TSC Offshore Group Limited

Stock Code: 206

Meeting the Challenges of Deep Water Exploration and Production

2010 INTERIM REPORT

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

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 2010, together with the unaudited comparative figures for the corresponding period in 2009 as follows:

RESULTS HIGHLIGHTS

- The Group's turnover for the six months ended 30 June 2010 reached approximately US$60.0 million, representing a decrease of approximately 13.9% from US$69.7 million for the same period for 2009;

- Gross profit amounted to approximately US$22.4 million for the six months ended 30 June 2010, representing an increase of approximately 2.5% over US$21.8 million for the same period for 2009;

- Net profit attributed to equity holders of the Company amounted to approximately US$3.7 million for the six months ended 30 June 2010, representing approximately 36.7% decrease over the same period for 2009;

- Earnings per share for the six months ended 30 June 2010 were US0.57 cent, representing a decrease of 45.7% compared with US1.05 cents per share for the same period in 2009. The basis of calculating the earnings per share is detailed in note 10;

- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 June 2010 (unaudited) US$'000	2009 (unaudited) US$'000
Turnover	*3, 4*	**60,037**	69,689
Cost of sales		**(37,617)**	(47,819)
Gross profit		**22,420**	21,870
Other revenue	*5*	**363**	342
Selling and distribution expenses		**(2,683)**	(2,470)
General and administrative expenses		**(12,941)**	(11,664)
Other operating expenses		**(1,150)**	(1,619)
Profit from operations		**6,009**	6,459
Finance costs	*6*	**(577)**	(391)
Share of results of associates		**61**	1,063
Profit before taxation	*7*	**5,493**	7,131
Income tax expense	*8*	**(1,763)**	(1,240)
Profit for the period		**3,730**	5,891
Attributable to:			
Equity holders of the Company		**3,730**	5,891
Minority interests		**–**	–
Profit for the period		**3,730**	5,891
Earnings per share			
Basic	*10(a)*	**US0.57 cent**	US1.05 cents
Diluted	*10(b)*	**US0.56 cent**	US1.04 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the six months ended 30 June 2010 (unaudited) US$'000	 2009 (unaudited) US$'000
Profit for the period		**3,730**	5,891
Other comprehensive income for the period:			
Exchange differences on translation of financial statements of subsidiaries and associates		**(1,806)**	4,142
Total comprehensive income for the period		**1,924**	10,033
Attributable to:			
Equity holders of the Company		**1,924**	10,033
Minority interests		**–**	–
Total comprehensive income for the period		**1,924**	10,033

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2010 (unaudited) US$'000	As at 31 December 2009 (audited) US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**24,135**	23,552
Interests in leasehold land held for own use under operating leases		**3,080**	3,132
Goodwill		**23,161**	24,290
Other intangible assets		**14,296**	16,449
Interests in associates		**9,723**	9,810
Deferred tax assets		**13,258**	14,649
		87,653	91,882
CURRENT ASSETS			
Inventories		**20,958**	26,613
Trade and other receivables	*12*	**92,898**	64,461
Amount due from a related company		**101**	101
Pledged bank deposits		**2,190**	2,317
Cash at bank and in hand		**12,961**	38,519
		129,108	132,011
CURRENT LIABILITIES			
Trade and other payables	*13*	**44,910**	48,404
Bank loans		**15,124**	22,776
Current taxation		**3,773**	3,213
Provisions		**3,379**	2,343
		67,186	76,736

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

	Notes	As at 30 June 2010 (unaudited) US$'000	As at 31 December 2009 (audited) US$'000
NET CURRENT ASSETS		**61,922**	55,275
TOTAL ASSETS LESS CURRENT LIABILITIES		**149,575**	147,157
NON-CURRENT LIABILITIES			
Bank loans		**2,619**	2,661
Deferred tax liabilities		**3,838**	4,453
		6,457	7,114
NET ASSETS		**143,118**	140,043
CAPITAL AND RESERVES			
Share capital		**8,461**	8,393
Reserves		**134,657**	131,650
Total equity attributable to equity holders of the Company		**143,118**	140,043
Minority interests		**–**	–
TOTAL EQUITY		**143,118**	140,043

