabilities over total assets, of approximately 44.7% (31 December 2008: approximately 41.3%).

CONTINGENT LIABILITY

As at 30 June 2009, 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 which is nil (31 December 2008: US$438,000).

CAPITAL STRUCTURE

As at 30 June 2009, there were 562,180,404 ordinary shares ("Shares") of HK$0.1 each in issue (31 December 2008: 561,737,604) and the Company carried a share capital of approximately US$7,231,000 (31 December 2008: US$7,225,000).

CAPITAL COMMITMENT

Save as disclosed in note 14 of this report on page 17, there is no other capital commitment.

FOREIGN CURRENCY EXCHANGE EXPOSURE AND TREASURY POLICY

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. Most of the Group's subsidiaries in the PRC carry out production locally with Renminbi as the functional currency while over 50% of the Group's turnover is denominated in United States dollars. As at 30 June 2009, no related hedges were made by the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2009, the Group had 849 full-time staff in U.S.A., the United Kingdom ("UK"), Brazil, United Arab Emirates, Russia, Singapore, Hong Kong and PRC. 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.

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

As at 30 June 2009, the interests and short positions of the Directors and Chief Executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

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

Name of Directors	Number of issued ordinary Shares of HK$0.10 each in the Company					Number of underlying Shares (in respect of share options granted under the Pre-IPO Scheme (as defined under the paragraph headed "Share Option Schemes")) *(Note 3)*	Number of underlying Shares (in respect of share options granted under the Refreshment of the Post-IPO Scheme (as defined under the paragraph headed "Share Option Schemes")) *(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)*	1,728,000	–	136,871,200	–	138,599,200	1,728,000	1,200,000	25.17%
Mr. Jiang Bing Hua *(Note 1)*	1,728,000	–	136,871,200	–	138,599,200	1,728,000	1,200,000	25.17%
Mr. Zhang Hongru* *(Note 2)*	5,468,400	–	16,228,800	–	21,697,200	777,600	800,000	4.14%
Mr. Chen Yunqiang*	1,123,200	–	–	–	1,123,200	1,684,800	800,000	0.64%
Mr. Jiang Longsheng	–	–	–	–	–	–	400,000	0.07%
Mr. Chan Ngai Sang, Kenny	–	–	–	–	–	–	500,000	0.09%
Mr. Bian Junjiang	–	–	–	–	–	–	350,000	0.06%
Mr. Guan Zhichuan	–	–	–	–	–	–	300,000	0.05%

* *Resigned as Directors of the Company on 10 July 2009*

Notes:

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

2. Mr. Zhang Hongru personally holds 5,468,400 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 2009, none of the Directors or Chief Executives of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

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

As at 30 June 2009, the following persons had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

(i) Long positions in ordinary Shares and underlying Shares of the Company:

Name	Capacity and nature of interest	Number of Shares/underlying Shares held	Approximate percentage of the Company's issued share capital
Madam Chen Fengying *(Note 1)*	Interest of the spouse	138,599,200 Shares and 2,928,000 share options	25.17%
Madam Zhang Jiuli *(Note 2)*	Interest of the spouse	138,599,200 Shares and 2,928,000 share options	25.17%
Global Energy Investors, LLC. *(Note 3)*	Corporate	136,871,200 Shares	24.35%
Mr. Brian Chang* *(Note 4)*	Interest in controlled entities	108,872,800 Shares	19.37%
Windmere International Limited *(Note 4)*	Corporate	50,000,000 Shares	8.89%
YRS Investments Limited *(Note 4)*	Corporate	42,800,000 Shares	7.61%
Yantai Raffles Shipyard Limited *(Note 4)*	Corporate	42,800,000 Shares	7.61%
Keywise Greater China Opportunities Master Fund *(Note 5)*	Corporate	51,488,000 Shares	9.16%
Keywise Capital Management (HK) Limited *(Note 5)*	Corporate	51,488,000 Shares	9.16%
China International Marine Containers (Group) Co., Ltd. *(Note 6)*	Corporate	50,000,000 Shares	8.89%

