TSC Group Holdings Limited

Stock Code: 206

Creating Maximum Customer Value Through Innovation

Annual Report 2010

TSC

Global Products and Services to Onshore and Offshore Drilling Industry

TSC

Your Ultimate
Total Solution Company

Sales, Service, Success,

CONTENTS

Corporate Profile

TSC Group Holdings Limited (the "Company" or "TSC", formerly known as TSC Offshore Group Limited) is a product and service provider serving both onshore and offshore drilling industries worldwide. The Company was incorporated in the Cayman Islands and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company and its subsidiaries (collectively the "Group") develop, manufacture, market, install and service a comprehensive line of products for onshore and offshore drilling industries. Through its products and services, the Group provides innovative solutions of various rig packages to its global customers.

Our Rig Product & Technology segment comprises a comprehensive line of highly engineered and automated drilling, mechanical handling, solids control, power control and drives, tensioning and compensation systems for various offshore drilling, completion, intervention and workover vessels for oil and gas wells. TSC also supplies jacking systems and rack materials for jack-up rigs, designs, builds and sells complete rig packages and deck cranes for jack-up rigs, semisubmersible rigs and platform modular rigs. Our value proposition lies in our engineering capabilities where we are able to integrate operations of our equipment to provide rig operators with innovative rig solutions and a high level of operational efficiency.

Our rig supply chain solution division provides complete MRO (Maintenance, Repair and Operations) supplies for all rig operations.

To broaden the Group's future investment strategies, the name of the Company was changed from "TSC Offshore Group Limited" to "TSC Group Holdings Limited" on 4 March 2011.

TSC Group Holdings Worldwide Locations

GLOBAL SOLUTIONS

Designing, Manufacturing and Packaging For The Offshore Industry

Executive Chairman and Chief Executive Officer's Statement

Dear Shareholders,

1. 2010 Overview – Delivering our Promise

2010 has been a fulfilling year for TSC. It was fulfilling, in the sense of, putting TSC back on track, on the pathway of growth. We have grown stronger from the financial and economic crisis, and sorted out major post integration challenges with GME and associated legacy projects. We are confident to say that we have emerged safely from the eye of the storm, with the appropriate provisions and safeguards in place. Our team's 'sea-worthiness' has strengthened and we are running a tighter ship to sail TSC into the next lap of growth. We have built up a core team of experienced corporate stalwarts, to grow and sustain key business segments and to improve our earnings visibility. We need to be prepared for the upswing in market activities and momentum gathering in the global environment.

Jiang Bing Hua
Executive Chairman

Zhang Menggui
Chief Executive Officer

2. Bird's eye view – Understanding the risks, Positioning our next move

Many economies are still fragile and the existing fear of rising oil prices – on top of government spending cuts, the sovereign debt crisis in Europe, instability festering in the Middle East and now an earthquake in Japan – could affect the global recovery.

Although there are signs of recovery, the world economy remains fragile as developed countries' governments grapple with huge deficits and debt burdens; central banks have cut rates to zero and bought billions in assets. The world economy is not out of the woods, as signs of recovery are ebbed by geo-political tensions and ongoing financial restructuring difficulties in the US and Europe.

With oil prices surging, super majors and national oil companies are setting out ambitious exploration and production (E&P) targets for the next five years. Global E&P spending is expected to rise from US$422 billion in 2010 to US$490 billion this year. National oil companies will contribute to a lion share of the E&P spending increases as majors and independents cut their budgets due to the financial crisis and slump in oil prices.

We expect to see big spending increases in the Latin American, Middle East, North African and South East Asian regions. TSC is geographically well placed to cover these regions, and we are extending our reach and coverage to deepen our relationships with strategic operators, drilling contractors and shipyards. The build up to a high level of sustained performance may take some time, but we are confident that we can show early results this year.

We are preparing TSC for the next lap of growth. Strategy realignment, structural adjustments and systems change out are ongoing corporate core efforts, to build sea-worthy bulwark in weathering against market shocks and competition.

3. Reorganizing for Success, Positioning our Stalwarts

We have spent tremendous effort in attracting and retaining the right talents to drive TSC into the next lap of growth. These are our stalwarts or core team, if you may. We have started to drive changes, grow new market segments which leverages on TSC's existing factors of competitive advantage; flexible, nimble and fast. In the past year, many new talents have joined TSC which included several senior management staff. With them onboard and their tremendous experience and past successes in operations, in drilling business, and the technical expertise backed with strong networks, TSC will be propelled to new frontiers. It is our desire to create our own set pieces of success and not follow suit in tailing major competitors. We desire to chart our path of success by creating a strong unique value proposition to our clients.

We are resolute in serving our clients well, to be meaner in costs control, leaner in structure and stronger in project execution. This is to unlock and create value from within our business units and subsidiaries and increase visibility for stakeholders.

In addition, we will create sustained earnings visibility through creating recurring revenue channels such as leasing and services built on a reputation of reliability and ingenuity.

4. Building global competency, Increasing shareholder's value

We remain committed and focused in building TSC's ability to effectively undertake complex, coordination-driven projects. As we work towards an integrated business model, critical and common activities will be centrally coordinated. We are maturing our global management systems, processes and procedures to deliver our strategies. These efforts will bring about significant enhancements in our value proposition, greater costs efficiency and will improve shareholder value over time.

We stay steadfast in building a group of capable, committed TSC workforce with clear assigned accountability. This is an important linchpin to drive sustained business growth. With the appropriate manning, we are able to be pre-emptive in addressing clients' operational and financial requirements, engage in early stage developmental discussions with clients, undertake product research and development and communicate swiftly with clients.

Executive Chairman and Chief Executive Officer's Statement

In addition, we are adopting best practices for performance measurement, to spur motivation and drive high performance. Training and communication workshops are constant features in our corporate meetings, to embed the right values, attitudes for TSC.

At the Group level, we have changed our present name, TSC Offshore Group Ltd to TSC Group Holdings Ltd as part of the process to broaden the Group's future investment strategies and putting in place a global structure where functions and deliverables are in alignment with objectives and goals of all our entities and regions. The name "TSC Group Holdings Ltd" was approved at the extraordinary general meeting held on 4 March 2011. The clarification in functions, roles and responsibilities will improve structural integrity to enable us to more effectively deliver our promises.

5. Delivering our Promise, Providing Financial Visibility

Overall, we are pleased with the 2010 performance across all key business units. We had a good year of operational execution for one of the integrated solution projects in the Caspian sea for the supply of a cantilever and drilling package for the Dragon Oil project. We have also exercised financial discipline for past projects' execution. This was evident from the Seawell and Schahin projects. We have also won praises from Sellafield on our 'world class' engineering standards for the Sellafield project engineering phase, and Ansell Jones will be undertaking the construction phase. The move to manufacture inhouse has shown good results in better quality, cost and efficiency.

The momentum has just begun and we will not rest on any laurels. We will not spare any effort in finalizing several of the rig packages currently in development which will strengthen our order book in the first half of 2011.

6. Financial Performance

Overall in 2010, TSC made a net profit of US$13.6 million on the back of a turnover of US$143.5 million. This is an encouraging turnaround from the loss of US$10.2 million incurred on a lower turnover of US$112.8 million in the previous year. As explained in the previous year, the acquisition of GME, exacerbated by the financial crisis, took a heavy toll on the results then but the turnaround in 2010 is testimony to the commitment we have in realizing our long term goals.

Our gross profit of US$52.3 million in 2010 increased 145.8% over the previous year gross profit of US$21.3 million on the back of a 27.1% increase in turnover. This performance reflects the early success we have in project execution improvements. We still have a tremendous amount of work to be done in reducing direct costs through proper manufacturing controls and effective global procurement practices. However, this is an encouraging sign, we are progressing in the right direction.

We will not spare any effort to drive through corporate changes where such changes are necessary to ensure sustained performance year on year. We need to be relentless in improving our margins and ensure reliability and integrity in our entire process of execution from contractual reviews, engineering, competitive procurement processes, quality control though to completion of delivery.

7. Way Ahead

We strive to be a world class offshore solutions provider, by catering to client's needs through commitment, excellence, adaptability and loyalty. We aim to provide competitive returns on equity for our shareholders through revenue growth and effective cost management.

We will seek acquisition opportunities which will fill existing gaps in our products/services mix, which provides synergy and fits into our long term strategy. The acquisition of Jurun Ltd on 1 September 2010 has yielded immediate positive returns. We are now able to offer our broad range of products to Jurun's customer base and vice versa increase our range of services to existing customers to include top drive services and leasing. We also aim to develop our leasing business as a source of steady recurring and long term sustainable revenue and profit contribution in the future.

8. Appreciation

We thank each and every member of staff for their tireless efforts, dedication and loyalty, working as a team to put TSC back on the path of growth. Our appreciation and heartfelt thanks as well, for the keen support from our customers, business partners and shareholders. We are also delighted to have Mr. Yu Yuqun join us on the Board on 15 March 2011 as a non-executive director and together we look forward to the year ahead fully energized by the enthusiasm and dedication from everyone.

Jiang Bing Hua
Executive Chairman

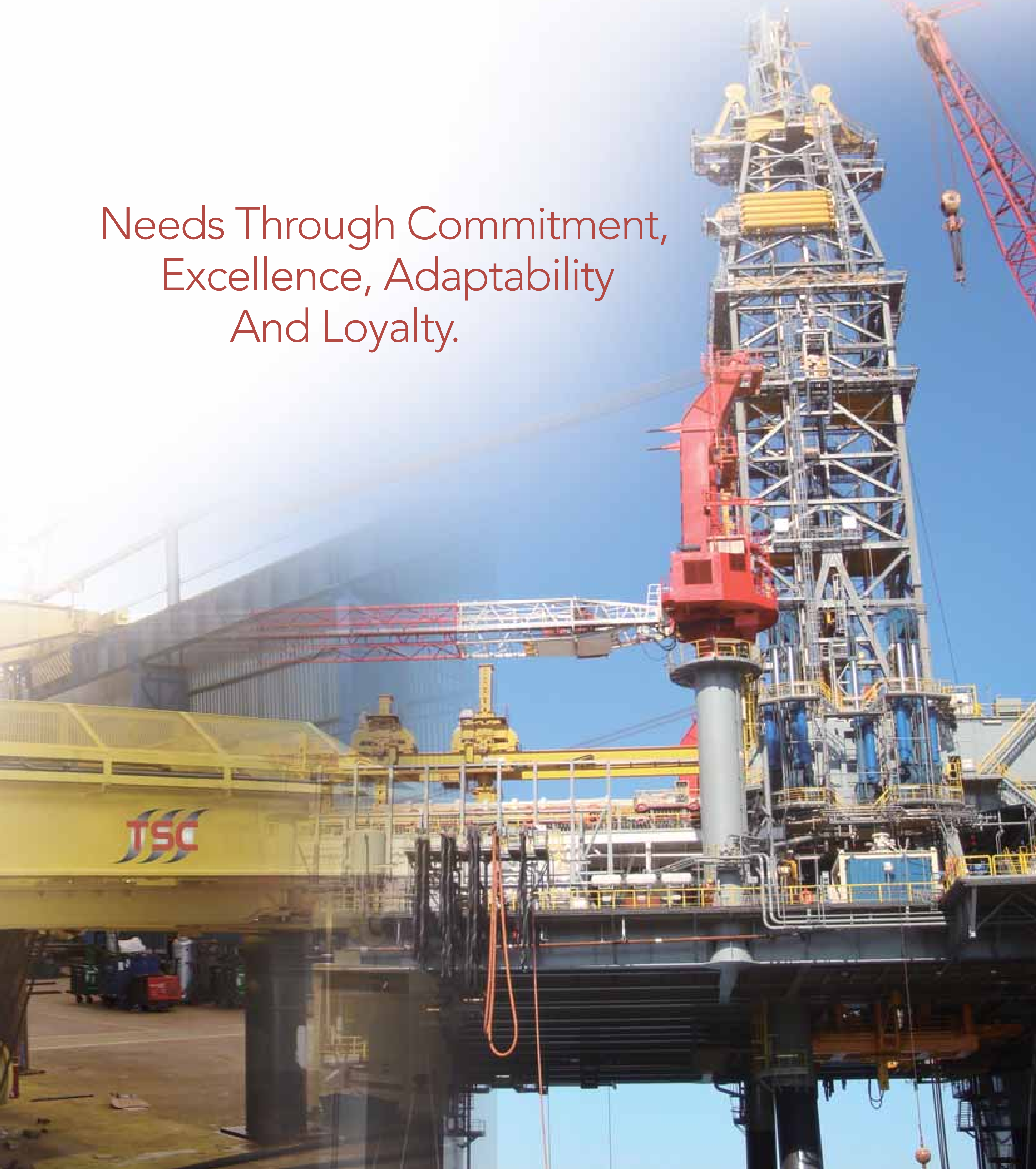
Zhang Menggui
Chief Executive Officer

Hong Kong, 24 March 2011

Corporate Vision

To Become A World Class
Offshore Solutions Provider,
By Catering To Client's

Needs Through Commitment,
Excellence, Adaptability
And Loyalty.



Management Discussion and Analysis

1. Overview

TSC is a global product and service provider serving both the offshore and land drilling rig industry worldwide. These principal activities remained unchanged for 2010.

Our Rig Products & Technology segment comprises a comprehensive line of highly engineered and automated drilling, mechanical handling, solids control, power control and drives, tensioning and compensation systems for various offshore drilling, completion, intervention and workover vessels for oil and gas wells. TSC also supplies jacking systems and rack materials for jack-up rigs, designs, builds and sells complete rig packages and deck cranes for jack-up rigs, semisubmersible rigs and platform modular rigs. Our value proposition lies in our engineering capabilities where we are able to integrate operations of our equipment to provide rig operators with innovative rig solutions and a high level of operational efficiency.

Our rig supply chain solution division provides complete MRO (Maintenance, Repair and Operations) supplies for all rig operations.

Integral to the products described above, we have a global team of specialist offshore service personnel who provide a comprehensive range of engineering and maintenance services for our products as well as equipment manufactured by other suppliers.

The most important long term factor that affects all our business segments is obviously the price of crude oil which influences the general level of business activity in the oil and gas industry worldwide. In 2008, oil prices reached a high of US$147 per barrel in July 2008 but fell to US$36 per barrel at the end of 2008. Prices recovered to US$70 per barrel in 2009 and has since steadily risen to well above US$80 per barrel in 2010 and is currently around US$100 per barrel. The financial and credit crisis which began in late 2007 was the second most important factor in the past 2 years influencing capital expenditure budgets of drilling contractors, construction companies, shipyards, oilfield services companies and oil companies. The combination of banks having to grapple with the after effects of the financial and credit crisis and the drop in oil prices in 2008 have generally resulted in reduced cashflows and spending on capital equipment in 2009 and 2010 compared to pre financial crisis levels. The oil spill incident in April in the Gulf of Mexico was another dampener to the recovery of oilfield business in 2010 as uncertainties prevailed over decisions that would affect future equipment design standards. TSC operations in 2010 were largely affected by these factors.

Our strength lies in the comprehensive range of products, innovative technology and expertise which we integrate to offer our customers high value solutions, safe and high quality products and services at cost effective rates. These strengths are being applied on innovative strategies to leverage the company towards higher growth in the future as the price of oil recovers to a consistent sustainable price above US$80 per barrel. Demand is expected to grow as the global economy recovers.