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	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 compensation reserve US$'000	Capital reserve US$'000	Revaluation reserve US$'000	Reserve funds US$'000	Retained profits US$'000	Total US$'000	Minority interests US$'000	Total equity US$'000
Balance 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
Changes in equity for the six months ended 30 June 2009:												
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
Balance 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
Balance at 1 January 2010 (audited)	**8,393**	**116,515**	**2,161**	**(5,658)**	**4,068**	**512**	**627**	**2,306**	**11,119**	**140,043**	**–**	**140,043**
Changes in equity for the six months ended 30 June 2010:												
Shares issued under share option schemes	**68**	**415**	**–**	**–**	**(259)**	**–**	**–**	**–**	**–**	**224**	**–**	**224**
Equity-settled share-based transactions	**–**	**–**	**–**	**–**	**927**	**–**	**–**	**–**	**–**	**927**	**–**	**927**
Total comprehensive income for the period	**–**	**–**	**–**	**(1,806)**	**–**	**–**	**–**	**–**	**3,730**	**1,924**	**–**	**1,924**
Balance at 30 June 2010 (unaudited)	**8,461**	**116,930**	**2,161**	**(7,464)**	**4,736**	**512**	**627**	**2,306**	**14,849**	**143,118**	**–**	**143,118**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2010 (unaudited) US$'000	2009 (unaudited) US$'000
NET CASH USED IN OPERATING ACTIVITIES	**(15,992)**	(2,930)
NET CASH USED IN INVESTING ACTIVITIES	**(1,393)**	(6,049)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**(8,136)**	6,835
DECREASE IN CASH AND CASH EQUIVALENTS	**(25,521)**	(2,144)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**38,519**	16,156
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(37)**	202
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**12,961**	14,214

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 condensed consolidated financial statements for the six months ended 30 June 2010 have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

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.

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 2009.

In current interim period, the Group has applied for the first time, the following new or revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

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

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 February 2010
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might not affect the classification and measurement of the Group's financial assets.

The directors of the Company 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 REPORTING

The Group manages its business by divisions, which are organised by a mixture of both business lines (products and services) and geography, in a manner consistent with the way in which information is reported internally to the Group's senior executive management for the purposes of resource allocation and performance assessment. The Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Rig products and technology: the design, manufacturing, construction and trading of rig equipment
- Rig turnkey solutions: the provision of engineering, procurement and construction services and delivery packaged equipment to offshore rigs
- Oilfield expendables and supplies: the manufacturing and trading of oilfield expendables and supplies
- Engineering services: the provision of engineering services

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, goodwill, intangible assets and current assets with the exception of interest in associates, cash balances, tax balances and other unallocated head office and corporate assets. Segment liabilities include trade and other payables and provisions attributable to the activities of the individual segment, with the exception of loans, tax balances and other unallocated head office and corporate liabilities.

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

The measure used for reporting segment profit is "segment results" i.e. "adjusted earnings before finance costs and taxes" of individual segments. To arrive at segment results, the Group's earnings are further adjusted for share of results of associates and items not specifically attributed to individual segment, such as directors' and auditors' remuneration and other head office or corporate income and expenses.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance.

3. SEGMENT REPORTING *(continued)*

(a) Segment results, assets and liabilities *(continued)*

The segment result for the periods ended 30 June 2010 and 2009 is set out below.

	Rig turnkey solutions		Rig products and technology		Oilfield expendables and supplies		Engineering services		Total	
	Unaudited For the period ended		Unaudited For the period ended		Unaudited For the period ended		Unaudited For the period ended		Unaudited For the period ended	
	30 June 2010 US$'000	30 June 2009 US$'000	**30 June 2010 US$'000**	30 June 2009 US$'000	**30 June 2010 US$'000**	30 June 2009 US$'000	**30 June 2010 US$'000**	30 June 2009 US$'000	**30 June 2010 US$'000**	30 June 2009 US$'000
Revenue from external customers	**21,446**	8,222	**27,091**	53,636	**8,563**	7,066	**2,937**	765	**60,037**	69,689
Inter-segment revenue	**–**	–	**–**	–	**1,544**	–	**–**	–	**1,544**	–
Reportable segment revenue	**21,446**	8,222	**27,091**	53,636	**10,107**	7,066	**2,937**	765	**61,581**	69,689
Reportable segment results	**14,012**	1,227	**(7,819)**	5,795	**1,786**	662	**373**	383	**8,352**	8,067

The segment assets and liabilities as at 30 June 2010 and 31 December 2009 is set out below:

	Rig turnkey solutions		Rig products and technology		Oilfield expendables and supplies		Engineering services		Total	
	As at 30 June 2010 (unaudited) US$'000	As at 31 December 2009 (audited) US$'000	**As at 30 June 2010 (unaudited) US$'000**	As at 31 December 2009 (audited) US$'000	**As at 30 June 2010 (unaudited) US$'000**	As at 31 December 2009 (audited) US$'000	**As at 30 June 2010 (unaudited) US$'000**	As at 31 December 2009 (audited) US$'000	**As at 30 June 2010 (unaudited) US$'000**	As at 31 December 2009 (audited) US$'000
Reportable segment assets	**26,535**	7,669	**137,072**	134,864	**13,615**	15,355	**1,179**	331	**178,401**	158,219
Reportable segment liabilities	**(9,401)**	(15,036)	**(32,575)**	(30,017)	**(5,332)**	(5,175)	**(650)**	(121)	**(47,958)**	(50,349)