* *Appointed as a non-executive Director of the Company on 10 July 2009*

Name	Capacity and nature of interest	Number of Shares/underlying Shares held	Approximate percentage of the Company's issued share capital
China International Marine Containers (Hong Kong) Ltd. *(Note 6)*	Corporate	50,000,000 Shares	8.89%
Sharp Vision Holdings Limited *(Note 6)*	Corporate	50,000,000 Shares	8.89%
Mr. Ou Yaping *(Note 7)*	Interest in controlled entities	32,000,000 Shares	5.69%
Asia Pacific Promotion Limited *(Note 7)*	Corporate	32,000,000 Shares	5.69%
Enerchina Holdings Limited *(Note 7)*	Corporate	32,000,000 Shares	5.69%
Multiwin Corporation *(Note 7)*	Corporate	32,000,000 Shares	5.69%
Roxy Link Limited *(Note 7)*	Corporate	32,000,000 Shares	5.69%

Notes:

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

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

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

4. 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 34% 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.

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

6. Sharp Vision Holdings Limited ("Sharp Vision") is the beneficial owner of 50,000,000 Shares. Sharp Vision is a wholly-owned subsidiary of China International Marine Containers (Hong Kong) Limited ("CIMC HK"), which in turn is a wholly-owned subsidiary of China International Marine Containers (Group) Company Limited ("CIMC Group"). Therefore, CIMC HK and CIMC Group are deemed to be interested in the 50,000,000 Shares held by Sharp Vision under Part XV of the SFO.

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 the 32,000,000 Shares held by Roxy under Part XV of the SFO.

(ii) Long positions in Shares of a subsidiary of the Company:

Name of subsidiary	Name of substantial shareholder	Percentage of shareholding
TSC Deep Water System, LLC.	Mr. Dong E. Wheeler	29%

Save as disclosed above, as at 30 June 2009, no persons (other than the Directors and Chief Executives of the Company whose interests are set out under the paragraph headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES" above and 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

Pursuant to written resolutions of all shareholders of the Company on 19 and 20 October 2005, the Company adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Scheme") and a Post-IPO Share Option Scheme (the "Post-IPO Scheme") respectively.

The Pre-IPO Scheme ceased to be effective on 21 November 2005 save for the unexercised portion of the options granted and accepted during its life time, of which a total of 7,678,800 share options remain valid and outstanding as at 30 June 2009.

Pursuant to the Post-IPO Scheme, the Directors granted (i) 7,280,000 share options at HK$2.43 each to 14 employees of the Group on 10 May 2007, (ii) 9,700,000 share options at HK$5.60 each to 51 employees and 2 consultants of the Group on 12 November 2007, (iii) 2,000,000 share options at HK$5.23 each to 3 employees of the Group on 15 January 2008, (iv) 5,000,000 share options at HK$2.32 each to 6 employees of the Group on 12 August 2008 and (v) 16,050,000 share options at HK$0.54 each to 8 Directors and 38 employees of the Group on 29 December 2008.

Based on a valuation report done by an independent valuer of Jones Lang LaSalle Sallmanns, the value of the options granted on 10 May 2007, 12 November 2007, 15 January 2008, 12 August 2008 and 29 December 2008 under the Post-IPO Scheme were HK$7,252,000, HK$21,812,000, HK$4,166,000, HK$4,736,000 and HK$3,499,200 respectively.

The closing prices of the Company's Shares on the preceding option granted on 9 May 2007, 9 November 2007, 14 January 2008, 11 August 2008 and 24 December 2008 under the Post-IPO Scheme were HK$2.50, HK$5.58, HK$5.18, HK$2.22 and HK$0.50 respectively.

On 4 November 2008, the refreshed scheme mandate limit of 54,890,800 Shares in respect of the granting of share options under the Post-IPO Scheme (the "Refreshment") was approved at the extraordinary general meeting duly convened and held. On 13 November 2008, the Stock Exchange has granted the listing of, and permission to deal in, the Shares which may fall to be issued and allotted upon the exercise of any options that may be granted under the Refreshment.

The Post-IPO Scheme including the Refreshment, was conditionally terminated by the Board on 6 May 2009. Upon the transfer of the listing of shares of the Company from the GEM to the Main Board on 5 June 2009, the termination of the Post-IPO Scheme became effective. Thereafter, no further option had been offered or granted under the Post-IPO Scheme. Pursuant to the Post-IPO Scheme, options previously granted but unexercised under the Post-IPO Scheme will remain valid and exercisable in accordance with their terms of issue, of which a total of 34,662,000 share options remain valid and outstanding as at 30 June 2009.