2. Financial Review

Turnover

	31 December 2010 US$'000	31 December 2009 US$'000	Change US$'000	%
Turnover	**143,455**	112,842	30,613	27.1
Gross profit	**52,266**	21,264	31,002	145.8
Gross margin	**36.4%**	18.8%		
Profit/(loss) from operations	**16,426**	(14,387)	30,813	214.2
Net margin from operations	**11.5%**	(12.7%)		
Net profit/(loss) for the year	**13,591**	(10,238)	23,829	232.8
Earnings/(loss) per Share (Basic)	**US 2.05 cents**	US (1.81) cents		
Earnings/(loss) per Share (Diluted)	**US 2.01 cents**	US (1.76) cents		

Turnover for the Group increased 27.1% to US$143.5 million from US$112.8 million in 2009. The increase came mainly from the progress made in the Rig Turnkey Solutions segment where significant progress was made towards completion of rig turnkey packages and also from the general recovery of the oil and gas industry resulting in higher levels of drilling activities.

Management Discussion and Analysis

Segment Information by Business Segments

	31 December 2010 US$'000	**%**	31 December 2009 US$'000	%	Increase/ (Decrease) %
Rig Products & Technology	**58,322**	**40.7**	81,740	72.4	(28.6)
Rig Turnkey Solutions	**52,274**	**36.4**	14,334	12.7	264.7
Oilfield Expendables and Supplies	**22,011**	**15.3**	11,539	10.2	90.8
Engineering Services	**10,848**	**7.6**	5,229	4.7	107.5
	143,455	**100.0**	112,842	100.0	27.1

Rig Products and Technology

The decrease in the Rig Products & Technology segment turnover from US$81.7 million to US$58.3 million is due mainly to the lower number of new projects starting in the year whilst ongoing projects progressed towards completion where the rate of work completion would typically decrease. This year's turnover in this segment includes several refurbishment and upgrade contracts of rig equipment and an increase in demand for spares for the large base of equipment installed on rigs in the past.

Rig Turnkey Solutions

The Rig Turnkey Solutions segment turnover which is mainly the supply of cantilever and drilling packages increased 264.7% from US$14.3 million in 2009 to US$52.3 million in 2010 with significant progress achieved during the year. This segment continues to be strengthened through its growing track record of successful design and implementation of drilling packages.

Oilfield Expendables and Supplies

The increase of 90.8% from US$11.5 million in 2009 to US$22.0 million in 2010 in Oilfield Expendables and Supplies turnover came from the expansion of the Group's distribution network with established drilling contractors and the development of products for Original Equipment Manufacturers. The general improvement in drilling activity also provided the base for the good growth in this segment.

Engineering Services

The increase of 107.5% in Engineering Services turnover from US$5.2 million in 2009 to US$10.8 million in 2010 is in line with the Group's continuing strategy to provide high quality service personnel to customers. Turnover for this segment includes US$2.2 million from the Jurun Ltd. which was acquired on 1 September 2010.

Segment Information by Geographical Regions

Turnover

	Year ended 31 December 2010	**%**	Year ended 31 December 2009	%	Increase/ (Decrease)
Mainland China	**40,952**	**28.5**	46,549	41.2	(12.0)
North America	**24,551**	**17.1**	28,158	25.0	(12.8)
South America	**4,372**	**3.0**	7,811	6.9	(44.0)
Europe	**22,014**	**15.4**	11,599	10.3	89.8
Singapore	**46,241**	**32.2**	12,255	10.9	277.3
Others (Other part of Asia, India, Russia, Middle East, etc)	**5,325**	**3.9**	6,470	5.7	(17.7)
Total	**143,455**	**100.0**	112,842	100.0	27.1

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

Gross profit increased from US$21.3 million to US$52.3 million with the increase in Group turnover. Gross profit margin improved to 36.4% in 2010 from 18.8% in 2009. The improvement in the margin is due mainly to manufacturing being carried out at our own inhouse facilities which allowed us to improve on quality and delivery schedules. The margin improvement was also attributable to the completion of legacy projects taken over from the acquisition of Global Marine Energy Plc. ("GME") in 2008, some of which had negative margins which affected the previous year margin.

Other Revenue

The increase in Other Revenue from US$1.2 million to US$2.1 million is mainly due to the gain on bargain purchase of subsidiaries of US$1.3 million arising from the acquisition of the 51% shareholding of the Jurun Ltd on 1 September 2010.

Operating Expense and Profit Attributable to Equity Holders of the Company

General & Administrative Expenses

General & Administration expenses increased 22.4% from US$22.9 million in 2009 to US$28.0 million in 2010. The increase of US$5.1 million is mainly due to the inclusion of four months of General & Administration expenses amounting to US$687,000 from Jurun Ltd which was acquired on 1 September 2010 and an increase in staff cost in 2010. The increase in staff cost is mainly due to the 20% increase in the number of fulltime staff from 850 in 2009 to 1,019 in 2010 which resulted in an increase of US$4.5 million in Salaries, Wages and Benefits.

Selling & Distribution Expenses

Selling & Distribution expenses increased 13.4% by US$655,000 from US$4.9 million in 2009 to US$5.5 million in 2010 as a result of the increase in turnover and the commencement of operations at TSC Offshore FZE operations in the United Arab Emirates ("UAE") and TSC Offshore Group Russia in Moscow.

Other Operating Expenses

The decrease in Other Operating Expenses from US$9.1million in 2009 to US$4.4 million in 2010 is mainly due to the one-off impairment losses on doubtful debts of US$4.8 million in the previous year. Impairment loss on doubtful debts for the year included in Other Operating Expenses amounted to US$0.6 million.

Finance Costs

Finance Costs, primarily interest on bank loans, amounted to approximately US$1.4 million (2009: US$1.3 million) for the Group. Although bank loans decreased during the year from US$25.4 million at end 2009 to US$18.0 million at end 2010, finance cost remained fairly constant due to a slight increase in the average interest rate.

Group's Liquidity and Capital Resources

As at 31 December 2010, the Group had other intangible assets of approximately US$18.9 million (31 December 2009: US$16.4 million). As at 31 December 2010, the Group carried fixed assets of approximately US$32.7 million (31 December 2009: US$26.7 million) being property, plant and equipment, property under development and interest in leasehold land held for own use under operating leases.

As at 31 December 2010, the Group had interest in associates and deferred tax assets of approximately US$4.1 million (2009: US$9.8 million) and approximately US$13.1 million (2009: US$14.6 million) respectively.

As at 31 December 2010, the Group had current assets of approximately US$162.1 million (2009: US$132.0 million). Current assets mainly comprised cash and bank balances of approximately US$17.1 million (2009: US$38.5 million), and pledged bank deposits of approximately US$3.7 million (2009: US$2.3 million), inventories of approximately US$33.3 million (2009: US$26.6 million), trade and other receivables of approximately US$64.9 million (2009: US$42.0 million), gross amount due from customers for contract work of approximately US$42.9 million (2009: US$22.4 million) and amount due from a related company of approximately US$0.1 million (2009: US$0.1 million).

As at 31 December 2010, current liabilities amounted to approximately US$83.5 million (2009: US$76.7 million), mainly comprising trade and other payables of approximately US$62.2 million (2009: US$48.4 million), bank loans of approximately US$14.7 million (2009: US$22.8 million), current taxation of approximately US$4.4 million (2009: US$3.2 million) and provisions of contract loss approximately US$2.3 million (2009: US$2.3 million).

As at 31 December 2010, the Group had non-current liabilities of approximately US$6.6 million (2009: US$7.1 million), comprising bank loans of approximately US$3.3 million (2009: US$2.7 million) and deferred tax liabilities of approximately US$3.2 million (2009: US$4.5 million). Gearing ratio, total liabilities to equity holders' fund was 56%, as compared to 60% in 2009.

Significant Investments and Disposals

On 1 September 2010, the Company entered into an Agreement with the Xingbo Limited, an investment holding company incorporated under the laws of BVI (Vendor), to acquire from the Vendor, 2,516 shares in Jurun Ltd. for a consideration of HK20,400,000 by way of issue and allotment of 17,000,000 shares in the Company at the fair value price of HK$1.20 per share and to subscribe for cash a further 2,151 shares in Jurun Ltd, which together represents approximately 51% of the total issued share capital of Jurun Ltd. of 9,151 shares of US$1.00 each. The aggregate value of the consideration for the acquisition is US$5,388,000.

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

Capital Structure

At the beginning of the year at 1 January 2010, there were 652,610,404 shares in issue (the "Shares") and the Company carried a share capital of approximately US$8,393,000.

During the Year, the Company issued 17 million shares to the Vendor of Jurun Ltd and a further 8,953,400 shares to option holders who exercised their options under the Company employee share option schemes. At 31 December 2010, the Company had 678,563,804 Shares in issue, and a paid up capital of approximately US$8,727,000.

Charges on Assets

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

(i) Interest in leasehold land held for own use under operating leases, buildings, plant and machinery, bank deposits, inventories and trade receivables of four subsidiaries namely TSC (Qingdao) Manufacture Co., Limited ("TSCQD"), TSC-HHCT (Xi'an) Control Technologies Limited ("TSC-HHCT"), Tianjin Shengli Petroleum Equipment Co., Ltd., and 8655 Golden Spike, LLC. ("Golden Spike"). The aggregate net book value of assets pledged amounted to US$12,927,000 (2009: 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 TSCQD, Golden Spike, TSC Manufacturing and Supply, LLC ("TSC M&S"), Qingdao TSC Offshore Equipment Co., Ltd. and TSC-HHCT. The aggregate net book value of assets pledged amounted to US$32,854,000).

(ii) Corporate guarantees given by TSC Zhengzhou Offshore Equipment Co., Ltd., TSCQD and TSC-HHCT to the extent of banking facilities outstanding of US$7,433,000 as at 31 December 2010. (2009: US$12,725,000).

(iii) Guarantees given by the directors of the Company to the extent of banking facilities outstanding of US$3,641,000 (2009: US$: Nil) as at 31 December 2010.

Foreign Currency Exchange Exposures

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The Group has foreign exchange exposure resulting from most of the Group's subsidiaries in the PRC carried out production locally with Renminbi while over 50% of the Group's turnover was denominated in United States dollars. As at 31 December 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.

Non-Exempt Continuing Connected Transactions

The Group conducted the following continuing connected transactions with connected parties of the Company, namely CIMC Raffles Offshore (Singapore) Limited (formerly known as "Yantai Raffles Shipyard Limited") ("CIMC Raffles"):

(a) In June 2008, CIMC Raffles owned over 80% equity interest of Yantai CIMC Raffles Offshore Limited (formerly known as Yantai Raffles Offshore Limited) ("YRO"), and CIMC Raffles wholly-owned CIMC Raffles Investments Limited (formerly known as "YRS Investments Limited") ("CRIL"). CRIL became a substantial shareholder of the Company since May 2007. Accordingly, CIMC Raffles is deemed to be interested in 42,800,000 Shares held by CRIL. CIMC Raffles is owned as to approximately 34% by Mr. Brian Chang and his associates in 2008. Mr. Brian Chang is deemed to be interested in 42,800,000 Shares held by CRIL 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 ("AIL") and Windmere International Limited ("WIL"), respectively. In accordance with the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), Mr. Brian Chang, CIMC Raffles, YRO, CRIL, AIL and WIL are connected persons of the Company and the Group, which in turn totally held over 19% issued share capital of the Company during 2008.

The fabrication of BOP Handling and Transport System

Transaction Date	4 June 2008
Transaction with	CIMC Raffles
Purpose of Transaction	The master agreement with CIMC Raffles by which the Group can provide the Equipment and the Turnkey Project(s) to CIMC Raffles for two years ending 31 December 2009.
Contract Values and Other Details	The annual caps under the master agreement for two years ending 31 December 2009 are approximately RMB589 million and RMB1,028 million respectively.

During the Year, the Group transacted a contract with CIMC Raffles under the continuing connected transactions mandate approved by the Company's independent shareholders at extraordinary general meeting held on 18 July 2008. The above-mentioned contract cover the fabrication of BOP Handling and Transport System with a total contract value with VAT of RMB15.65 million, which is within the cap of RMB1,028 million for the year approved by the independent shareholders of the Company.

The actual sales amount of these continuing connected transactions between the Group and CIMC Raffles was approximately RMB4,843,000 for the year ended 31 December 2010.

In February 2010, the Group conducted the following continuing connected transactions with connected parties of the Company, namely CIMC Raffles. CIMC Raffles is a substantial shareholder of the Company, which through its wholly-owned subsidiary, CRIL, owns approximately 6.51% of the issued share capital of the Company. CIMC Raffles is also owned as to

(i) approximately 32.6% by Mr. Brian Chang (a non-executive Director who through his wholly-owned companies and CIMC Raffles is beneficially interested in approximately 16.05% of the issued share capital of the Company); and

(ii) approximately 50.98% by China International Marine Containers (Group) Co., Limited (being a substantial shareholder of the Company which through its indirect wholly-owned subsidiary and CIMC Raffles is beneficially interested in approximately 13.68% of the issued share capital of the Company) and its associates.

The Fabrication of Drilling Package and Electrical Power Package

Transaction Date	10 February 2010
Transaction with	CIMC Raffles
Purpose of transaction	The master agreement with CIMC Raffles by which the Group can provide the Equipment under the Turnkey Project(s) to CIMC Raffles for two years ending 31 December 2011.
Contract values and other details	The annual caps under the master agreement for two years ending 31 December 2011 are approximately US$200 million each year.
Detailed announcement and shareholder approval	Details of the transaction were announced on 10 February 2010 which was published on the websites of the Stock Exchange and the Company. The master agreement was approved by independent shareholders at extraordinary general meeting on 19 March 2010.

During the year, the Group transacted a contract with CIMC Raffles under the continuing connected transactions mandate approved by the Company's independent shareholders at extraordinary general meeting held on 19 March 2010. The above-mentioned contract cover the fabrication of a drilling package and a electrical power package with a total contract value of approximately US$38.5 million, which is within the cap of US$200 million for the Year approved by the independent shareholders of the Company. The actual sales amount of these continuing connected transactions between the Group and CIMC Raffles was approximately US$29.1 million for the year ended 31 December 2010.

Employees and Remuneration Policy

As at 31 December 2010, the Group had approximately 1,108 full-time staff in the USA, the United Kingdom ("UK"), Brazil, UAE, Russia, Singapore, Hong Kong and the PRC. 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.

3. Business and Market Review

2010 was a mixed and challenging year for the Group. The gradual increase in oil prices improved sentiments in the oilfield industry. There was an increase in number of enquiries at the beginning of 2010 but much of the marketing activities did not develop into contracts due to the uncertainties resulting from the oil spill incident in the Gulf of Mexico, the slow pace of recovery of the global economy and the overhanging spare capacity which have undermined real recovery. These were the main contributory factors prevailing in the market for our products and services which led to potential customers holding back purchasing decisions through the year.

However, the deferment of capital spending should not continue for much longer. Despite the supply situation and overhanging spare capacity in the supply chain, the price of oil has remained at a sustainable level above US$80 per barrel. This underpins the confidence being restored and we can anticipate positive growth barring another major incident in the oilfield.