3. SEGMENT REPORTING *(continued)*

(b) Reconciliation of reportable segment revenue, profit, assets and liabilities

	Unaudited For the six months ended 30 June 2010 US$'000	Unaudited For the six months ended 30 June 2009 US$'000
Revenue		
Reportable segment revenue	**61,581**	69,689
Elimination of inter-segment revenue	**(1,544)**	–
Condensed consolidated turnover	**60,037**	69,689
Profit		
Segment results	**8,352**	8,067
Share of results of associates	**61**	1,063
Finance costs	**(577)**	(391)
Unallocated head office and corporate income and expenses	**(2,343)**	(1,608)
Condensed consolidated profit before taxation	**5,493**	7,131

	As at 30 June 2010 (unaudited) US$'000	As at 31 December 2009 (audited) US$'000
Assets		
Reportable segment assets	**178,401**	158,219
Interest in associates	**9,723**	9,810
Pledged bank deposits	**2,190**	2,317
Cash at bank and in hand	**12,961**	38,519
Deferred tax assets	**13,258**	14,649
Unallocated head office and corporate assets	**228**	379
Condensed consolidated total assets	**216,761**	223,893
Liabilities		
Reportable segment liabilities	**(47,958)**	(50,349)
Bank loans	**(17,743)**	(25,437)
Current taxation	**(3,773)**	(3,213)
Deferred tax liabilities	**(3,838)**	(4,453)
Unallocated head office and corporate liabilities	**(331)**	(398)
Condensed consolidated total liabilities	**(73,643)**	(83,850)

3. SEGMENT REPORTING *(continued)*

(c) Geographic information

The following table sets out information about the geographical locations of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, interest in leasehold land held for own use under operating lease, goodwill, other intangible assets and interest in associates ("specified non-current assets"). The geographical location of customers is based on the location of the customers. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, interest in leasehold land held for own use under operating leases and the location of the operations to which they are allocated, in the case intangible assets and goodwill, and the location of operations, in the case of interest in associates.

	Revenue from external customers		**Specified non-current assets**	
	For the six months ended 30 June 2010 (unaudited) US$'000	For the six months ended 30 June 2009 (unaudited) US$'000	**As at 30 June 2010 (unaudited) US$'000**	As at 31 December 2009 (audited) US$'000
Hong Kong	**–**	–	**49**	50
Mainland China	**13,622**	26,131	**28,251**	28,028
North America	**15,289**	12,277	**13,382**	13,622
South America	**1,250**	8,597	**418**	42
Europe	**4,162**	7,573	**32,239**	35,230
Singapore	**23,204**	13,488	**36**	239
Others (Other part of Asia, India, Russia etc.)	**2,510**	1,623	**20**	22
	60,037	69,689	**74,395**	77,233

4. TURNOVER

The principal activities of the Group are the construction, manufacturing and trading of rig products and technology (including rig electrical control system and other rig equipment) and oilfield expendables and supplies, the provision of rig turnkey solutions and the provision of engineering services.

Turnover represents the invoiced value of goods supplied to customers, revenue from construction contracts and revenue from engineering services. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	Unaudited For the six months ended	
	30 June 2010 US$'000	30 June 2009 US$'000
Rig turnkey solutions		
– Construction contracts revenue	**21,446**	8,222
Rig products and technology		
– Sales of rig electrical control system	**7,140**	13,935
– Sales of other rig equipment	**5,713**	8,024
– Construction contracts revenue	**14,238**	31,677
	27,091	53,636
Oilfield expendables and supplies		
– Sales of expendables and supplies	**8,563**	7,066
Engineering and services		
– Service fee income	**2,937**	765
	60,037	69,689

5. OTHER REVENUE

	Unaudited For the six months ended	
	30 June 2010 US$'000	30 June 2009 US$'000
Gain on sales of accessories	**317**	302
Interest income	**21**	40
Others	**25**	–
	363	342

6. FINANCE COSTS

	Unaudited For the six months ended	
	30 June 2010 US$'000	30 June 2009 US$'000
Interest on bank loans wholly repayable within five years	**502**	298
Interest on other bank loan	**75**	93
	577	391

7. PROFIT BEFORE TAXATION

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

	Unaudited For the six months ended	
	30 June 2010 US$'000	30 June 2009 US$'000
Amortisation of intangible assets	**1,314**	1,318
Net foreign exchange (gain)/loss	**(120)**	293
Net reversal of impairment losses on doubtful debts	**(48)**	–

8. INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME

	Unaudited For the six months ended	
	30 June 2010 US$'000	30 June 2009 US$'000
Current tax		
Provision for the period		
– People's Republic of China ("PRC") enterprise income tax	**1,103**	1,283
– United States corporation income tax	**2,581**	101
– Other corporation income tax	**196**	152
	3,880	1,536
Deferred tax		
Origination and reversal of temporary differences	**(2,117)**	(296)
	1,763	1,240

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 both periods, certain PRC subsidiaries were subject to tax at reduced rates of 12.5% to 15% under the relevant PRC tax rules and regulations.