On 5 August 2009, the adoption of the new Share Option Scheme up to 56,254,040 Shares (the "New Scheme") which complies with the Listing Rules was approved at the extraordinary general meeting duly convened and held. On 10 August 2009, the Stock Exchange has granted the listing of, and permission to deal in, the Shares which may fall to be issued and allotted upon the exercise of any options that may be granted under the New Scheme. As at the date of this report, no option had been granted or agreed to be granted by the Company pursuant to the New Scheme.

Details of the movement of options under the Pre-IPO Scheme for the six months ended 30 June 2009 were as follows:

				Number of share options				
Name or category of participant	**Date of grant** *(Notes 1 & 2)*	**Exercisable period** *(Notes 1, 2 & 3)*	**Exercise price per share** *HK$*	**Balance as at 01.01.2009**	**Exercised during the period** *(Notes 4)*	**Cancelled during the period** *(Note 4)*	**Lapsed during the period** *(Note 4)*	**Balance as at 30.06.2009**
Directors:								
Mr. Zhang Menggui	19.10.2005	29.11.2005 to 18.10.2015	0.2383	1,728,000	–	–	–	1,728,000
Mr. Jiang Bing Hua	19.10.2005	29.11.2005 to 18.10.2015	0.2383	1,728,000	–	–	–	1,728,000
Mr. Zhang Hongru*	19.10.2005	29.11.2005 to 18.10.2015	0.2383	1,036,800	(259,200)	–	–	777,600
Mr. Chen Yunqiang*	19.10.2005	29.11.2005 to 18.10.2015	0.2383	1,684,800	–	–	–	1,684,800
				6,177,600	(259,200)	–	–	5,918,400
Employees	19.10.2005	29.11.2005 to 18.10.2015	0.2383	1,944,000	(183,600)	–	–	1,760,400
Total				8,121,600	(442,800)	–	–	7,678,800

* *Resigned as Directors of the Company on 10 July 2009*

Notes:

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

2. The vesting period of the options is 5 years and starts from the date of grant and becomes vested at stepped semi-annual increments of 10% of the total options originally granted subject to any adjustment due to a 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 six months ended 30 June 2009.

Details of movement of options under the Post-IPO Scheme including the Refreshment, for the six months ended 30 June 2009 were as follows:

				Number of share options					
Name or category of participant	**Date of grant** *(Notes 1 & 2)*	**Exercisable period** *(Notes 1, 2 & 3)*	**Exercise price per share** *HK$*	**Balance as at 01.01.2009**	**Granted during the period** *(Note 4)*	**Exercised during the period** *(Note 4)*	**Cancelled during the period** *(Note 4)*	**Lapsed during the period** *(Note 4)*	**Balance as at 30.06.2009**
(i) Employees	10.05.2007	10.11.2007 to 09.05.2017	2.43	6,802,000	–	–	–	–	6,802,000
Sub-total				6,802,000	–	–	–	–	6,802,000
(ii) Employees	12.11.2007	12.05.2008 to 11.11.2017	5.60	8,850,000	–	–	–	(540,000)	8,310,000
Consultants	12.11.2007	12.05.2008 to 11.11.2017	5.60	200,000	–	–	–	–	200,000
Sub-total				9,050,000	–	–	–	(540,000)	8,510,000
(iii) Employees	15.01.2008	15.07.2008 to 14.01.2018	5.23	2,000,000	–	–	–	–	2,000,000
Sub-total				2,000,000	–	–	–	–	2,000,000
(iv) Employees	12.08.2008	12.02.2009 to 11.08.2018	2.32	4,000,000	–	–	–	(2,300,000)	1,700,000
Sub-total				4,000,000	–	–	–	(2,300,000)	1,700,000