Demand for oil is expected to continue in its course of recovery as the economy in general recovers. It is expected that overall increase in demand will gradually exceed supply growth due to the conservative policies that were in place in the last 2 years. In the short term, prices are expected to be volatile due to fluctuations in financial markets and ongoing geopolitical instability but with higher US inflation, continued depreciation of the U.S. currency, crude oil prices should sustain at a higher level.

The impact of legacy projects that came with the acquisition of GME is now behind us. The Group has consolidated its position in 2010, built up on its strengths through integration of its global resources and now have a team with a proven track record of delivering on time on quality within budget.

With the strategies in place, TSC management is confident that the Group will be able to work above the uncertainties in the market.

4. Future Plans for Material Investments, Capital Assets and Capital Commitment

Subsequent to the balance date, TSC M&S has opened up a new distribution center in the town of Alice in Texas, USA to meet with growing demand for our expendables and MRO supplies in the northwestern region of Texas. The facilities were rented and will be able to stock sufficient supplies to provide immediate response to customers in that region. Further locations have been planned in order to improve availability of our products to customers.

The Company is also evaluating plans for the purchase facilities in Brazil and Singapore to meet future expansion needs in these locations.

TSC continues to explore plans to acquire expertise and expand capabilities by way of purchasing assets or acquisition of equity interest in companies with such expertise and or capability.

5. Strategy, Prospects and Order Book

Strategies

TSC management recognizes that the principal underlying competitive success factors are performance, quality, reputation, customer service, availability of products, spares, operating consumables, range of products and price. Strong focus on each of these factors is therefore necessary to place TSC in a position to launch into its next phase of growth. This is now firmly in place.

TSC management further believes that the competitive factors mentioned above needs to be brought to customers in ways in which we will not be in direct competition with the mainstream competitor. We aim to identify and engage with strategic partners and their customers earlier in the tendering cycle and to facilitate and provide solutions to strategic partners to improve their own competitiveness and technical capability which will increase likelihood of eventually winning significant bids. TSC will provide technical as well as facilitate sourcing of financial assistance where required to provide a viable structure for undertaking and making projects a success.

TSC traditionally competes with only a handful of suppliers who have some of the equipment that TSC has to offer. However, TSC has the advantage of having a comprehensive range of rig technology, solutions and products to provide an integrated solutions package to customers and we aim to apply these strengths for the benefit of customers.

Prospects

In this section of our 2009 report a significant amount of space was taken up to explain the effects of the GME acquisition which resulted in the losses reported for 2009. The projects which resulted in the losses reported and last financial year are now completed and delivered. The main drivers of growth for TSC going forward would be the execution of strategies described above which is now firmly in place. TSC has identified niche areas in the market and strategic partners with whom TSC can jointly develop prospective markets in which TSC will be able to excel in offering its products and services. These strategies have been well received in the market and looking ahead, the opportunities presented should translate well into increasing future business.

Order Book

As at 31 December 2010, the Group as a whole carried an order backlog of approximately US$85.3 million for rig products and technology, rig turnkey solutions, expendables and engineering services. Subsequent to 31 December 2010, the Group has secured further new orders amounting to US$15.2 million up to the date of this report.

Subsequent Events

Grant of share options

On 21 February 2011 (the "Date of Grant"), the Company granted 2,400,000 share options (the "Share Options") to 2 grantees to subscribe for a total of 2,400,000 ordinary shares of HK$0.10 each in the share capital of the Company (the "Shares") under the share option scheme adopted by the Company on 5 August 2009. Each Share Option shall entitle the holder of the Share Option to subscribe for one Share upon exercise of such Share Option at an exercise price of HK$1.97 per Share. The vesting period of the Share Options is 5 years and starts from the Date of Grant and become vested at stepped semi-annual increments of 10% of the total options granted for a period of 5 years from the Date of Grant, and these grants are exercisable for a period not later than 10 years from the Date of Grant, i.e. from 21 February 2011 to 20 February 2021.

Change of company name

Pursuant to a special resolution passed by the shareholders of the Company at its extraordinary general meeting held on 4 March 2011, the name of the Company was changed from "TSC Offshore Group Limited" to "TSC Group Holdings Limited" (with "TSC集團控股有限公司" being adopted as its new Chinese name for identification purpose only) under the laws of the Cayman Islands. The certificate of incorporation on change of name was issued by the Registrar of Companies in the Cayman Islands on 4 March 2011. The Company will obtain the "Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company" with the Registrar of Companies in Hong Kong and change the English and Chinese stock short name. The stock code of "206" of the Company remains unchanged.

Appointment of non-executive Director

In January 2011, Mr. Yu Yuqun was recommended by the Company's nomination committee to be appointed as non-executive Director of the Company. Subsequently, the Company convened the meeting of the Board and resolved to appoint Mr. Yu Yuqun as non-executive Director of the Company with effect from 15 March 2011. 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, Mr. Brian Chang and Mr Yu Yuqun 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. Yu Yuqun (non-executive Director) was newly appointed.

Save as disclosed in this report, no subsequent events occurred after 31 December 2010 which may have significant effects on the assets and liabilities of future operations of the Group.

Profiles of Directors and Senior Management

Board of Directors



(left)
Mr. Jiang Bing Hua
Executive Director &
Executive Chairman

Mr. Zhang Menggui
Executive Director &
Group CEO

Mr. Jiang Longsheng
Non- Executive Director



(left)
Mr. Brian Chang
Non- Executive Director

Mr. Yu Yuqun
Non- Executive Director

Mr. Bian Junjiang
Independent Non-Executive
Director



(left)
Mr. Chan Ngai Sang, Kenny
Independent Non-Executive
Director

Mr. Guan Zhichuan
Independent Non-Executive
Director

Mr. Robert William Fogal Jr
Independent Non-Executive
Director

Executive Directors

Mr. JIANG Bing Hua, age 60, is the co-founder of the Group. He is the executive Chairman and an executive Director of the Group. Mr. Jiang is responsible for the Group's overall strategy planning and business development. He obtained his bachelor degree in offshore structure engineering from the Tianjin University (天津大學) in the PRC in 1980 and acquired his master degree in business administration from the University of Dallas in the U.S.A. in 1993. Mr. Jiang has 37 years of experience in the oil and gas industry. Prior to founding the Group, he worked for the Sinopec group, the CNPC group and China National Offshore Oil Corporation (CNOOC) in various positions such as driller, drilling superintendent, drilling manager, operation manager and company representative.

Mr. ZHANG Menggui, age 52, is the co-founder of the Group. He is the chief executive officer and an executive Director of the Group. Mr. Zhang is responsible for the Group's overall performance, strategy implementation and day-to-day operations. He obtained his bachelor degree majoring in drilling engineering from the China University of Petroleum (中國石油大學) in 1982 and acquired his master degree in petroleum engineering from the University of Alaska-Fairbanks in the U.S.A. in 1989. Mr. Zhang has 28 years of experience in the oil and gas industry. Prior to founding the Group, he worked for a subsidiary of the CNPC group in China and for Cook Inlet Region Inc. in Alaska as a petroleum operation engineer. Mr. Zhang currently is a member of several oil industry associations and professional organizations including the Society of Petroleum Engineers and the American Drilling Engineers. He is the elder brother of Mr. Zhang Mengzhen, the executive vice president of TSC Manufacturing and Supply, LLC. ("TSCMS"), a subsidiary of the Group.

Non-Executive Director

Mr. JIANG Longsheng, age 66, has been non-executive Director of the Company since May 2006. Mr. Jiang is a veteran in the offshore oil industry in China and has over 38 years of experience in the onshore and offshore oil industry in China. He received a bachelor of science degree from the Beijing Petroleum Institute (北京石油學院) in China in 1969. He was an executive director of CNOOC Limited ("CNOOC") (a company listed on the Main Board of the Stock Exchange) from 2000 to 2005 and has held the position of vice president of CNOOC from 1998 to 2005. From 1994 to 1998, he was the general manager of China Offshore Oil Southern Drilling Company. From 1991 to 1994, Mr. Jiang served as the deputy chief drilling engineer and was later appointed as the chief drilling engineer of China Offshore Oil Western South China Sea Corporation. Mr. Jiang presently serves as an independent director of China National Pharmaceutical Group Corporation (中國醫藥集團公司), and also serves as an independent non-executive director of Metallurgical Corporation of China Limited, a company listed on the Main Board of the Stock Exchange.

Mr. Brian CHANG, age 68, has been non-executive Director of the Company since July 2009. Mr. Chang has over 40 years of experience in the marine and offshore industry. He is currently a member of Advisory Committee of the Company. He graduated with an honors degree in electrical engineering from City University London in U.K. in 1965. Mr. Chang founded Promet Berhad in Singapore and Malaysia in 1971. In 1994/5, Mr. Chang sold his interest in Promet and founded CIMC Raffles Offshore (Singapore) Limited (formerly known as "Yantai Raffles Shipyard Limited") ("CIMC Raffles" together with its subsidiaries) in Singapore. Mr. Chang currently serves as the deputy chairman and chief executive officer of CIMC Raffles, and also serves as director of certain subsidiaries of CIMC Raffles.

Mr. YU Yuqun, age 45, was appointed non-executive Director on 15 March 2011. Mr. Yu obtained a bachelor's degree and a master's degree in Economics, both from the Peking University. Mr. Yu worked in the State Bureau of Commodity Price of the People's Republic of China before joining China International Marine Containers (Group) Limited ("CIMC") in 1992. He is currently the secretary to the board of directors of CIMC, responsible for investor relations and financial management. He is the director of CIMC Enric Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange and CIMC Raffles Offshore (Singapore) Limited.

Profiles of Directors and Senior Management

Independent Non-Executive Directors

Mr. BIAN Junjiang, age 68, is an independent non-executive Director since October 2005. Mr. Bian previously held the position of chairman of CGC Overseas Construction Company Limited and was an independent Director of CITIC Securities Co., Ltd. He has many years of working experience in accounting and economic analysis in petroleum organisations.

Mr. CHAN Ngai Sang Kenny, age 46, is an independent non-executive Director since October 2005. Mr. Chan is a partner and founder of Kenny Chan & Co., a firm of Certified Public Accountants. Mr. Chan has over twenty years experience in accounting, taxation, auditing and corporate finance and has involved in several merger and acquisition and initial public offering projects. Mr. Chan holds a Bachelor of Commerce degree from the University of New South Wales and is a member of the Institute of Chartered Accountants of New Zealand, The Association of International Accountants, CPA Australia, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. Mr. Chan served as the District Governor of Lions Clubs International District 303 – Hong Kong & Macao, China in 2009/2010. Mr. Chan also serves on several tribunals of the HKSAR Government which includes The Administration Appeals Board, The Registration of Persons Tribunal and The Solicitors Disciplinary Tribunal Panel. He also serves as a committee member of the Association of International Accountants Hong Kong Branch. Mr. Chan is an independent non-executive director of Goldmond Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange and China Best Group Holding Limited, a company listed on the Main Board of the Stock Exchange.

Mr. GUAN Zhichuan, age 52, is an independent non-executive Director since October 2005. Mr. Guan obtained a doctorate in engineering from the University of Petroleum (Beijing) (石油大學) in 1995 and pursued his research in the field of oil and gas drilling engineering and fluid mechanics. He presently serves as a Professor at the College of Petroleum Engineering of the China University of Petroleum (中國石油大學石油工程學院).

Mr. Robert William FOGAL JR, age 75, has been an independent non-executive Director of the Company since July 2009. Mr. Fogal Jr has over 50 years of experience in the offshore industry having worked in engineering, planning, estimating, production, marketing, sales, project management, contract administrator and yard management in various listed and multinational companies. He obtained a degree in mechanical engineering from Lamar University in the United States in 1957. He was the vice president in marketing, sales and business development at Friede & Goldman Ltd and was responsible for developing over 20 offshore rigs being built in 6 shipyards and various countries. Mr. Fogal Jr has been the vice president of Jackup Structures Alliance, Inc. since 2008, and is responsible for domestic and international sales and business development for a group of companies engaged in the manufacture of critical niche components for offshore drilling rigs, liftboats and other services.

Senior Management



(left)
Mr. Zhang Menggui
Group President and CEO

Mr. Roger Eugene Lewis
Executive Group VP, Global Operations

Mr. Paul Lim Joo Heng
Group VP and CFO



(left)
Mr. Robert Stuart Shinfield
Group VP, Europe and South America

Dr. Sun Yuanhui
Group VP and Chief Technology Officer

Mr. Chen Yunqiang
Group VP, Asia Pacific, Middle East and Russia



(left)
Mr. Robert Allen Sliva
President, TSC Offshore Corp.

Mr. Robert James Ream
Senior VP, TSC Offshore Corp.

Mr. William Richard Lewis
VP, TSC Offshore Corp.


(left)
Mr. Scott Fullerton
VP, Global Operations and Integrated Solutions, TSC Offshore Corp.

Mr. Charles Smith
VP, Project Management, TSC Offshore Corp.

Profiles of Directors and Senior Management

Senior Management

Mr. ZHANG Menggui, age 52, is the co-founder of the Group. He is the chief executive officer and an executive Director of the Group. Mr. Zhang is responsible for the Group's overall performance, strategy implementation and day-to-day operations. He obtained his bachelor degree majoring in drilling engineering from the China University of Petroleum (中國石油大學) in 1982 and acquired his master degree in petroleum engineering from the University of Alaska-Fairbanks in the U.S.A. in 1989. Mr. Zhang has 28 years of experience in the oil and gas industry. Prior to founding the Group, he worked for a subsidiary of the CNPC group in China and for Cook Inlet Region Inc. in Alaska as a petroleum operation engineer. Mr. Zhang currently is a member of several oil industry associations and professional organizations including the Society of Petroleum Engineers and the American Drilling Engineers. He is the elder brother of Mr. Zhang Mengzhen, the executive vice president of TSCMS, a subsidiary of the Group.

Mr. Roger Eugene LEWIS, age 52, joined the Group as Group executive vice president and general manager, Integrated Solutions in October 2010. Mr. Lewis is responsible for the recently formed Integrated Solutions Division. He received his Bachelors Degree in Agriculture from Oklahoma State University and further attended Harvard Business School in the Advanced Management Program/International Senior Managers Program. Prior to joining the Company, Mr. Lewis's work experience consisted entirely of 29 years of service at Noble Corporation, the second largest global offshore oil and gas drilling company in various capacities including drilling engineer, construction and project engineer/manager, marketing, vice president and division manager, vice president of special projects, vice president of engineering and development (technology), and vice president global procurement and asset management.

Mr. LIM Joo Heng, Paul, age 55, is the chief financial officer and a vice president of the Group. He is responsible for financial management of the Group and manages the Group's office in Hong Kong. Mr. Lim is a fellow of the Association of Chartered and Certified Accountants. He was appointed chief financial officer in June 2009 and has a distinguished career of over 25 years in finance and accounting. He started his career with KPMG as a professional accountant and has held senior management positions in several public listed companies in Malaysia. Prior to joining TSC he held the position of VP finance at Yantai Raffles Shipyard Ltd.