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share for the six months ended 30 June 2010 are based on the profit attributable to equity holders of the Company of approximately US$3,730,000 (six months ended 30 June 2009: US$5,891,000) and the weighted average number of 657,671,000 (six months ended 30 June 2009: 561,794,000) 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 2010 are based on the profit attributable to equity holders of the Company of approximately US$3,730,000 (six months ended 30 June 2009: US$5,891,000) and the weighted average number of 670,735,000 (six months ended 30 June 2009: 564,275,000) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option schemes.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, additions to property, plant and equipment amounted to approximately US$1,691,000 (six months ended 30 June 2009: US$1,123,000).

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2010 US$'000 (unaudited)	As at 31 December 2009 US$'000 (audited)
Trade debtors and bills receivable	**53,253**	42,139
Less: allowances for doubtful debts	**(7,137)**	(7,126)
	46,116	35,013
Other receivables, prepayments and deposits	**15,770**	7,024
Gross amount due from customers for contract work	**31,012**	22,424
	92,898	64,461

The credit terms offered by the Group to its customers differ with each product/service. The credits items offered to customers are normally 30 to 90 days.

12. TRADE AND OTHER RECEIVABLES *(continued)*

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 2010 US$'000 (unaudited)	As at 31 December 2009 US$'000 (audited)
Current	**24,480**	18,952
Less than 1 month past due	**3,716**	4,572
1 to 3 months past due	**8,959**	4,766
More than 3 months but within 12 months past due	**7,142**	5,924
More than 12 months but within 24 months past due	**1,819**	799
Amounts past due	**21,636**	16,061
	46,116	35,013

13. TRADE AND OTHER PAYABLES

	As at 30 June 2010 US$'000 (unaudited)	As at 31 December 2009 US$'000 (audited)
Trade creditors and bills payable	**27,730**	36,007
Other payables and accrued charges	**5,656**	4,589
Amount due to an associate	**18**	18
Gross amount due to customers for contract work	**11,327**	6,207
Advances received in relation to construction contracts	**179**	1,583
	44,910	48,404

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 2010 US$'000 (unaudited)	As at 31 December 2009 US$'000 (audited)
Within 1 month	**12,307**	14,359
More than 1 month but within 3 months	**4,413**	8,736
More than 3 months but within 12 months	**5,782**	8,961
More than 12 months but within 24 months	**5,228**	3,951
	27,730	36,007

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group achieved a turnover for the six months ended 30 June 2010 of US$60.0 million. Although this is lower by 13.9% compared with US$69.7 million for the same period last year, it is an increase of 39.1% compared to the second half year of 2009 of US$43.2 million. The higher comparative figure for the same period last year is due primarily to the higher level of Rig Products and Technology project activities in progress then which have since been mostly completed and thus resulting in lower revenue recognition during the first half year in 2010 compared to 2009. The increase compared to the previous six months is due to the improvement in performance and higher revenue recognized for Rig Turnkey Solutions, Oilfield Expendables and Supplies and Engineering and Services despite the continuing challenging market conditions. Turnover from the Rig Products and Technology segment was lower compared to the same period of last year similarly due to the advancement of projects.

Overall, the results for the six months ended 30 June 2010 are solid with improvements in the quality of profits coming from long term sustainable and profitable delivery of new capital equipment projects and increases in expendables sales and engineering services which is a significant improvement over the corresponding and previous periods. This improvement can be seen in the gross margin achieved for the six months ended 30 June 2010 of 37.3% compared to a gross margin 31.4% for the same period in 2009 and (1.4)% for the second half of 2009.

FINANCIAL REVIEW

Turnover

Rig Turnkey Solutions

Rig Turnkey Solutions comprises mainly design, manufacture, construction and installation of cantilever and drilling packages. For the six months ended 30 June 2010, turnover from this segment significantly improved to US$21.4 million from US$8.2 million, representing a 160.8% increase over the sales in the same period for 2009. The settlement of issues relating to ownership of our customer's shipyard in late 2009 provided for construction activities to resume in March 2010. The projects are expected to be completed in early 2011. Tighter cost controls also contributed to the improvement in the gross margins.

On 7 June 2010, TSC Offshore FZE, a subsidiary of TSC Offshore Group Limited was awarded a contract from Champion Offshore Pte Ltd, a subsidiary company of CIMC Raffles Offshore (Singapore) Limited (formerly known as Yantai Raffles Shipyard Limited) ("CIMC Raffles") to supply a complete offshore rig drilling package and an electrical control package. Top line contribution to revenue from this project for the six months to 30 June 2010 amounted to US$13.1 million.

Rig Products and Technology

The Group's Rig Products and Technology business comprises a comprehensive line of capital equipments used on onshore and offshore drilling rigs. For the six months ended 30 June 2010, the turnover from this segment was US$27.1 million which represents a 49.5% reduction compared to the same period ended 30 June 2009. The decrease was mainly due to completion of projects bought forward from 2009 and not many significant new projects commencing in 2010.

Oilfield Expendables and Supplies

The Group's Oilfield Expendables and Supplies business offers several thousand lines of expendable items used in the daily operations of both onshore and offshore rigs. Turnover from this business segment amounted to US$8.6 million for the six months to 30 June 2010, an increase of 21.2% over the US$7.1 million for the six months to 30 June 2009. The increase was mainly due to the relatively better market conditions during the six months period ended 30 June 2010 and higher volume of products with higher margins sold.