Name or category of participant	Date of grant (Notes 1 & 2)	Exercisable period (Notes 1, 2 & 3)	Exercise price per share HK$	Number of share options: Balance as at 01.01.2009	Granted during the period (Note 4)	Exercised during the period (Note 4)	Cancelled during the period (Note 4)	Lapsed during the period (Note 4)	Balance as at 30.06.2009
(v) Directors:									
Mr. Zhang Menggui	29.12.2008	29.06.2009 to 28.12.2018	0.54	1,200,000	–	–	–	–	1,200,000
Mr. Jiang Bing Hua	29.12.2008	29.06.2009 to 28.12.2018	0.54	1,200,000	–	–	–	–	1,200,000
Mr. Zhang Hongru*	29.12.2008	29.06.2009 to 28.12.2018	0.54	800,000	–	–	–	–	800,000
Mr. Chen Yunqiang*	29.12.2008	29.06.2009 to 28.12.2018	0.54	800,000	–	–	–	–	800,000
Mr. Jiang Longsheng	29.12.2008	29.06.2009 to 28.12.2018	0.54	400,000	–	–	–	–	400,000
Mr. Chan Ngai Sang, Kenny	29.12.2008	29.06.2009 to 28.12.2018	0.54	500,000	–	–	–	–	500,000
Mr. Bian Junjiang	29.12.2008	29.06.2009 to 28.12.2018	0.54	350,000	–	–	–	–	350,000
Mr. Guan Zhichuan	29.12.2008	29.06.2009 to 28.12.2018	0.54	300,000	–	–	–	–	300,000
				5,550,000	–	–	–	–	5,550,000
Employees	29.12.2008	29.06.2009 to 28.12.2018	0.54	10,500,000	–	–	–	(400,000)	10,100,000
Sub-total				16,050,000	–	–	–	(400,000)	15,650,000
Total				37,902,000	–	–	–	(3,240,000)	34,662,000

Notes:

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

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

3. These grants are exercisable, starting from the first anniversary of the listing date at stepped 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 six months ended 30 June 2009.

* *Resigned as Directors of the Company on 10 July 2009*

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined under the Listing Rules) has engaged in any businesses that competes or may compete, either directly or indirectly, with the business of the Group, or has any other conflict of interests with the Group during the six months period ended 30 June 2009.

AUDIT COMMITTEE

The Company established an audit committee on 20 October 2005 with terms of reference in compliance with Rules 3.21 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Group.

The audit committee comprises three members, namely Mr. Chan Ngai Sang, Kenny (being the chairman of the audit committee), Mr. Bian Junjiang and Mr. Guan Zhichuan. All of them are independent non-executive Directors. The audit committee of the Company has reviewed the unaudited results of the Group for the six months ended 30 June 2009 and are of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

DIRECTORS' INTERESTS IN CONTRACTS

On 23 October 2008, the Company entered into a loan agreement with Mr. Jiang Bing Hua ("Mr. Jiang"), a Director of the Company. Pursuant to such agreement, Mr. Jiang advanced a loan of HK$16 million to the Company for short term bridging financing purpose. The loan is guaranteed by another Director, Mr. Zhang Menggui. The loan is unsecured, interest-free and shall be repaid in full on or before 30 December 2008 (the "Latest Repayment Date"). On 30 December 2008, Mr. Jiang agreed with the Company to extend the Latest Repayment Date for the loan agreement from 30 December 2008 to 1 March 2010 (the "Revised Latest Repayment Date"), but the Company has the right to pay back any time on or before 1 March 2010 the whole or part of the loan to Mr. Jiang. Except for the Revised Latest Repayment Date, all other terms and conditions set out in the loan agreement dated 23 October 2008 remain unchanged. On 3 March 2009 and 13 July 2009, the Company paid the balance of the loan to Mr. Jiang of HK$10,000,000 and HK$6,000,000 respectively.

Save as disclosed above, 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 2009.

CHANGES IN DIRECTORS AND SENIOR MANAGEMENT

On 18 May 2009, the Company convened the annual general meeting of 2009 and elected the members of the Board for a new term.

On 9 July 2009, Mr. Brian Chang and Mr. Robert William Fogal Jr were recommended by the Company's nomination committee to be appointed as non-executive Director and independent non-executive Director of the Company respectively. Subsequently, the Company convened the meeting of the Board and resolved to appoint Mr. Brian Chang and Mr. Robert William Fogal Jr as non-executive Director and independent non-executive Director of the Company respectively with effect from 10 July 2009. On the same day, the resignation of Mr. Zhang Hongru, who had resigned as chief financial officer, executive Director and compliance officer of the Company and companies within the Group, was taken effect. Mr. Zhang Hongru has resigned to focus on other business interests and family commitments, Mr. Zhang Menggui and Mr. Paul Lim Joo Heng have taken over the positions of compliance officer and chief financial officer of the Company respectively. Mr. Chen Yunqiang also resigned from the positions of executive Director and as director of EMER International Limited, a subsidiary of the Company, with effect from 10 July 2009, so that he can focus more on the operations of the subsidiaries of the Company in Mainland China. Mr. Chen Yunqiang continues to hold his other positions within the Group.