Mr. Robert Stuart SHINFIELD, age 40, joined the company as general manager for TSC Offshore Ltda (Brazil), a wholly-owned subsidiary of the Company in August 2004 and was promoted to Group vice president in January 2010. He is responsible for the companies in South American operations and business development. Mr. Shinfield graduated from Derby University with an ONC in mechanical engineering in 1992. He has over 16 years experience in the oil and gas industry and held various technical and management positions with NOV.

Dr. SUN Yuanhui, age 54, is chief technology officer, Group vice president in charge of Engineering. Dr. Sun has over 20 years of extensive experience in deepwater drilling engineering, marketing and project management in the offshore industry. Prior to joining the Group, Dr. Sun held various technical and management positions in Noble Drilling Corporation where he played a major role in most of the deepwater semi conversions and new build deepwater drilling unit projects, including the company's first deepwater semi conversion project in 1995, as well as in Noble's business development in Asia-Pacific. Prior to joining Noble Drilling, Dr. Sun worked with PMB/Bechtel Offshore, where he was involved in the Amoco-Liuhua semi-submersible conversion project which was the first in China. Dr. Sun holds a Ph.D. and a master degree in Civil Engineering from Rice University, USA and and a Bachelor of Science in Engineering Mechanics from Tsinghua University in China where he had served as an assistant professor for three years. He is a registered Professional Engineer in the State of Texas, USA.

Mr. CHEN Yunqiang, age 45, is the Group vice president and the managing director of TSC Offshore China Limited, in charge of China Region operations including marketing and sales of the Group's products in China. Mr. Chen studied industrial enterprise management at the Hangzhou University of Electronic Science and Technology (杭州電子科技大學). Mr. Chen joined the Group in August 2001 as general manager of TSC-HHCT, a subsidiary of the Group, in Xi'an, China till 2005. Prior to joining the Group, Mr. Chen worked with Xi'an Petroleum Exploration Instrument Complex (西安石油勘探儀器總廠) for 14 years in various positions including assistant factory head, supervisor of electric driven production lines and manager of its sales branch for drilling rigs.

Mr. Robert Allen SLIVA, age 51, is the president of TSC Offshore Corp. He joined the Group as senior vice president of TSCMS, a wholly-owned subsidiary of the Company in April 2007. He is responsible for the operations of the North American Region. Mr. Sliva received his bachelor degree in mechanical engineering from the University of Houston in 1982 with master courses at the University of Houston, and has since worked in the oil and gas industry. Prior to joining the Company, Mr. Sliva worked in Bear Equipment as vice president, National Oilwell as manager of marketing and engineering and FMC as area manager. He is registered PE in the State of Texas, U.S.A.

Mr. Robert James REAM, age 63, is senior vice president of TSC Offshore Corp. Mr. Ream is responsible for the Group's offshore crane division. Mr. Ream holds a bachelor of science in mechanical engineering and a masters in business administration from Marquette University. Mr. Ream has 38 years of working experiences, of which 33 years is in the offshore crane business working in various positions in engineering, senior management and sales. Prior to joining the Group, Mr. Ream had worked for UNIT Mariner Crane, AmClyde and NOV.

Mr. William Richard LEWIS, age 40, is vice president of TSC Offshore Corp.. He is responsible for drilling equipment for the Group. Mr. Lewis received his bachelor degree in business management. After serving 9 years as a mechanic on a nuclear submarine in the US Navy, he has since worked in the oil and gas industry. Prior to joining the Group, Mr. Lewis worked for Varco (now NOV) and Maritime Hydraulics (now Aker MH) in various positions. He is an active member in several industry organizations, such as International Association of Drilling Contractors, Society of Petroleum Engineers, and the American Association of Drilling Engineers.

Mr. Scott FULLERTON, age 56, is vice president of Global Operations and Integrated Solutions of TSC Offshore Corp.. He joined TSC in February 2011. After 31 years of experience in field and senior level management in the international petroleum and drilling industry and having worked for Santa Fe, Noble, Global Marine, Pride international and Weatherford Drilling, LUKoil and Max Petroleum. He graduated from the University of Southern California in 1977 with a BS degree in Geological Sciences. Mr. Fullerton has a wide range of equipment experience including drilling with trailer-mounted land drilling and workover rigs, and land drilling rigs rated to 35,000 ft depth. Offshore, he has worked with inland, posted and cantilever barges, jack-ups, semi-submersibles and drill ships with water depth ratings to 10,000 feet. He has assisted in design and fabrication of complex equipment systems, both new builds and refurbishment of mature land, marine drilling units and production installations.

Mr. Charles SMITH, age 37, joined TSC in February 2011 as vice president, Project Management of TSC Offshore Corp.. Mr. Smith has over 14 years experience in the oil and gas industry specializing in Project Asset and Operations Management. He was most recently an Asset Manager with Hercules Offshore working for Saudi Aramco. Mr. Smith has served in numerous roles as Drilling Manager and Superintendent on many Semi-Submersibles and Jack-up projects during his former career with Noble Corporation. He was selected as Drilling Superintendent for the Noble Roger Lewis Rig, which was one of the first new build jack-up rigs for Noble Corporation in 25 years.

Report of the Directors

The board of the Directors (the "Board") is pleased to present their report and the audited financial statements of the Group for the Year.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

Change of Company Name

Pursuant to a special resolution passed at an extraordinary meeting held on 4 March 2011, the name of the Company was changed from "TSC Offshore Group Limited" to "TSC Group Holdings Limited".

Results and Dividends

The Group's profit for the year ended 31 December 2010 is set out in the financial statements on pages 51 to 58.

The Directors do not recommend the payment of any dividends in respect of the Year.

Financial Summary

A summary of the published results and assets and liabilities of the Group for the five financial years ended 31 December 2010, are extracted from the audited financial statements of the relevant annual reports of the Company, and are set out on page 132. This summary does not form part of the audited financial statements of the Group for the Year.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 12 to the financial statements.

Share Capital and Share Options

The movements in the Company's authorised and issued share capital during the Year are set out in note 29(b) to the financial statements. Details of the Company's share option schemes are set out in note 28 to the financial statements.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase , Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

Reserves

Details of movements in the reserves of the Company and of the Group during the Year are set out in note 29(a) to the financial statements and in the consolidated statement of changes in equity on page 56, respectively.

Distributable Reserves

The Company had no reserves available for cash distribution and/or distribution in specie to shareholders of the Company as at 31 December 2010 (2009: US$2,719,000), as computed in accordance with the Companies Law of the Cayman Islands. The details are set in note 29(a) to the financial statements. The Company's share premium account, with a balance of approximately US$119,744,000 (2009: US$116,515,000), may be distributed in the form of fully paid bonus Shares.

Major Customers and Suppliers

In the Year under review, sales to the Group's five largest customers accounted for approximately 55% of the Group's total sales for the Year and sales to the largest customer included therein accounted for approximately 40% of the Group's total sales.

In the Year under review, the sales to CIMC Raffles Group amounted to US$58 million, accounting for approximately 40% of the total sales of the Group.

Purchases from the Group's five largest suppliers accounted for approximately 14% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 4% of the Group's total purchases.

Save as disclosed under the paragraph headed "RELATED PARTY TRANSACTION'S", none of the Directors, or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers or suppliers.

Directors

The Directors who held office during the Year and up to the date of this annual report were:

Executive Directors:
Mr. Jiang Bing Hua
Mr. Zhang Menggui

Non-executive Directors:
Mr. Jiang Longsheng
Mr. Brian Chang
Mr. Yu Yuqun (appointed on 15 March 2011)

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

In accordance with Articles 86 and 87 of the Company's Articles, Mr. Yu Yuqun, Mr. Jiang Bing Hua, Mr. Jiang Longsheng and Mr. Guan Zhichuan will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Company Secretary

The company secretary of the Group, Ms. Cheung Wai Sze, is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

Directors' Service Contracts

Each of the executive Director has entered into a service contract with the Company for a term of three years commencing from 28 November 2005 and expiring on 27 November 2008, renewable automatically for successive terms of three years from 28 November 2008 unless terminated by giving either party to the other not less than three months' prior written notice.

Directors' Service Contracts *(continued)*

Each of the independent non-executive Director (except Mr. Robert William Fogal Jr.) has entered into a service contract with the Company for a term of three years commencing from 20 October 2005 and expiring on 19 October 2008, renewable automatically for successive terms of three years from 20 October 2008 unless terminated by giving either party to the other not less than three months' prior written notice. Mr. Robert William Fogal Jr. has entered into a letter of appointment with the Company for a term of three years commencing from 10 July 2009 subject to the retirement by rotation and re-election in accordance with the Articles, unless and until terminated by not less than 3 months' prior notice in writing served by either party on the other.

The non-executive Directors: Mr. Jiang Longsheng has entered into a service contract with the Company for a term of three years commencing from 1 May 2006 and expiring on 30 April 2009, renewable automatically for successive terms of three years from 1 May 2009 unless terminated by giving either party to the other not less than three months' prior written notice. Mr. Brian Chang and Mr. Yu Yuqun has entered into a letter of appointment with the Company for a term of three years commencing from 10 July 2009 and 15 March 2011 respectively subject to the retirement by rotation and re-election in accordance with the Articles, unless and until terminated by not less than 3 months' prior notice in writing served by either party on the other.

Save as disclosed in note 7 to the financial statements, there were no other emoluments, pension and any compensation arrangements for the Directors and past Directors as are specified on Sections 161 and 161A of the Companies Ordinance.

The Company confirms that it has received from each of its independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers the independent non-executive Directors to be independent.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory obligations.

Directors' Interests in Contracts

No Director had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries and fellow subsidiaries was a party during or at the end of the Year under review.

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 950,400 share options remain valid and outstanding as at 31 December 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.

Share Option Schemes *(continued)*

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 31,147,000 share options remain valid and outstanding as at 31 December 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. Pursuant to the New Scheme, the Directors granted (i) 20,295,000 share options at HK$2.06 each to 82 employees of the Group on 18 September 2009, and (ii) 9,070,000 share options at HK$1.27 each to 29 employees of the Group on 1 September 2010. 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 and 1 September 2010 under the New Scheme were HK$18,701,000 and HK$4,602,100 respectively. The closing price of the Company's Shares on the preceding option granted on 17 September 2009 and 31 August 2010 under the New Scheme were HK$1.85 and HK$1.23 respectively. Save as disclosed above, no option had been granted or agreed to be granted by the Company pursuant to the New Scheme.

Share Option Schemes *(continued)*

Details of the movement of options under the Pre-IPO Scheme for the twelve months ended 31 December 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 31.12.2010
Directors:								
Mr. Zhang Menggui	19.10.2005	29.11.2005 to 18.10.2015	0.2383	1,728,000	(1,728,000)	–	–	0
Mr. Jiang Bing Hua	19.10.2005	29.11.2005 to 18.10.2015	0.2383	1,728,000	(1,728,000)	–	–	0
				3,456,000	(3,456,000)	–	–	0
Employees and others	19.10.2005	29.11.2005 to 18.10.2015	0.2383	4,222,800	(3,272,400)	–	–	950,400
Total				7,678,800	(6,728,400)	–	–	950,400

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 twelve months ended 31 December 2010.

Share Option Schemes *(continued)*

Details of movement of options under the Post-IPO Scheme including the Refreshment for the twelve months ended 31 December 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$	Balance as at 01.01.2010	Number of share options 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 31.12.2010
(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	–	(360,000)	–	–	840,000
	Mr. Jiang Bing Hua	29.12.2008	29.06.2009 to 28.12.2018	0.54	1,200,000	–	(360,000)	–	–	840,000
	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	–	(720,000)	–	–	3,200,000
	Employees and other	29.12.2008	29.06.2009 to 28.12.2018	0.54	11,300,000	–	(1,505,000)	–	(240,000)	9,555,000
	Sub-total				15,220,000	–	(2,225,000)	–	(240,000)	12,755,000
Total					34,032,000	–	(2,225,000)	–	(660,000)	31,147,000

Share Option Schemes *(continued)*

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 twelve months ended 31 December 2010.

Details of movement of options under the New Scheme for the twelve months ended 31 December 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 31.12.2010
(i)	Employees	18.09.2009	18.03.2010 to 17.09.2019	2.06	20,295,000	–	–	–	(575,000)	19,720,000
	Sub-total				20,295,000	–	–	–	(575,000)	19,720,000
(ii)	Employees	01.09.2010	01.03.2011 to 31.08.2020	1.27	–	9,070,000	–	–	(450,000)	8,620,000
	Sub-total				–	9,070,000	–	–	(450,000)	8,620,000
Total					20,295,000	9,070,000	–	–	(1,025,000)	28,340,000

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 twelve months ended 31 December 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 during the Year.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 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 the required standard of dealings by the Directors as referred to in Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of the Company, were as follows:

Long position 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) (Note 3)	Number of underlying Shares (in respect of share options granted under the Post-IPO Scheme) (Note 3)	Approximate percentage of the Company's issued share capital
	Personal interests	Family interests	Corporate interests	Other interests	Total			
Mr. Zhang Menggui (Note 1)	3,816,000	–	106,871,200	–	110,687,200	0	840,000	16.44%
Mr. Jiang Bing Hua (Note 1)	3,816,000	–	106,871,200	–	110,687,200	0	840,000	16.44%
Mr. Jiang Longsheng	–	–	–	–	–	–	400,000	0.06%
Mr. Brian Chang (Note 2)	–	–	108,872,800	–	108,872,800	–	–	16.04%
Mr. Chan Ngai Sang, Kenny	–	–	–	–	–	–	500,000	0.07%
Mr. Bian Junjiang	–	–	–	–	–	–	350,000	0.05%
Mr. Guan Zhichuan	30,000	–	–	–	30,000	–	270,000	0.04%

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures *(continued)*

Long position in ordinary shares and underlying shares of the Company: *(continued)*

Notes:

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

2. 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 32.57% 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 32.57% 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 31 December 2010, none of the Directors or chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to the required standard of dealings by the Directors as referred to in 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 the Company.

Directors' Rights to Acquire Shares

Save as disclosed under the paragraph headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above and in the share option scheme disclosures in note 28 to the financial statements, at no time during the Year under review, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company was granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2010, the following persons had interests or short positions in the Shares and underlying Shares of the Company which as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

(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	110,687,200 Shares and 840,000 share options	16.44%
Madam Zhang Jiuli (Note 2)	Interest of the spouse	110,687,200 Shares and 840,000 share options	16.44%
Global Energy Investors, LLC. (Note 3)	Corporate	106,871,200 Shares	15.75%
Windmere International Limited (Note 4)	Corporate	50,000,000 Shares	7.37%
Bright Touch Investment Limited (Note 4)	Corporate	42,800,000 Shares	6.31%
Leung Kee Holdings Limited (Note 4)	Corporate	42,800,000 Shares	6.31%
Yantai Shipyard Pte Limited (Note 4)	Corporate	42,800,000 Shares	6.31%
CIMC Raffles Investments Limited (Note 4)	Corporate	42,800,000 Shares	6.31%
CIMC Raffles Offshore (Singapore) Limited (Note 4)	Corporate	42,800,000 Shares	6.31%
China International Marine Corporate Containers (Group) Co., Ltd. (Note 5)	Corporate	92,800,000 Shares	13.68%
China International Marine Corporate Containers (Hong Kong) Ltd. (Note 5)	Corporate	50,000,000 Shares	7.37%
Sharp Vision Holdings Corporate Limited (Note 6)	Corporate	50,000,000 Shares	7.37%

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares *(continued)*

(i) long positions in ordinary shares and underlying shares of the company: *(continued)*

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 Binghua 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 Binghua, 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 Binghua 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 32.57% 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 32.57% 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. 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 public available information and to the best of the Directors' knowledge, CIMC Raffles is being, directly or indirectly, held as to 50.98% by CIMC Group as at 31 December 2010, therefore CIMC Group is deemed to be interested in the 92,800,000 Shares of the Company.