Engineering and Services

This segment comprises the provision of oilfield services by the broad range of experienced personnel within the Group. The significant increase from US$765,000 for the same period last year to US$2.9 million is the result of growing demand for engineering expertise by customers who are increasing activities in maintenance, repair and improving operational efficiency.

COST OF SALES AND GROSS PROFIT MARGIN

For the six months period ended 30 June 2010, the Group made an overall gross profit of US$22.4 million, an increase of 2.5% over the US$21.8 million for the same period to 30 June 2009. Cost of sales for the six months to 30 June 2010 included a provision of approximately US$755,000 in respect of inventories exceeding one year at 30 June 2010 and additional losses of approximately US$1,036,000 on legacy projects anticipated to be incurred upon completion.

For the six months period ended 30 June 2010, the gross profit margin increased to 37.3% from 31.4% for the same period to 30 June 2009. The improvement in the gross profit and margin is due to the completion of the low profit margin legacy projects bought forward from previous years and better cost controls adopted in 2010.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling expenses for the six months to 30 June 2010 increased 8.6% to US$2.7 million compared to US$2.5 million for the corresponding period in 2009. The increase was mainly due to relatively higher travel costs and marketing activities undertaken in response to the improved optimism in the market.

General and administrative expenses for the six months to 30 June 2010 increased US$1.3 million or 10.9% to US$12.9 million from US$11.7 million for the corresponding period in 2009. The increase was due mainly to increases in research & development, share options cost, rent and rates, and other administrative costs, which more than offset decreases in salaries, legal and professional fees and insurance costs.

OTHER OPERATING EXPENSES

Other operating expenses for the six months to 30 June 2010 amounted to US$1.2 million compared to US$1.6 million for the corresponding period last year. The decrease was mainly due to a gain on currency exchange in the six months to 30 June 2010 compared to a loss on exchange in the same period of last year and a net reversal of provision for doubtful debts of US$48,000 in respect of receivables.

BUSINESS REVIEW AND OUTLOOK

Order Book and Prospect

As at 30 June 2010, the Group carried an uninvoiced order book of approximately US$91.4 million for Rig Turnkey Solutions, Rig Products and Technology, Oilfield Expendables and Supplies and Engineering and Services. As at the date of this report, the Company holds a master agreement with "CIMC Raffles", by which the Company and CIMC Raffles can negotiate for possible orders from CIMC Raffles for the two years ending 31 December 2010 and 31 December 2011 from CIMC Raffles up to approximately US$200 million (equivalent to approximately HK$1,560 million) per year.

The Company is actively bidding for new contracts from potential customers worldwide. However, due to the oil spill incident on 20 April 2010 in the Gulf of Mexico which resulted in a moratorium being imposed by the US Government on operations of deepwater rigs in the Gulf of Mexico and implications on changes in legislations governing safety and environmental standards, many potential customers have deferred decisions on capital expenditure until the outcome of the incident is known. However, we are confident that the oil spill incident will have only a short term impact on the industry as a whole. We have received an increase in enquiries where customers are anticipating changes and enhancement in BOP handling equipment as a consequence of the incident. The company is fast-tracking research into our product capability to handle enhanced BOP stacks required to increase loading and safety standards.

We are optimistic on prospects of the second half of 2010. The successful capping of the oil spill have lifted confidence and the rig utilization rate of 80.0% should increase as it is likely that the moratorium on deepwater rigs operating in the Gulf of Mexico will be lifted sooner rather than the date set at 30 November 2010.

	Current	Month Ago	6 Months Ago	1 Year Ago
Rigs Working	500	498	485	442
Total Rigs	625	618	604	578
Utilization	80.0%	80.6%	80.3%	76.5%

Source: Rigzone

We are also optimistic that there will be a growth in demand for engineering services and maintenance work. TSC is well positioned to meet with demand in this growth sector with our global presence and availability of qualified and experienced personnel. Further progress in the Rig Turnkey Solutions segment following on from the improvements in operating conditions in the first half will lead to more progress and higher revenue and profit recognition from this segment. The strong growth in our Oilfield Expendables and Supplies segment is also likely to continue into the second half. We are confident that these segments have recovered strongly to sustain higher growth going forward.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the six months period ended 30 June 2010, the Group maintained a holding of approximately 28.02% interest in Goldman Offshore Design LLC ("GOD") which in turn holds approximately 25% interest in Friede Goldman United Ltd. ("F&G"). On 9 August 2010, all shares held by GOD in F&G were disposed to an independent third party. The details are disclosed in Subsequent Event in this report. As at 30 June 2010, the Group continues to hold a 25% interest in a PRC-based firm that specialises in manufacturing jacking units and other equipment for jack-ups. The financial performance of the investee companies for the six months ended 30 June 2010 was accounted for in the condensed consolidation financial statement.