As at the date of this report, the Board of the Company comprised of Mr. Jiang Bing Hua and Mr. Zhang Menggui as executive Directors; Mr. Jiang Longsheng and Mr. Brian Chang as non-executive Directors; Mr. Chan Ngai Sang, Kenny, Mr. Bian Junjiang, Mr. Guan Zhichuan and Mr. Robert William Fogal Jr. as independent non-executive Directors. Mr. Brian Chang (non-executive Director) and Mr. Robert William Fogal Jr. (independent non-executive Director) were newly appointed.

The Company would like to take this opportunity to thank Mr. Zhang Hongru for his valuable contribution during his tenure as chief financial officer, executive Director and compliance officer of the Company and also to thank Mr Chen Yunqiang for his valuable contribution during his tenure as executive Director of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by Directors. All Directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2009.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices to ensure transparency so that the interests of our shareholders and the cooperative development among customers, employees and the Group can be safeguarded. The Company has adopted the Code on Corporate Governance Practices of the Stock Exchange.

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2009.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

An interim report for the six months ended 30 June 2009 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.tscoffshore.com) in due course.

ACKNOWLEDGEMENT

The Directors would like to take this opportunity to express our sincere thanks to all the shareholders for their continuous support and to all our staff for their dedication and contribution to the Group during the reporting period.

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

Hong Kong, 17 September 2009

BOARD OF DIRECTORS

Executive Directors
Mr. Jiang Bing Hua
Mr. Zhang Menggui

Non-executive Directors
Mr. Jiang Longsheng
Mr. Brian Chang

Independent non-executive Directors
Mr. Chan Ngai Sang, Kenny
Mr. Bian Junjiang
Mr. Guan Zhichuan
Mr. Robert William Fogal Jr

COMPANY SECRETARY
Ms. Cheung Wai Sze, Candy

QUALIFIED ACCOUNTANT
Mr. Wong Kin Ming, Terry

COMPLIANCE OFFICER
Mr. Zhang Menggui

AUTHORISED REPRESENTATIVES
Mr. Zhang Menggui
Mr. Jiang Bing Hua

AUDIT COMMITTEE
Mr. Chan Ngai Sang, Kenny
Mr. Bian Junjiang
Mr. Guan Zhichuan

REMUNERATION COMMITTEE
Mr. Bian Junjiang
Mr. Zhang Menggui
Mr. Jiang Bing Hua
Mr. Chan Ngai Sang, Kenny
Mr. Guan Zhichuan

COMPLIANCE COMMITTEE
Mr. Zhang Menggui
Mr. Bian Junjiang
Mr. Chan Ngai Sang, Kenny
Mr. Guan Zhichuan
Mr. Chung Man Lai
Ms. Cheung Wai Sze, Candy

NOMINATION COMMITTEE
Mr. Jiang Bing Hua
Mr. Zhang Menggui
Mr. Chan Ngai Sang, Kenny
Mr. Bian Junjiang
Mr. Guan Zhichuan

REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS
8655 Golden Spike
Houston
Texas 77086
U.S.A.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Unit 910, 9/F
China Merchants Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
HSBC Trustee (Cayman) Limited
P.O. Box 484, HSBC House
68 West Bay Road
Grand Cayman
KYI-1106
Cayman Islands

HONG KONG SHARE REGISTRAR
Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKERS
Standard Chartered Bank
Bank of China, Shaanxi Branch
Hi-Tech Development Zone Sub-branch
China Construction Bank, Qingdao Branch
Hang Seng Bank Limited, Guangzhou Branch
Metrobank N.A.

AUDITORS
KPMG

WEBSITE
www.tscoffshore.com

STOCK CODE
206

TSC Offshore Group Limited

www.tscoffshore.com