(ii) long positions in shares of subsidiaries of the company:

Name of subsidiary	Name of substantial shareholder	Percentage of shareholding
TSC Deepwater Systems, LLC	Mr. Doug E. Wheeler	29%
Jurun Limited	Xingbo Limited	49%

Save as disclosed above, as at 31 December 2010, there was no person (other than the Directors and chief executives of the Company whose interests are set out under the paragraph headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES" above and section headed "SHARE OPTION SCHEMES" below), had an interest or short position in the shares or underlying shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

Related Party Transactions

Details of the related party transactions for the year are set out in note 33 to the financial statements. Save as disclosed therein, there were no other transactions to be disclosed as related party transactions in accordance with the requirements of the Listing Rules and accounting principles generally accepted in Hong Kong.

Connected Transactions and Continuing Connected Transactions

The Group entered into the following transactions during the year ended 31 December 2010:

Non-Exempt Continuing Connected Transactions

The Group conducted the following continuing connected transactions with connected parties of the Company, namely CIMC Raffles Offshore (Singapore) Limited (formerly known as "Yantai Raffles Shipyard Limited") ("CIMC Raffles"):

(a) In June 2008, CIMC Raffles owned over 80% equity interest of Yantai CIMC Raffles Offshore Limited (formerly known as Yantai Raffles Offshore Limited) ("YRO") during 2008, and CIMC Raffles wholly-owned CIMC Raffles Investments Limited (formerly known as "YRS Investments Limited") ("CRIL"). CRIL became a substantial shareholder of the Company since May 2007. Accordingly, CIMC Raffles is deemed to be interested in 42,800,000 Shares held by CRIL. CIMC Raffles is owned as to approximately 34% by Mr. Brian Chang and his associates in 2008. Mr. Brian Chang is deemed to be interested in 42,800,000 Shares held by CRIL as he holds more than one-third interest of the issued share capital of CRIL. 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 ("AIL") and Windmere International Limited ("WIL"), respectively. In accordance with the Listing Rules, Mr. Brian Chang, CIMC Raffles, YRO, CRIL, AIL and WIL are connected persons of the Company and the Group, which in turn totally held over 19% issued share capital of the Company during 2008.

The fabrication of BOP Handling and Transport System

Category of transaction	Continuing connected transactions
Transaction Date	4 June 2008
Transaction with	CIMC Raffles
Purpose of Transaction	The master agreement with CIMC Raffles by which the Group can provide the Equipment and the Turnkey Project(s) to CIMC Raffles for two years ending 31 December 2009.
Contract Values and Other Details	The annual caps under the master agreement for two years ending 31 December 2009 are approximately RMB589 million and RMB1,028 million respectively.
Detailed Announcements and Shareholder Approval	Details of the transactions were announced on 4 June 2008 and in the circular dated 24 June 2008 which were all published on the websites of the Stock Exchange and the Company. The master agreement was approved by independent shareholders at extraordinary general meeting on 18 July 2008.

Connected Transactions and Continuing Connected Transactions *(continued)*

Non-Exempt Continuing Connected Transactions *(continued)*

(a) *(continued)*

The fabrication of BOP Handling and Transport System *(continued)*

During the Year, the Group transacted a contract with CIMC Raffles under the continuing connected transactions mandate approved by the Company's independent shareholders at extraordinary general meeting held on 18 July 2008. The above-mentioned contract cover the fabrication of BOP Handling and Transport System with a total contract value with VAT of RMB15.56 million, which is within the cap of RMB1,028 million for the year approved by the independent shareholders of the Company. The actual sales amount of these continuing connected transactions between the Group and CIMC Raffles was approximately RMB4,843,000 for the year ended 31 December 2010.

(b) In February 2010, the Company (as seller) entered into a new master agreement (the "New Master Agreement") with CIMC Raffles (as buyer). During 2010, CIMC Raffles is deemed to be interested in 42,800,000 Shares held by CIMC Raffles Investments Limited (formerly known as YRS Investments Limited) ("CRIL"). CIMC Raffles is owned as to approximately 31.95% by Mr. Brian Chang and his associates. Mr. Brain Chang was appointed as a non-executive Director of the Company since 10 July 2009. 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. In accordance with the Listing Rules, CIMC Raffles, Mr. Brian Chang and their respective associates are connected persons of the Company and the Group, which in turn totally held over 16% issued share capital of the Company during 2010.

Connected Transactions and Continuing Connected Transactions *(continued)*

Non-Exempt Continuing Connected Transactions *(continued)*

(b) *(continued)*

The fabrication of Drilling Package and a Electrical Power Package

Category of transaction	Continuing connected transactions
Transaction Date	10 February 2010
Transaction with	CIMC Raffles
Purpose of Transaction	The New Master Agreement with CIMC Raffles by which the Group can provide 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) to CIMC Raffles for two years ending 31 December 2011.
Contract Values and Other Details	The annual caps under the New Master Agreement for each of the two years ending 31 December 2011 are both USD200 million.
Detailed Announcements and Shareholder Approval	Details of the transactions were announced on 10 February 2010 which were all published on the websites of the Stock Exchange and the Company. The New Master Agreement was approved by independent shareholders by way of poll at extraordinary general meeting on 19 March 2010.

During the Year, the Group transacted a contract with CIMC Raffles under the continuing connected transactions mandate approved by the Company's independent shareholders at extraordinary general meeting held on 19 March 2010. The above-mentioned contract cover the fabrication of a drilling package and a electrical power package with a total contract value of US$38.5 million, which is within the cap of US$200 million for the Year approved by the independent shareholders of the Company. The actual sales amount of these continuing connected transactions between the Group and CIMC Raffles was approximately US$29.1 million for the year ended 31 December 2010.

The independent non-executive Directors, who were not interested in any of the above continuing connected transactions, have reviewed and confirmed that the above continuing connected transactions have been entered into by the Company:

- in the ordinary and usual course of business of the Group;
- conducted either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than those to be offered to or from independent third parties; and
- in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Connected Transactions and Continuing Connected Transactions *(continued)*

Non-Exempt Continuing Connected Transactions *(continued)*

The Company's auditors were engaged to report to the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter of Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions as disclosed by the Group in the annual report in accordance with Rule 14A.38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

Competition and Conflict of Interests

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

Sufficient of Public Float

The Company has maintained a sufficient public float throughout the year ended 31 December 2010.

Auditors

KPMG will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

Corporate Governance

A report on the principle corporate governance practices adopted by the Company is set out on pages 43 to 48 of this annual report.

ON BEHALF OF THE BOARD
TSC Group Holdings Limited

Jiang Bing Hua
Executive Chairman

Zhang Menggui
Chief Executive Officer

Hong Kong, 24 March 2011

Corporate Governance Report

The Board of Directors (the "Board") is pleased to present this "Corporate Governance Report" for the Year.

The Company recognises the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the needs of its business, therefore the Company continued to incorporate the essence of corporate governance into its management structure and internal control procedures, as we strove to maintain the highest standard in integrity and ethics in all aspects of our business activities, and to ensure the full compliance of our operations with applicable laws and regulations. By achieving high standards of corporate governance, the Directors believe that sound and reasonable corporate governance practices are essential for the rapid growth of the Group and for safeguarding and maximizing shareholders' interests.

Corporate Governance Practices

Throughout the Year, the Company applied the principles and complied with all applicable provisions under the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules under the periodical review.

Directors' Securities Transactions

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

Board of Directors

The Board is responsible for managing the Company on behalf of shareholders. The Board is of the view that it is the Directors' responsibilities to create value for shareholders and safeguard the best interests of the Company and the shareholders by discharging its duties in a dedicated, diligent and prudent manner on the principle of good faith. The Board is also responsible for decisions in relation to the overall strategic development of the Group's business. Responsibilities in relation to daily and execution of the strategic business plans are delegated to each of the executive Directors and management.

The executive chairman of the Board is Mr. Jiang Bing Hua and the Group's chief executive officer is Mr. Zhang Menggui. The roles of the executive chairman and the chief executive officer are distinct and segregated with a clear division of responsibility. The executive chairman plays a leading role and is responsible for effective running of the Board while the chief executive officer is delegated with the authority and responsibility of overall management, business development and implementation of the Group's strategy determined by the Board in achieving its overall commercial objectives.

Details of backgrounds and qualifications of the executive chairman of the Company and the other Directors are set out under the "Profiles of Directors and Senior Management" of this annual report. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

The Board comprises nine Directors up to the date of this annual report, including two executive Directors, namely Mr. Jiang Bing Hua and Mr. Zhang Menggui; three non-executive Directors, namely Mr. Jiang Longsheng, Mr. Brian Chang and Mr. Yu Yuqun; and four independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny, Mr. Bian Junjiang, Mr. Guan Zhichuan and Mr. Robert William Fogal Jr. As over half of the members of the Board being non-executive and they have not participated into the management of the Company, the Board is therefore able to exercise independent judgment on corporate affairs and provide the management with a diverse and objective perspective on issues. The Board believes that current board size is appropriate based on the Company's present circumstances and will periodically evaluate the need for increasing or decreasing its size.

Board of Directors *(continued)*

The Articles have stated clearly the procedures for the appointment of new directors, re-election and removal of directors. Under the Articles, the Board may from time to time appoint a director either to fill a casual vacancy or as an addition to the Board. Any such new director shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at the same general meeting.

All Directors (including non-executive Directors) have entered into a service contract with the Company for a term of three years, are subject to retirement by rotation once every three years, are subject to re-election in accordance with the Articles, unless and until terminated by not less than three months' prior notice in writing served by either party on the other. Pursuant to Article 86, Mr. Yu Yuqun, and pursuant to Article 87, Mr. Jiang Bing Hua, Mr. Jiang Longsheng and Mr. Guan Zhichuan will retire, and being eligible for election, offer themselves for re-election at the forthcoming annual general meeting to be held on 6 May 2011.

Members of the Board held a total of eight meetings during the Year. The Directors are given sufficient time and information relating to the matters to be discussed in the Board meetings in advance, or except in special circumstances, consent to short notice is sought at times of urgency.

Matters considered and approved by the Board during the Year mainly related to (i) the formulation and approval of the Group's development, business strategies, Group corporate policies, annual budgets and business plans; (ii) the approval of the Group's quarterly, interim and annual results; (iii) appointment of directors; (iv) grant of share option; and (v) placing of existing shares and subscription of new shares.

The Directors have complied with the Code for the convening of Board meeting which should be held at least four times a year at approximately quarterly intervals, to review the financial performance, results of each period, material investments and other matters of the Group that require resolutions of the Board. Simultaneous conference calls may be used to improve attendance when individual Director cannot attend the meeting in person.

Board of Directors *(continued)*

During the Year, Board, audit committee and remuneration committee meetings were held, with details as follows:

		Meetings attended/held		
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. Jiang Bing Hua	8/8		1/1	1/1
Mr. Zhang Menggui	8/8		1/1	1/1
Non-executive Directors				
Mr. Jiang Longsheng	8/8			
Mr. Brian Chang	4/8			
Independent non-executive Directors				
Mr. Chan Ngai Sang, Kenny	6/8	2/2	0/1	0/1
Mr. Bian Junjiang	6/8	1/2	1/1	1/1
Mr. Guan Zhichuan	7/8	2/2	1/1	1/1
Mr. Robert William Fogal Jr.	4/8			

Remuneration Committee

The remuneration committee was established on 20 October 2005 comprising three independent non-executive Directors, namely Mr. Bian Junjiang (being the Chairman), Mr. Chan Ngai Sang, Kenny, Mr. Guan Zhichuan; and two executive Directors, namely, Mr. Jiang Bing Hua and Mr. Zhang Menggui.

The role and function of the remuneration committee included the determination of the specific remuneration packages of all executive Directors and senior management, including benefits-in-kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of Directors. The remuneration committee will consider and give due regard to both the performance levels of, and a fair reward for, the chairman, executive Directors and the senior management and to the interest of all the shareholders of the Company in light of the financial and commercial circumstances of the Company from time to time. No Director shall be involved in deciding his own remuneration.

During the Year, one meeting of the remuneration committee was held and the remuneration committee of the Company reviewed all executive Directors' performance for the year 2008 and proposed bonuses. The chairman of the remuneration committee has reported the findings and provided recommendations to the Board after the meeting.

Nomination Committee

The nomination committee was established on 5 June 2009. A majority of its current members are independent non-executive Directors. Currently, the members of the committee are Mr. Jiang Bing Hua (being the Chairman), Mr. Zhang Menggui, Mr. Chan Ngai Sang, Kenny, Mr. Bian Junjiang and Mr. Guan Zhichuan.

Nomination Committee *(continued)*

Prior to the establishment of the nomination committee, the executive chairman and chief executive officer were mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The executive chairman or chief executive officer would propose the appointment of such candidates to the Board for consideration and the members of the Board would review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his skills, qualifications, experience, background, leadership and personal integrity. The decision to appoint a director might be approved by majority of the members of the Board.

During the Year, one meeting of the nomination committee was held and the nomination committee of the Company reviewed the current structure, size and composition of the Directors of the Company, the Chairman of the nomination committee then reported to the Board after the meeting.

The remit of the nomination committee is to identify candidates for appointment to the Board and to review the structure, size and composition of the Board. Before an appointment is made, the nomination committee evaluates the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepares a description of the role and capabilities required for a particular appointment. If deemed appropriate, external consultants may be used to identify suitable candidates.

Directors Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The Directors ensure that the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in "The Independent Auditor's Report" on pages 49 to 50 of this annual report.

Auditors' Remuneration

The audit committee of the Company is responsible for considering the appointment of the external auditor and reviewing non-audit functions (if any) performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the Year under review, the Company has paid an aggregate of approximately US$463,000 (2009: US$611,000) to the external auditor for its audit services. The Company did not have any non-audit service fee in the Year.

Audit Committee

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

Audit Committee *(continued)*

The main duties of the audit committee include the followings:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting functions, compliance officer or external auditors before submission to the Board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

Throughout the Year, the audit committee held two meetings in considering and reviewing the interim and annual results of the Group, and were of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

There is no disagreement between the Board and the audit committee regarding the selection, appointment, resignation or dismissal of external auditors.

The Company's annual results for the year ended 31 December 2010, has been reviewed by the audit committee.

Internal Control

The Company has conducted review of its system of internal control periodically to ensure the effectiveness and adequacy of the internal control system.

The responsibility for maintaining the Group's internal controls are divided between the Board and management. These internal controls are intended to safeguard the shareholders' investments and the Group's assets. The Company will continue to make efforts in improving its internal control system.