During the six months ended 30 June 2010, the Group did not make any new acquisitions.

LIQUIDITY, FINANCIAL RESOURCES AND CHARGE OF ASSETS

As at 30 June 2010, the Group maintained current assets of approximately US$129.1 million in which bank balances and pledged bank deposits were approximately US$13.0 million and US$2.2 million respectively.

As at 30 June 2010, the current liabilities were US$67.2 million, which includes short-term bank loans of approximately US$15.1 million.

To secure the bank loans the aggregate net book value of assets pledged amounted to US$24.7 million (31 December 2009: US$32.9 million). The assets pledged include interest in leasehold land held for own use under operating leases, buildings, plant and machinery, bank deposits, inventories and trade receivables of five subsidiaries , namely, TSC (Qingdao) Manufacture Co Ltd, TSC-HHCT (Xi'an) Control Technologies Limited, TSC Manufacturing and Supply LLC, Qingdao TSC Offshore Equipment Co Ltd and 8655 Golden Spike LLC.

Corporate guarantees given by the company, TSC-HHCT (Xi'an) Control Technologies Limited, TSC (Qingdao) Manufacture Co Ltd and Zhengzhou Highlight Energy Technology Co Ltd to secure banking facilities of US$5.9 million (31 December 2009: US$12.7 million) extended to group subsidiaries.

GEARING RATIO

As at 30 June 2010, the Group maintained a gearing ratio, based on total liabilities over total assets, of approximately 33.9% (31 December 2009: approximately of 37.5%)

CONTINGENT LIABILITY

As at 30 June 2010, the Company has issued guarantees to bank in respect of banking facilities granted to a subsidiary.

As at 30 June 2010, the Director do not consider it probable that a claim will be made against the Company under any of the guarantees.

CAPITAL STRUCTURE

As at 30 June 2010, there were 657,875,004 ordinary shares ("Share") of HK$0.1 each in issue (31 December 2009: 652,610,404) and the Company carried a share capital of approximately US$8,461,000 (31 December 2009: US$8,393,000).

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. The Group has foreign exchange exposure resulting from most of the Group's subsidiaries in the PRC carried out production locally with Renminbi while over 50% of the Group's turnover was denominated in United States dollars. As at 30 June 2010, no related hedges were made by the Group.

In order to mitigate that foreign exchange exposure, we may utilize foreign currency forward contracts to better match the currency of our revenues and associated costs in the future. However, we do not use foreign currency forward contracts for trading or speculative purposes. The Group will actively explore ways to hedge or reduce currency exchange risk in future.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2010, the Group had approximately 880 full-time staff in United States of America, the United Kingdom, Brazil, United Arab Emirates, Russia, Singapore, Hong Kong, the PRC and other regions. The Group's remuneration policy is basically determined by the performance of individual employee and the market condition. The Group also provides other benefits to its employees, including medical schemes, pension contributions and share option schemes.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

On 10 February 2010, the Company (as seller) entered into a new master agreement (the "New Master Agreement") with CIMC Raffles (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 CIMC Raffles for the two years ending 31 December 2011 (the "Transaction"). Pursuant to the New Master Agreement, the annual caps for each of the two years ending 31 December 2011 are both US$200 million (equivalent to approximately HK$1,560 million (the "Annual Caps").

CIMC Raffles, Mr. Brian Chang, China International Marine Containers (Group) Co., Limited and their respective associates shall abstain from voting on the approval of the New Master Agreement and the Annual Caps at the extraordinary general meeting ("EGM"). On 19 March 2010, the New Master Agreement and the Annual Caps were approved by the independent shareholders by poll at the EGM. Details of the Transaction were announced on 10 February 2010 and in the circular dated 3 March 2010 which were all published on the websites of the Stock Exchange and the Company.

SUBSEQUENT EVENT

On 10 August 2010, the Company noted that Goldman Offshore Design LLC ("GOD") in which the Company owns 28.02% interest has disposed of its 25% shareholding in Friede Goldman United, Ltd. ("F&G"). The above disposal by GOD of its 25% shareholding in F&G was made together with I.I.H.C. Industrial Investments Limited, Attiva Holdings Limited and Bretten Business Limited who hold the remaining 75% in F&G.

The aggregate amount of consideration for the 100% interest in F&G is US$125,000,000. As the Company (through GOD) owns 25% interest in F&G, the Company has approximately 7% interest in F&G. It is expected that the Company will receive sale proceeds of approximately US$8,750,000 from the above disposal. A detail of the transaction was announced on 10 August 2010 which was published on the websites of the Stock Exchange and the Company.

Save as disclosed in this report, no subsequent event occurred after 30 June 2010 which may have significant effects on the assets and liabilities of future operations of the Group.