Shareholder Rights and Investor Relations

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Articles. Pursuant to Rule 13.39(4) of the Listing Rules effective from 1 January 2009, all votes of shareholders have been taken by poll in all 2010 general meetings of the Company. Representatives of the share registrar of the Company were appointed as scrutineers to monitor and count the poll votes cast at each general meeting. The Chairman of the meeting explained the detailed procedures for conducting a poll, and then answered questions from shareholders. The results of poll was published on the websites of the Stock Exchange and the Company respectively.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors. The chairman of the Board as well as the chairmen of the remuneration committee and audit committee or, in their absence, and, where applicable other members of the respective committees, are available to answer questions at the shareholders' meetings.

Shareholder Rights and Investor Relations *(continued)*

The Company continues to enhance communications and relationships with its investors. Designated Directors or senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

To promote effective communication, the Company also maintains a website at http://www.tsc-holdings.com, where extensive information and updates on the Company's business developments and operations, financial information and other information are posted.

Independent Auditor's Report

Independent auditor's report to the shareholders of
TSC Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of TSC Group Holdings Limited ("the Company") set out on pages 51 to 131, which comprise the consolidated and company statements of financial position as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

24 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Note	**2010** **US$'000**	2009 US$'000
Turnover	3 & 11	**143,455**	112,842
Cost of sales		**(91,189)**	(91,578)
Gross profit		**52,266**	21,264
Other revenue	4	**2,143**	1,194
Selling and distribution expenses		**(5,539)**	(4,884)
General and administrative expenses		**(28,035)**	(22,910)
Other operating expenses		**(4,409)**	(9,051)
Profit/(loss) from operations		**16,426**	(14,387)
Finance costs	5(a)	**(1,406)**	(1,338)
Share of results of associates		**38**	1,399
Profit/(loss) before taxation	5	**15,058**	(14,326)
Income tax (expense)/credit	6(a)	**(1,467)**	4,088
Profit/(loss) for the year		**13,591**	(10,238)
Attributable to:			
Equity shareholders of the Company	9	**13,571**	(10,238)
Non-controlling interests		**20**	–
Profit/(loss) for the year		**13,591**	(10,238)
Earnings/(loss) per share	10		
Basic		**US2.05 cents**	US(1.81) cents
Diluted		**US2.01 cents**	US(1.76) cents

The notes on pages 59 to 131 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 **US$'000**	2009 US$'000
Profit/(loss) for the year	**13,591**	(10,238)
Other comprehensive income for the year:		
Exchange differences on translation of financial statements of subsidiaries and associates	**1,972**	4,621
Total comprehensive income for the year	**15,563**	(5,617)
Attributable to:		
Equity shareholders of the Company	**15,507**	(5,617)
Non-controlling interests	**56**	–
Total comprehensive income for the year	**15,563**	(5,617)

The notes on pages 59 to 131 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2010

	Note	2010 US$'000	2009 US$'000
Non-current assets			
Property, plant and equipment	12(a)	**27,911**	23,552
Property under development	13	**429**	–
Interest in leasehold land held for own use under operating leases	14	**4,377**	3,132
Goodwill	15	**23,776**	24,290
Other intangible assets	16	**18,884**	16,449
Interest in associates	18	**4,132**	9,810
Prepayments	20	**2,082**	–
Deferred tax assets	25(b)	**13,124**	14,649
		94,715	91,882
Current assets			
Inventories	19	**33,339**	26,613
Trade and other receivables	20	**64,926**	42,037
Gross amount due from customers for contract work	21	**42,932**	22,424
Amount due from a related company	22	**101**	101
Pledged bank deposits		**3,657**	2,317
Cash at bank and in hand		**17,147**	38,519
		162,102	132,011
Current liabilities			
Trade and other payables	23	**62,179**	48,404
Bank loans	24	**14,653**	22,776
Current taxation	25(a)	**4,394**	3,213
Provisions	26	**2,306**	2,343
		83,532	76,736
Net current assets		**78,570**	55,275
Total assets less current liabilities		**173,285**	147,157

Consolidated Statement of Financial Position

At 31 December 2010

	Note	**2010 US$'000**	2009 US$'000
Non-current liabilities			
Bank loans	24	**3,330**	2,661
Deferred tax liabilities	25(b)	**3,224**	4,453
		6,554	7,114
NET ASSETS		**166,731**	140,043
CAPITAL AND RESERVES			
Share capital	29(b)	**8,727**	8,393
Reserves		**151,550**	131,650
Total equity attributable to equity shareholders of the Company		**160,277**	140,043
Non-controlling interests		**6,454**	–
TOTAL EQUITY		**166,731**	140,043

Approved and authorised for issue by the board of directors on 24 March 2011

Jiang Bing Hua
Director

Zhang Menggui
Director

The notes on pages 59 to 131 form part of these financial statements.

Statement of Financial Position

At 31 December 2010

	Note	**2010 US$'000**	2009 US$'000
Non-current assets			
Property, plant and equipment	12(b)	**22**	43
Interest in subsidiaries	17	**132,398**	107,212
		132,420	107,255
Current assets			
Other receivables, prepayments and deposits	20	**33**	38
Cash at bank and in hand		**2,475**	25,575
		2,508	25,613
Current liabilities			
Other payables and accrued charges	23	**564**	368
Amounts due to subsidiaries	17	**24**	26
		588	394
Net current assets		**1,920**	25,219
Total assets less current liabilities		**134,340**	132,474
NET ASSETS		**134,340**	132,474
CAPITAL AND RESERVES	29(a)		
Share capital		**8,727**	8,393
Reserves		**125,613**	124,081
TOTAL EQUITY		**134,340**	132,474

Approved and authorised for issue by the board of directors on 24 March 2011

Jiang Bing Hua
Director

Zhang Menggui
Director

The notes on pages 59 to 131 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Share capital	Share premium	Merger reserve	Exchange reserve	Employee share-based compensation reserve	Capital reserve	Revaluation reserve	Reserve funds	Retained profits	Total	Non-controlling interests	Total equity
	Attributable to equity shareholders of the Company											
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2009	7,225	89,087	2,161	(10,279)	2,558	512	627	1,856	21,807	115,554	–	115,554
Changes in equity for 2009:												
Loss for the year	–	–	–	–	–	–	–	–	(10,238)	(10,238)	–	(10,238)
Other comprehensive income	–	–	–	4,621	–	–	–	–	–	4,621	–	4,621
Total comprehensive income	–	–	–	4,621	–	–	–	–	(10,238)	(5,617)	–	(5,617)
Issues of ordinary shares	1,157	28,111	–	–	–	–	–	–	–	29,268	–	29,268
Share issue expenses	–	(743)	–	–	–	–	–	–	–	(743)	–	(743)
Shares issued under share option schemes	11	60	–	–	(27)	–	–	–	–	44	–	44
Equity-settled share-based transactions	–	–	–	–	1,537	–	–	–	–	1,537	–	1,537
Transferred to reserve funds	–	–	–	–	–	–	–	450	(450)	–	–	–
Balance at 31 December 2009 and 1 January 2010	**8,393**	**116,515**	**2,161**	**(5,658)**	**4,068**	**512**	**627**	**2,306**	**11,119**	**140,043**	**–**	**140,043**
Changes in equity for 2010:												
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,571**	**13,571**	**20**	**13,591**
Other comprehensive income	**–**	**–**	**–**	**1,936**	**–**	**–**	**–**	**–**	**–**	**1,936**	**36**	**1,972**
Total comprehensive income	**–**	**–**	**–**	**1,936**	**–**	**–**	**–**	**–**	**13,571**	**15,507**	**56**	**15,563**
Issues of ordinary shares	**219**	**2,404**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,623**	**–**	**2,623**
Shares issued under share option schemes (note 29(b)(ii))	**115**	**825**	**–**	**–**	**(579)**	**–**	**–**	**–**	**–**	**361**	**–**	**361**
Equity-settled share-based transactions	**–**	**–**	**–**	**–**	**1,743**	**–**	**–**	**–**	**–**	**1,743**	**–**	**1,743**
Acquisition of non-wholly owned subsidiary (note 31)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,398**	**6,398**
Transferred to reserve funds	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**975**	**(975)**	**–**	**–**	**–**
Balance at 31 December 2010	**8,727**	**119,744**	**2,161**	**(3,722)**	**5,232**	**512**	**627**	**3,281**	**23,715**	**160,277**	**6,454**	**166,731**

The notes on pages 59 to 131 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	Note	2010 US$'000	2009 US$'000
Operating activities			
Profit/(loss) before taxation		**15,058**	(14,326)
Adjustments for:			
Depreciation	5(c)	**2,658**	2,081
Impairment losses on doubtful debts	5(c)	**608**	4,764
Amortisation of interest in leasehold land held for own use under operating leases	5(c)	**94**	155
Amortisation of intangible assets	5(c)	**2,643**	2,792
Finance costs	5(a)	**1,406**	1,338
Interest income	4	**(72)**	(94)
Share of results of associates		**(38)**	(1,399)
(Gain)/loss on disposal of property, plant and equipment and intangible assets	5(c)	**(34)**	8
Gain on bargain purchase of subsidiaries	4	**(1,272)**	–
Equity-settled share-based payment expenses	5(b)	**1,743**	1,537
Foreign exchange loss/(gain)		**1,371**	(2,170)
Operating profit/(loss) before changes in working capital		**24,165**	(5,314)
(Increase)/decrease in inventories		**(2,230)**	5,959
(Increase)/decrease in trade and other receivables		**(38,666)**	1,213
Increase in amount due from a related company		**–**	(16)
Increase/(decrease) in trade and other payables		**8,031**	(13,707)
Decrease in provisions		**(60)**	(212)
Cash used in operations		**(8,760)**	(12,077)
People's Republic of China ("PRC") enterprise income tax and overseas tax paid		**(1,490)**	(958)
Net cash used in operating activities		**(10,250)**	(13,035)

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	Note	2010 US$'000	2009 US$'000
Investing activities			
Payment for purchase of property, plant and equipment		**(6,132)**	(3,764)
Payments for purchase of interest in leasehold land held for own use under operating leases		**(202)**	–
Construction expenditure on property under development		**(1,156)**	(969)
Interest received		**72**	94
Dividend received from associates		**5,732**	732
Increase in pledged bank deposits		**(1,340)**	(1,393)
Payment for purchase of intangible assets		**(24)**	(28)
Net cash inflow for acquisition of subsidiaries	31	**607**	–
Proceeds from sale of property, plant and equipment		**150**	113
Net cash used in investing activities		**(2,293)**	(5,215)
Financing activities			
Proceeds from issue of share capital		**–**	28,525
Proceeds from shares issued under share option scheme		**361**	44
Interest paid		**(1,406)**	(1,338)
Proceeds from new bank loans		**18,440**	23,524
Repayment of bank loans		**(26,500)**	(8,665)
Repayment of loan from a director		**–**	(2,056)
Net cash (used in)/generated from financing activities		**(9,105)**	40,034
Net (decrease)/increase in cash and cash equivalents		**(21,648)**	21,784
Cash and cash equivalents at 1 January		**38,519**	16,156
Effect of foreign exchange rate changes		**276**	579
Cash and cash equivalents at 31 December		**17,147**	38,519

Major non-cash transaction

In September 2010, the Group acquired 51% of the issued share capital of Juran Limited. Part of the consideration was settled by the allotment and issue of 17,000,000 shares of HK$0.1 each in the share capital of the Company.

The notes on pages 59 to 131 form part of these financial statements.

1 Significant accounting policies

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries and the Group's interest in associates.

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

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

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 34.

1 Significant accounting policies *(continued)*

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in accordance with notes 1(n) or 1(o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)), unless the investment is classified as held for sale.

1 Significant accounting policies *(continued)*

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(e) and 1(j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, an investment in an associate is stated at cost less impairment losses (see note 1(j)), unless the investment is classified as held for sale.

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

1 Significant accounting policies *(continued)*

(e) Goodwill *(continued)*

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(j)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(j)).

– buildings held for own use which are situated on leasehold land classified as under operating leases (see note 1(i)); and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(v)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives at the rates as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 40 years after the date of completion.

– Leasehold improvements are depreciated over the shorter of the unexpired term of lease or 5 years.

– Office equipment, furniture and fixtures	20% – 30%
– Plant and machinery	5% – 30%
– Motor vehicles	20%

1 Significant accounting policies *(continued)*

(f) Property, plant and equipment *(continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Property under development

Property under development represents buildings under construction, which is stated at cost less impairment losses (see note 1(j)), and is not depreciated. Cost comprises the direct cost of construction and borrowings costs (see note 1(v)). Property under development is reclassified to the appropriate category of property, plant and equipment when substantially completed and ready for its intended use.

(h) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(v)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(j)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(j)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Technical knowledge	5 – 10 years
– Customer relationships	10 – 11 years
– Order backlog	2 – 6 years
– Patents	5 – 6 years
– Computer software	2 – 10 years
– Brand name	20 years
– Cooperation agreement	8 years

Both the period and method of amortisation are reviewed annually.

1 Significant accounting policies *(continued)*

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except that land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

1 Significant accounting policies *(continued)*

(j) Impairment of assets

(i) Impairment of investments in associates and receivables

Investments in associates and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associates recognised using the equity method (see note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 1(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(j)(ii).

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

1 Significant accounting policies *(continued)*

(j) Impairment of assets *(continued)*

(i) Impairment of investments in associates and receivables *(continued)*

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- property under development;
- interest in leasehold land held for own use under operating leases;
- goodwill;
- other intangible assets;
- Non-current prepayments; and
- investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1 Significant accounting policies *(continued)*

(j) Impairment of assets *(continued)*

(ii) Impairment of other assets *(continued)*

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1 Significant accounting policies *(continued)*

(k) Inventories *(continued)*

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 1(t)(iii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statement of financial position as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade debtors and bills receivable". Amounts received before the related work is performed as "Advances received" under "Trade and other payables".

(m) Trade and other receivables, prepayments and gross amount due from customers for contract work

Trade and other receivables, prepayments and gross amount due from customers for contract work are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

1 Significant accounting policies *(continued)*

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(s)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(q) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

1 Significant accounting policies *(continued)*

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

1 Significant accounting policies *(continued)*

(r) Income tax *(continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary to the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(s)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

1 Significant accounting policies *(continued)*

(s) Financial guarantees issued, provisions and contingent liabilities *(continued)*

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 1(s)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 1(s)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

1 Significant accounting policies *(continued)*

(t) Revenue recognition *(continued)*

(ii) Engineering services fee income

Engineering services fee income is recognised when the related services are rendered.

(iii) Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated contract costs for the contract. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated to the respective functional currencies of the group entities at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currencies at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of the group entities with functional currency other than United States dollars are translated into United States dollars at the exchange rates approximating to those ruling at the dates of transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations, are translated into United States dollars at the closing exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

1 Significant accounting policies *(continued)*

(v) Borrowing costs *(continued)*

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

1 Significant accounting policies *(continued)*

(x) Segment reporting *(continued)*

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Changes in accounting policies

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 3 (revised 2008), *Business combinations*
- Amendments to HKAS 27, *Consolidated and separate financial statements*
- Amendments to HKFRS 5, *Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary*
- Amendment to HKAS 39, *Financial instruments: Recognition and measurement – eligible hedged items*
- Improvements to HKFRSs (2009)
- HK(IFRIC) 17, *Distribution of non-cash assets to owners*
- HK(int) 5, *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause*

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

2 Changes in accounting policies *(continued)*

The amendments to HKAS 39 and HKFRS 5, revisions to HK(IFRIC) 17, improvements to HKFRSs (2009) and the issuance of HK(Int) 5 have had no material impact on the Group's financial statements as the amendments and the Interpretation's conclusion were consistent with policies already adopted by the Group. The impact of the remainder of these developments on the consolidated financial statements is as follows:

– As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

  – Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

  – In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

  In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

2 Changes in accounting policies *(continued)*

- As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

  - If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

  - If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the end of reporting period the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain as interest. Previously such transactions were treated as partial disposals.

  In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

- In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28, *Investments in associates*, and HKAS 31, *Interests in joint ventures*, the following policies will be applied as from 1 January 2010:

  - If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  - If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

  Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

2 Changes in accounting policies *(continued)*

Other change in accounting policy which is relevant to the Group's financial statements is as follows:

– As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding location to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being, applied prospectively and therefore previous periods have not been restated.

3 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:

	2010 **US$'000**	2009 US$'000
Rig products and technology		
– Sales of rig electrical control system	**8,748**	12,386
– Sales of other rig equipment	**8,162**	6,559
– Construction contracts revenue	**41,412**	62,795
	58,322	81,740
Rig turnkey solutions		
– Construction contracts revenue	**52,274**	14,334
Oilfield expendables and supplies		
– Sales of expendables and supplies	**22,011**	11,539
Engineering services		
– Service fee income	**10,848**	5,229
	143,455	112,842

3 Turnover *(continued)*

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenues. In 2010, revenues from sales of rig products and technology and revenues from rig turnkey solutions construction contracts to this customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to approximately US$58 million (2009: US$27 million). Details of concentrations of credit risk arising from this customer are set out in note 30(a).

Further details regarding the Group's principal activities are disclosed in note 11 to these financial statements.

4 Other revenue

	2010 **US$'000**	2009 US$'000
Gain on sales of accessories	**535**	894
Interest income	**72**	94
Gain on bargain purchase of subsidiaries (note 31)	**1,272**	–
Others	**264**	206
	2,143	1,194

5 Profit/(loss) before taxation

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

		2010 **US$'000**	2009 US$'000
(a)	**Finance costs**		
	Interest on bank loans wholly repayable within five years	**1,261**	1,155
	Interest on other bank loan	**145**	183
		1,406	1,338
(b)	**Staff costs#**		
	Contributions to defined contribution retirement plans	**2,010**	1,242
	Equity settled share-based payment expenses (note 28)	**1,743**	1,537
	Salaries, wages and other benefits	**23,164**	18,673
		26,917	21,452

5 Profit/(loss) before taxation *(continued)*

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

		2010 **US$'000**	2009 US$'000
(c)	**Other items**		
	Amortisation of interest in leasehold land held for own use under operating leases#	**94**	155
	Amortisation of intangible assets	**2,643**	2,792
	Depreciation#	**2,658**	2,081
	Impairment losses on doubtful debts	**608**	4,764
	Research and development costs	**2,920**	1,121
	Net foreign exchange loss	**798**	1,301
	(Gain)/loss on disposal of property, plant and equipment and intangible assets	**(34)**	8
	Auditors' remuneration	**463**	611
	Minimum lease payments under operating leases in respect of land and buildings	**2,364**	1,580
	Cost of inventories# (note 19(b))	**90,237**	91,578

Cost of inventories includes US$10,752,000 (2009: US$8,780,000) relating to staff costs, depreciation and amortisation expenses which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

Cost of inventories includes US$591,000 (2009: US$3,052,000) relating to write down of inventories as disclosed in note 19(b).

6 Income tax in the consolidated income statement

(a) Income tax in the consolidated income statement represents:

	2010 US$'000	2009 US$'000
Current tax		
Provision for the year		
– PRC enterprise income tax	**2,155**	1,297
– Overseas corporation income tax	**481**	1,776
	2,636	3,073
Under/(over)-provision in respect of prior years		
– PRC enterprise income tax	**35**	(94)
– Overseas corporation income tax	**–**	128
	35	34
	2,671	3,107
Deferred tax		
Origination and reversal of temporary differences (note 25(b))	**(1,204)**	(7,195)
	1,467	(4,088)

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax for the year. Taxation for subsidiaries in other jurisdictions is charged at the appropriate current rates of taxation ruling in relevant jurisdictions respectively. During the year, certain PRC subsidiaries are subject to tax at reduced rates of 12.5% to 15% (2009: 12.5% to 15%) under the relevant PRC tax rules and regulations.

6 Income tax in the consolidated income statement *(continued)*

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

	2010 US$'000	2009 US$'000
Profit/(loss) before taxation	**15,058**	(14,326)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profits/(losses) in the jurisdictions concerned	**4,393**	(3,854)
Tax effect of non-deductible expenses	**646**	1,448
Tax effect of non-taxable income	**(215)**	(522)
Tax effect of profits entitled to tax reductions in the PRC	**(1,402)**	(1,247)
Tax effect of recognition of unused tax losses not recognised in prior years	**(1,892)**	–
Under-provision in prior years	**35**	34
Others	**(98)**	53
Actual tax expense/(credit)	**1,467**	(4,088)

7 Directors' remuneration

Directors' remuneration disclosed pursuant to the disclosure requirements of section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees		Salaries, allowances and benefits in kind		Retirement scheme contributions		Sub-total		Share-based payments (note)		Total	
	2010 US$'000	2009 US$'000	**2010 US$'000**	2009 US$'000	**2010 US$'000**	2009 US$'000	**2010 US$'000**	2009 US$'000	**2010 US$'000**	2009 US$'000	**2010 US$'000**	2009 US$'000
Executive directors:												
Mr Zhang Menggui	**–**	–	**507**	241	**7**	12	**514**	253	**37**	53	**551**	306
Mr Jiang Bing Hua	**–**	–	**507**	241	**8**	12	**515**	253	**37**	53	**552**	306
Mr Chen Yunqiang (resigned on 10 July 2009)	**–**	–	**–**	56	**–**	2	**–**	58	**–**	17	**–**	75
Mr Zhang Hongru (resigned on 10 July 2009)	**–**	–	**–**	262	**–**	1	**–**	263	**–**	16	**–**	279
Independent non-executive directors:												
Mr Bian Junjiang	**15**	15	**–**	–	**–**	–	**15**	15	**2**	4	**17**	19
Mr Chan Ngai Sang, Kenny	**19**	19	**–**	–	**–**	–	**19**	19	**3**	6	**22**	25
Mr Guan Zhichuan	**15**	15	**–**	–	**–**	–	**15**	15	**2**	4	**17**	19
Mr Robert William Fogal Jr. (appointed on 10 July 2009)	**15**	7	**–**	–	**–**	–	**15**	7	**–**	–	**15**	7
Non-executive director:												
Mr Jiang Longsheng	**15**	15	**–**	–	**–**	–	**15**	15	**3**	5	**18**	20
Mr Brian Chang (appointed on 10 July 2009)	**15**	7	**–**	–	**–**	–	**15**	7	**–**	–	**15**	7
	94	78	**1,014**	800	**15**	27	**1,123**	905	**84**	158	**1,207**	1,063

Note: These represent the estimated value of share options granted to the directors pursuant to the Company's share option schemes. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(q)(ii). The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share Option Scheme" in the report of the directors and note 28.

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2009: three) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other three (2009: two) individuals are as follows:

	2010 US$'000	2009 US$'000
Salaries and other emoluments	**648**	403
Share-based payments	**53**	73
Retirement scheme contributions	**72**	29
	773	505

The emoluments of the three (2009: two) individuals with the highest emoluments are within the following bands:

	2010 Number of individuals	2009 Number of individuals
HK$1,500,001 – HK$2,000,000	**2**	1
HK$2,000,001 – HK$2,500,000	**1**	1

9 Profit/(loss) attributable to equity shareholders of the Company

The consolidated profit/(loss) attributable to equity shareholders of the Company includes a loss of US$2,861,000 (2009: US$2,570,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's (loss)/profit for the year:

	2010 US$'000	2009 US$'000
Amount of consolidated loss attributable to equity shareholders dealt with in the Company's financial statements	**(2,861)**	(2,570)
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	**–**	5,075
Company's (loss)/profit for the year (note 29(a))	**(2,861)**	2,505

10 Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of US$13,571,000 (2009: loss attributable to ordinary equity shareholders of the Company of US$10,238,000) and the weighted average number of 663,542,000 (2009: 565,867,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2010 **'000**	2009 '000
Issued ordinary shares at 1 January	**652,611**	561,738
Effect of ordinary shares issued	**5,030**	3,699
Effect of share options exercised (note 29 (b)(ii))	**5,901**	430
Weighted average number of ordinary shares at 31 December	**663,542**	565,867

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of US$13,571,000 (2009: loss attributable to ordinary equity shareholders of the Company of US$10,238,000) and the weighted average number of 675,211,000 (2009: 580,725,000) ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2010 **'000**	2009 '000
Weighted average number of ordinary shares at 31 December	**663,542**	565,867
Effect of deemed issue of shares under the Company's share option schemes (note 28)	**11,669**	14,858
Weighted average number of ordinary shares (diluted) at 31 December	**675,211**	580,725

11 Segment reporting

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

–	Rig produces and technology:	the construction, manufacturing 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 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 segment. 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.

In addition to receiving segment information concerning segment results, management is provided with segment information concerning revenue (including inter-segment revenue), interest expense from borrowings managed directly by the segments, depreciation and amortisation and additions to non-current segment assets used by the segments in their operations.

11 Segment reporting *(continued)*

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2010 and 2009 is set out below.

	Rig products and technology		Rig turnkey solutions		Oilfield expendables and supplies		Engineering services		Total	
	2010 US$'000	2009 US$'000	**2010 US$'000**	2009 US$'000	**2010 US$'000**	2009 US$'000	**2010 US$'000**	2009 US$'000	**2010 US$'000**	2009 US$'000
Revenue from external customers	**58,322**	81,740	**52,274**	14,334	**22,011**	11,539	**10,848**	5,229	**143,455**	112,842
Inter-segment revenue	**176**	424	**–**	–	**2,208**	3,187	**–**	–	**2,384**	3,611
Reportable segment revenue	**58,498**	82,164	**52,274**	14,334	**24,219**	14,726	**10,848**	5,229	**145,839**	116,453
Reportable segment results	**(13,899)**	(14,233)	**25,875**	3,545	**4,852**	386	**4,052**	1,028	**20,880**	(9,274)
Depreciation and amortisation for the year	**4,328**	4,516	**12**	–	**476**	489	**552**	–	**5,368**	5,005
Reportable segment assets	**139,906**	134,864	**43,356**	7,669	**22,704**	15,355	**12,598**	331	**218,564**	158,219
Additions to non-current segment assets during the year	**3,581**	4,638	**185**	–	**2,044**	87	**9,616**	–	**15,426**	4,725
Reportable segment liabilities	**(35,475)**	(30,017)	**(16,731)**	(15,036)	**(11,049)**	(5,175)	**(625)**	(121)	**(63,880)**	(50,349)

11 Segment reporting *(continued)*

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

	2010 **US$'000**	2009 US$'000
Revenue		
Reportable segment revenue	**145,839**	116,453
Elimination of inter-segment revenue	**(2,384)**	(3,611)
Consolidated turnover	**143,455**	112,842
Profit/(loss)		
Segment results	**20,880**	(9,274)
Share of results of associates	**38**	1,399
Finance costs	**(1,406)**	(1,338)
Unallocated head office and corporate income and expenses	**(4,454)**	(5,113)
Consolidated profit/(loss) before taxation	**15,058**	(14,326)
Assets		
Reportable segment assets	**218,564**	158,219
Cash at bank and in hand	**17,147**	38,519
Pledged bank deposits	**3,657**	2,317
Interest in associates	**4,132**	9,810
Deferred tax assets	**13,124**	14,649
Unallocated head office and corporate assets	**193**	379
Consolidated total assets	**256,817**	223,893
Liabilities		
Reportable segment liabilities	**(63,880)**	(50,349)
Bank loans	**(17,983)**	(25,437)
Current taxation	**(4,394)**	(3,213)
Deferred tax liabilities	**(3,224)**	(4,453)
Unallocated head office and corporate liabilities	**(605)**	(398)
Consolidated total liabilities	**(90,086)**	(83,850)

11 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, property under development, interest in leasehold land held for own use under operation leases, goodwill, other intangible assets, interests in associates and non-current portion of prepayments ("specified non-current assets"). The geographical location of customers is based on the location of the customers. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, property under development and interest in leasehold land held for own use under operating leases, the location of the operation to which they are allocated, in the case of goodwill and intangible assets, and the location of operations, in the case of interests in associates and non-current portion of prepayments.

	Revenue from external customers		**Specified non-current assets**	
	2010 US$'000	2009 US$'000	**2010 US$'000**	2009 US$'000
Hong Kong	**–**	–	**28**	50
Mainland China	**40,952**	46,549	**38,537**	28,028
North America	**24,551**	28,158	**7,655**	13,622
South America	**4,372**	7,811	**401**	42
Europe	**22,014**	11,599	**32,582**	35,230
Singapore	**46,241**	12,255	**29**	239
Others (other part of Asia, India, Russia etc.)	**5,325**	6,470	**2,359**	22
	143,455	112,842	**81,591**	77,233

12 Property, plant and equipment

(a) The Group

	Buildings held for own use carried at cost US$'000	Office equipment, furniture and fixtures US$'000	Plant and machinery US$'000	Leasehold improvements US$'000	Motor vehicles US$'000	Total US$'000
Cost:						
At 1 January 2009	9,900	1,509	5,862	247	1,536	19,054
Exchange adjustments	10	26	3	(5)	48	82
Additions	112	391	3,100	48	113	3,764
Transfer from property under development	5,259	–	–	–	–	5,259
Disposals	–	(53)	(59)	(31)	(168)	(311)
At 31 December 2009	15,281	1,873	8,906	259	1,529	27,848
At 1 January 2010	15,281	1,873	8,906	259	1,529	27,848
Exchange adjustments	450	67	336	(1)	58	910
Additions						
– through acquisition of subsidiaries	372	76	1,106	–	17	1,571
– others	497	765	2,448	61	509	4,280
Transferred from property under development (note 13)	539	–	–	–	–	539
Disposals	(7)	(36)	(395)	–	(245)	(683)
At 31 December 2010	**17,132**	**2,745**	**12,401**	**319**	**1,868**	**34,465**
Accumulated depreciation:						
At 1 January 2009	194	440	1,115	160	521	2,430
Exchange adjustments	2	4	(24)	(11)	6	(23)
Charge for the year	518	358	853	43	309	2,081
Written back on disposals	–	(41)	(9)	(28)	(114)	(192)
At 31 December 2009	714	761	1,935	164	722	4,296
At 1 January 2010	714	761	1,935	164	722	4,296
Exchange adjustments	34	24	82	(1)	28	167
Charge for the year	676	416	1,202	36	328	2,658
Written back on disposals	(6)	(34)	(367)	–	(160)	(567)
At 31 December 2010	**1,418**	**1,167**	**2,852**	**199**	**918**	**6,554**
Net book value:						
At 31 December 2010	**15,714**	**1,578**	**9,549**	**120**	**950**	**27,911**
At 31 December 2009	14,567	1,112	6,971	95	807	23,552

12 Property, plant and equipment *(continued)*

(b) The Company

	Office equipment, furniture and fixtures US$'000
Cost:	
At 1 January 2009	54
Additions	28
At 31 December 2009	82
At 1 January 2010	82
Additions	9
At 31 December 2010	**91**
Accumulated depreciation:	
At 1 January 2009	18
Charge for the year	21
At 31 December 2009	39
At 1 January 2010	39
Charge for the year	30
At 31 December 2010	**69**
Net book value:	
At 31 December 2010	**22**
At 31 December 2009	43

12 Property, plant and equipment *(continued)*

(c) The analysis of the net book value of properties is as follows:

	2010 **US$'000**	2009 US$'000
Outside Hong Kong		
– long leases	**3,616**	3,711
– medium-term leases	**12,098**	10,856
	15,714	14,567

13 Property under development

The Group's property under development is situated on a piece of leasehold land in Tianjin, the PRC, held under a land use right for a period of 50 years up to 4 March 2059.