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

As at 30 June 2010, 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:

	Number of issued ordinary Shares of HK$0.10 each in the Company							
Name of Directors	Personal interests	Family interests	Corporate interests	Other interests	Total	Number of underlying Shares (in respect of share options granted under the Pre-IPO Scheme) *(Note 3)*	Number of underlying Shares (in respect of share options granted under the Refreshment of the Post-IPO Scheme) *(Note 3)*	Approximate percentage of the Company's issued share capital
Mr. Zhang Menggui *(Note 1)*	2,832,000	–	106,871,200	–	109,703,200	864,000	960,000	16.95%
Mr. Jiang Bing Hua *(Note 1)*	2,832,000	–	106,871,200	–	109,703,200	864,000	960,000	16.95%
Mr. Jiang Longsheng	–	–	–	–	–	–	400,000	0.01%
Mr. Brian Chang *(Note 2)*	–	–	108,872,800	–	108,872,800	–	–	16.55%
Mr. Chan Ngai Sang, Kenny	–	–	–	–	–	–	500,000	0.01%
Mr. Bian Junjiang	–	–	–	–	–	–	350,000	0.01%
Mr. Guan Zhichuan	30,000	–	–	–	30,000	–	270,000	0.01%

Notes:

1. Global Energy Investors, LLC. is the beneficial owner of 106,871,200 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 106,871,200 Shares beneficially owned by Global Energy Investors, LLC. under Part XV of the SFO.

2. CIMC Raffles Investments Limited (formerly known as "YRS Investments Limited") ("CRIL") is ultimately wholly-owned by CIMC Raffles Offshore (Singapore) Limited (formerly known as "Yantai Raffles Shipyard Limited") ("CIMC Raffles"), a company incorporated in Singapore and the shares of which are traded on the Oslo Over-the-Counter Market. Accordingly, CIMC Raffles is deemed to be interested in 42,800,000 Shares held by CRIL. CIMC Raffles is owned as to approximately 31.95% by Mr. Brian Chang and his associates. Mr. Brian Chang is deemed to be interested in 42,800,000 Shares held by CRIL as he holds 31.95% interest of the issued share capital of CRIL and he currently serves as deputy chairman and chief executive officer of CIMC Raffles and serves as director of certain subsidiaries of CIMC Raffles. 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.

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 2010, 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 2010, 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	109,703,200 Shares and 1,824,000 share options	16.95%
Madam Zhang Jiuli *(Note 2)*	Interest of the spouse	109,703,200 Shares and 1,824,000 share options	16.95%
Global Energy Investors, LLC. *(Note 3)*	Corporate	106,871,200 Shares	16.24%
Windmere International Limited *(Note 4)*	Corporate	50,000,000 Shares	7.60%
Bright Touch Investment Limited *(Note 4)*	Corporate	42,800,000 Shares	6.51%
Leung Kee Holdings Limited *(Note 4)*	Corporate	42,800,000 Shares	6.51%
Yantai Shipyard Pte Limited *(Note 4)*	Corporate	42,800,000 Shares	6.51%
CIMC Raffles Investments Limited *(Note 4)*	Corporate	42,800,000 Shares	6.51%
CIMC Raffles Offshore (Singapore) Limited *(Note 4)*	Corporate	42,800,000 Shares	6.51%
Keywise Greater China Opportunities Master Fund *(Note 5)*	Corporate	33,747,000 Shares	5.13%
Keywise Capital Management (HK) Limited *(Note 5)*	Corporate	33,747,000 Shares	5.13%

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 (Group) Company Limited *(Note 6)*	Corporate	92,800,000 Shares	14.11%
China International Marine Containers (Hong Kong) Limited *(Note 6)*	Corporate	50,000,000 Shares	7.60%
Sharp Vision Holdings Limited *(Note 6)*	Corporate	50,000,000 Shares	7.60%
DnB NOR Asset Management (Asia) Limited *(Note 7)*	Corporate	52,185,000 Shares	7.93%

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. CIMC Raffles Investments Limited (formerly known as "YRS Investments Limited") ("CRIL") is ultimately wholly-owned by CIMC Raffles Offshore (Singapore) Limited (formerly known as "Yantai Raffles Shipyard Limited") ("CIMC Raffles"), a company incorporated in Singapore. Accordingly, CIMC Raffles is deemed to be interested in 42,800,000 Shares held by CRIL. CIMC Raffles is owned approximately 31.95% by Mr. Brian Chang and his associates through his wholly-owned companies, Bright Touch Investment Limited, Leung Kee Holdings Limited and Yantai Shipyard Pte Limited. Mr. Brian Chang is shown in the above section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES". Mr. Brian Chang is deemed to be interested in 42,800,000 Shares held by CRIL as he holds 31.95% interest of the issued share capital of CRIL and he currently serves as deputy chairman and chief executive officer of CIMC Raffles and serves as director of certain subsidiaries of CIMC Raffles. Mr. Brian Chang is also deemed to be interested in 16,072,800 Shares and 50,000,000 Shares through 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 is deemed to be interested in the 50,000,000 Shares held by Sharp Vision under Part XV of the SFO. Besides, from the publicly available information and to the best of the Directors' knowledge, CIMC Raffles is being, directly or indirectly, held 50.01% by CIMC Group as at 30 June 2010, therefore CIMC Group is deemed to be interested in the 92,800,000 Shares of the Company.

7. DnB NOR Asset Management (Asia) Limited ("DnB NOR HK") is an asset management company registered in Hong Kong. DnB NOR HK is ultimately owned by DnB NOR ASA, a company is incorporated in Norway and its shares are listed in the Oslo Stock Exchange.

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

Name of subsidiary	Name of substantial shareholder	Percentage of shareholding
TSC Deepwater Systems, LLC.	Mr. Doug E. Wheeler	29%

Save as disclosed above, as at 30 June 2010, 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 4,039,200 share options remain valid and outstanding as at 30 June 2010.

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 31,747,000 share options remain valid and outstanding as at 30 June 2010.

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. On 18 September 2009, the Directors granted 20,295,000 share options at HK$2.06 each to 82 employees of the Group under the New Scheme. Based on a valuation report done by an independent valuer of Jones Lang LaSalle Sallmanns, the value of the options granted on 18 September 2009 under the New Scheme was HK$18,701,000. The closing price of the Company's Shares on the preceding option granted on 17 September 2009 under the New Scheme was HK$1.85. Save as disclosed above, 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 2010 were as follows:

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 01.01.2010	Exercised during the period *(Notes 4)*	Cancelled during the period *(Note 4)*	Lapsed during the period *(Note 4)*	Balance as at 30.06.2010
Directors:								
Mr. Zhang Menggui	19.10.2005	29.11.2005 to 18.10.2015	0.2383	1,728,000	(864,000)	–	–	864,000
Mr. Jiang Bing Hua	19.10.2005	29.11.2005 to 18.10.2015	0.2383	1,728,000	(864,000)	–	–	864,000
				3,456,000	(1,728,000)	–	–	1,728,000
Employees and others	19.10.2005	29.11.2005 to 18.10.2015	0.2383	4,222,800	(1,911,600)	–	–	2,311,200
Total				7,678,000	(3,639,600)	–	–	4,039,200

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 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 2010.

Details of movement of options under the Post-IPO Scheme including the Refreshment, for the six months ended 30 June 2010 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 01.01.2010	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 30.06.2010
(i) Employees	10.05.2007	10.11.2007 to 09.05.2017	2.43	6,602,000	–	–	–	(270,000)	6,332,000
Sub-total				6,602,000	–	–	–	(270,000)	6,332,000
(ii) Employees	12.11.2007	12.05.2008 to 11.11.2017	5.60	8,310,000	–	–	–	(150,000)	8,160,000
Consultants	12.11.2007	12.05.2008 to 11.11.2017	5.60	200,000	–	–	–	–	200,000
Sub-total				8,510,000	–	–	–	(150,000)	8,360,000
(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	1,700,000	–	–	–	–	1,700,000
Sub-total				1,700,000	–	–	–	–	1,700,000
(v) Directors:									
Mr. Zhang Menggui	29.12.2008	29.06.2009 to 28.12.2018	0.54	1,200,000	–	(240,000)	–	–	960,000
Mr. Jiang Bing Hua	29.12.2008	29.06.2009 to 28.12.2018	0.54	1,200,000	–	(240,000)	–	–	960,000
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	270,000	–	–	–	–	270,000
				3,920,000	–	(480,000)	–	–	3,440,000
Employees and other	29.12.2008	29.06.2009 to 28.12.2018	0.54	11,300,000	–	(1,145,000)	–	(240,000)	9,915,000
Sub-total				15,220,000	–	(1,625,000)	–	(240,000)	13,355,000
Total				34,032,000	–	(1,625,000)	–	(660,000)	31,747,000

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 2010.

Details of movement of options under the New Scheme for the six months ended 30 June 2010 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 01.01.2010	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 30.06.2010
Employees	18.09.2009	18.03.2010 to 17.09.2019	2.06	20,295,000	–	–	–	–	20,295,000
Total				20,295,000	–	–	–	–	20,295,000

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 2010.

Save as disclosed above, none of the Directors or their spouses and children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right for the six months ended 30 June 2010.

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 2010.

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 2010 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

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 2010.

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 2010.

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 2010.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2010, 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 2010 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, 24 August 2010

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

COMPLIANCE OFFICER

Mr. Zhang Menggui

CHIEF FINANCIAL OFFICER

Mr. Lim Joo Heng, Paul

COMPANY SECRETARY

Ms. Cheung Wai Sze, Candy

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
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Grand Cayman KY1-1111
Cayman Islands

OPERATIONS HEADQUARTERS

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Texas 77086
U.S.A.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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
China Construction Bank, Qingdao Branch
China Construction Bank, Shaanxi Branch
Hi-Tech Development Zone Sub-branch
Metrobank N.A.
The Royal Bank of Scotland

AUDITORS

KPMG

WEBSITE

www.tscoffshore.com

STOCK CODE

206

TSC Offshore Group Limited

Stock Code: 206