During the year ended 31 December 2010, completed property of US$539,000 (2009: US$5,259,000) has been transferred to property, plant and equipment (note 12).

14 Interest in leasehold land held for own use under operating leases

	The Group	
	2010 **US$'000**	2009 US$'000
Cost:		
At 1 January	**3,388**	3,380
Exchange adjustments	**160**	8
Additions		
– through acquisition of subsidiaries	**990**	–
– others	**202**	–
At 31 December	**4,740**	3,388
Accumulated amortisation:		
At 1 January	**256**	101
Exchange adjustments	**13**	–
Charge for the year	**94**	155
At 31 December	**363**	256
Net book value:		
At 31 December	**4,377**	3,132

The cost of interest in leasehold land held for own use under operating leases located in the PRC is amortised over the lease term of 43 to 50 years on a straight-line basis.

15 Goodwill

	The Group	
	2010	2009
	US$'000	US$'000
Cost		
At 1 January	**24,290**	22,253
Exchange adjustments	**(514)**	2,037
At 31 December	**23,776**	24,290

Impairment test for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash generating units ("CGU") identified according to the reportable segment as follow:

	The Group	
	2010	2009
	US$'000	US$'000
Rig products and technology	**23,776**	24,290

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rate stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	2010	2009
– Gross margin	**26% – 42%**	23% – 35%
– Growth rate	**2%**	2%
– Discount rate	**12% – 15%**	12% – 15%

Management determined the budgeted gross margin based on past performance and its expectation for market development. The discount rate used is pre-tax and reflects specific risks relating to the relevant segments.

16 Other intangible assets

The Group

	Technical knowledge US$'000	Customer relationships US$'000	Order backlog US$'000	Patents US$'000	Computer software US$'000	Brand name US$'000	Cooperation agreement US$'000	Total US$'000
Cost:								
At 1 January 2009	6,306	10,361	1,114	1,841	332	–	–	19,954
Exchange adjustments	462	1,046	106	5	16	–	–	1,635
Additions	–	–	–	–	28	–	–	28
Disposal	–	–	–	–	(2)	–	–	(2)
At 31 December 2009	6,768	11,407	1,220	1,846	374	–	–	21,615
At 1 January 2010	6,768	11,407	1,220	1,846	374	–	–	21,615
Exchange adjustments	(47)	(305)	(29)	69	4	–	–	(308)
Additions								
– through acquisition of subsidiaries	639	–	3,662	–	20	660	365	5,346
– others	–	–	–	–	24	–	–	24
At 31 December 2010	**7,360**	**11,102**	**4,853**	**1,915**	**422**	**660**	**365**	**26,677**
Accumulated amortisation:								
At 1 January 2009	613	690	390	453	38	–	–	2,184
Exchange adjustments	44	89	50	2	5	–	–	190
Charge for the year	729	1,022	600	340	101	–	–	2,792
At 31 December 2009	1,386	1,801	1,040	795	144	–	–	5,166
At 1 January 2010	1,386	1,801	1,040	795	144	–	–	5,166
Exchange adjustments	19	(48)	(25)	38	–	–	–	(16)
Charge for the year	785	1,011	380	345	96	11	15	2,643
At 31 December 2010	**2,190**	**2,764**	**1,395**	**1,178**	**240**	**11**	**15**	**7,793**
Net book value:								
At 31 December 2010	**5,170**	**8,338**	**3,458**	**737**	**182**	**649**	**350**	**18,884**
At 31 December 2009	5,382	9,606	180	1,051	230	–	–	16,449

The amortisation charge for the year is included in “other operating expenses” in the consolidated income statement.

17 Interest in subsidiaries

	The Company	
	2010	2009
	US$'000	US$'000
Unlisted shares/capital contributions, at cost	**26,245**	26,245
Amounts due from subsidiaries	**106,153**	80,967
	132,398	107,212
Amounts due to subsidiaries	**(24)**	(26)
	132,374	107,186

Amounts due from subsidiaries are unsecured, interest-free and not expected to be recovered within one year.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	**Place of incorporation/ establishment and operation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activity**
Emer International Limited	Hong Kong	2,000,000 shares of HK$1 each	100%	–	100%	Investment holding
TSC (Qingdao) Manufacture Co., Limited ("TSC (Qingdao)") #* (青島天時石油機械有限公司)	PRC	US$1,300,000	100%	–	100%	Manufacturing and trading of oilfield expendables and supplies
TSC-HHCT (Xian) Control Technologies Limited ("TSC-HHCT") #* (海爾海斯(西安)控制技術有限公司)	PRC	RMB17,000,000	100%	–	100%	Manufacturing and trading of rig electrical control system

17 Interest in subsidiaries *(continued)*

			Proportion of ownership interest			
Name of company	**Place of incorporation/ establishment and operation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activity**
TSC Manufacturing and Supply, LLC ("TSCMS")	USA	1,612,000 shares of US$1 each	100%	–	100%	Trading of rig equipment and oilfield expendables and supplies and provision of turnkey solutions
Qingdao TSC Offshore Equipment Co., Ltd. ("TSCOE") # (青島天時海洋石油裝備有限公司)	PRC	US$11,000,000	100%	–	100%	Manufacturing and trading of rig equipment and provision of rig turnkey solutions
Zhengzhou TSC Offshore Equipment Co., Ltd. ("ZZHL") (formerly Zhengzhou Highlight Energy Technology Co., Ltd) # (鄭州天時海洋石油裝備有限公司)	PRC	RMB31,200,000	100%	–	100%	Manufacturing and trading of rig equipment
Zhengzhou Gear King Co., Ltd. #* (鄭州吉爾傳動科技有限公司)	PRC	RMB1,200,000	100%	–	100%	Manufacturing and trading of rig equipment
NN Petroleum Engineering (HK) Co., Limited ("NNHK")	Hong Kong	HK$16,450,000	51%	–	51%	Trading of oilfield expendable and supplies and provision of engineering services

17 Interest in subsidiaries *(continued)*

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
TSC Offshore (UK) Limited ("TSCUK")	United Kingdom	73,074,952 shares of GBP0.025 each	100%	100%	–	Design and manufacture of mechanical handling equipment and provision of engineering services
TSC Engineering Limited	United Kingdom	GBP1	100%	–	100%	Design and manufacture of mechanical handling equipment
Ansell Jones Limited	United Kingdom	GBP1	100%	–	100%	Design and manufacture of mechanical handling equipment
TSC Offshore Pte. Limited	Singapore	SG$1	100%	–	100%	Design and manufacture of mechanical handling equipment
TSC Offshore Corporation	USA	US$6,100	100%	–	100%	Design and manufacture of rig equipment
TSC Offshore Limiteda	Brazil	BRL600,000	100%	–	100%	Provision of engineering services

17 Interest in subsidiaries *(continued)*

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Patriot Crane, LLC.	USA	US$1	100%	–	100%	Design and manufacture of offshore deck cranes
TSC Winches Limited	United Kingdom	GBP1	100%	–	100%	Design and manufacture of mechanical handling equipment
TSC Deep Water System, LLC	USA	US$30,000	71%	–	71%	Trading of tensioning equipment
8655 Golden Spike, LLC ("Golden Spike")	USA	US$1,039,500	100%	–	100%	Property holding

\# Registered under the laws of the PRC as foreign investment enterprises

* Unofficial English translation

18 Interest in associates

	The Group 2010 US$'000	2009 US$'000
Share of net assets	**4,132**	9,810

18 Interest in associates *(continued)*

Details of the Group's interest in associates are as follows:

Name of associate	Form of business structure	Place of incorporation establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Goldman Offshore Design, LLC	Incorporated	USA	802 Class A shares of US$1 each and 1,732 Class B shares of US$1 each	28%	–	28%	Investment holding
Zhengzhou Fu Ge Offshore Equipment Co., Ltd. #* (鄭州富格海洋工程裝備有限公司)	Established	PRC	RMB10,000,000	25%	–	25%	Manufacturing and marketing of equipment and spare parts for offshore rigs

\# Registered under the laws of the PRC as a foreign investment enterprise

* Unofficial English translation

Summary financial information on associates

	Assets US$'000	Liabilities US$'000	Equity US$'000	Revenue US$'000	Profit US$'000
2010					
100 per cent	**15,087**	**(144)**	**14,943**	**35**	**137**
Group's effective interest	**4,169**	**(37)**	**4,132**	**9**	**38**
2009					
100 per cent	35,718	(519)	35,199	655	4,993
Group's effective interest	9,948	(138)	9,810	164	1,399

19 Inventories

(a) Inventories in the statement of financial position comprise:

	The Group	
	2010	2009
	US$'000	US$'000
Raw materials	**6,869**	6,265
Work in progress	**9,403**	9,222
Finished goods	**17,067**	11,126
	33,339	26,613

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The Group	
	2010	2009
	US$'000	US$'000
Carrying amount of inventories sold	**89,646**	88,526
Write down of inventories	**591**	3,052
	90,237	91,578

20 Trade and other receivables

	The Group		The Company	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
Trade debtors and bills receivable	**61,826**	42,139	**–**	–
Less: allowance for doubtful debts (note 20(b))	**(6,758)**	(7,126)	**–**	–
	55,068	35,013	**–**	–
Other receivables, prepayments and deposits	**11,940**	7,024	**33**	38
	67,008	42,037	**33**	38
Less: Non-current portion of prepayments	**(2,082)**	–	**–**	–
	64,926	42,037	**33**	38

(a) Ageing analysis

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

	The Group	
	2010	2009
	US$'000	US$'000
Current	**31,408**	18,952
Less than 1 month past due	**7,711**	4,572
1 to 3 months past due	**3,458**	4,766
More than 3 months but less than 12 months past due	**10,743**	5,924
More than 12 months past due	**1,748**	799
Amounts past due	**23,660**	16,061
	55,068	35,013

20 Trade and other receivables *(continued)*

(a) Ageing analysis *(continued)*

The credit terms offered by the Group to its customers differ with each product/service. The credit terms offered to customers of oilfield expendables and supplies and engineering services are normally 30 to 90 days. The credit terms offered to customers of rig electrical control system 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 in 1 to 2 months after delivery and acceptance of products. The remaining 5% to 10% of the contract sum represents the retention money and is payable within up to 18 months after delivery of the products or 1 year after completion of the onsite testing, whichever is earlier. The amount of those retentions expected to be recovered after more than one year is US$292,000 (2009: US$1,035,000).

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly (see note 1(j)(i)).

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

	The Group	
	2010	2009
	US$'000	US$'000
At 1 January	**7,126**	2,302
Exchange adjustments	**63**	60
Impairment loss recognised	**608**	4,764
Uncollectible amounts written-off	**(1,039)**	–
At 31 December	**6,758**	7,126

At 31 December 2010, the Group's trade debtors and bills receivable of US$16,543,000 (2009: US$11,501,000) were individually determined to be impaired. The individually impaired receivables related to customers which management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of US$6,758,000 (2009: US$7,126,000) were recognised. The Group does not hold any collateral over these balances.

20 Trade and other receivables *(continued)*

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

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

	The Group	
	2010	2009
	US$'000	US$'000
Neither past due nor impaired	**30,664**	17,735
Less than 1 month past due	**7,711**	3,786
1 to 3 months past due	**2,113**	4,603
More than 3 months but less than 12 months past due	**3,932**	4,514
More than 12 months past due	**863**	–
	14,619	12,903
	45,283	30,638

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

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

21 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 31 December 2010, is US$175,680,000 (2009: US$109,315,000).

22 Amount due from a related company

	The Group	
	2010	2009
	US$'000	US$'000
Katy International Inc.:		
Balance at 1 January	**101**	85
Balance at 31 December	**101**	101
Maximum balance outstanding during the year	**101**	101

The amount represents funds advanced and expenses paid on behalf of Katy International Inc. and is unsecured, non-interest-bearing and without pre-determined repayment terms.

Mr Zhang Menggui and Mr Jiang Bing Hua are directors of the Company and each of them has a 50% beneficial interest in Katy International Inc..

There was no provision made against the principal amount at 31 December 2009 and 2010.

23 Trade and other payables

	The Group		The Company	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
Trade creditors and bills payable	**43,417**	36,007	**–**	–
Other payables and accrued charges	**11,447**	4,589	**564**	368
Amount due to an associate	**–**	18	**–**	–
Gross amount due to customers for contract work	**6,330**	6,207	**–**	–
Advances received in relation to construction contracts	**985**	1,583	**–**	–
	62,179	48,404	**564**	368

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the end of the reporting period.

23 Trade and other payables *(continued)*

	The Group	
	2010	2009
	US$'000	US$'000
Within 1 month	**9,239**	14,359
More than 1 month but within 3 months	**9,529**	8,736
More than 3 months but within 12 months	**16,830**	8,961
More than 12 months but within 24 months	**3,911**	3,951
More than 24 months	**3,908**	–
	43,417	36,007

24 Bank loans

At 31 December 2010, the bank loans were repayable as follows:

	The Group	
	2010	2009
	US$'000	US$'000
Within 1 year or on demand	**14,653**	22,776
After 1 year but within 2 years	**95**	89
After 2 years but within 5 years	**1,082**	305
After 5 years	**2,153**	2,267
	3,330	2,661
	17,983	25,437

At 31 December 2010, the bank loans were secured as follows:

	The Group	
	2010	2009
	US$'000	US$'000
Secured	**9,184**	16,808
Unsecured	**8,799**	8,629
	17,983	25,437

24 Bank loans *(continued)*

The bank loans carried interest at rates ranging from 5.31% to 7.00% per annum (2009: 5.31% to 6.58% per annum) and were secured/guaranteed by:

(i) Interest in leasehold land held for own use under operating leases, buildings, property under development, plant and machinery of four subsidiaries namely TSC (Qingdao), Golden Spike, Tianjin Shengli Petroleum Equipment Co. Ltd and TSC-HHCT. The aggregate net book value of assets pledged amounted to US$12,927,000 (2009: 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), Golden Spike, TSCMS, TSCOE and TSC-HHCT. The aggregate net book value of assets pledged amounted to US$32,854,000).

(ii) Corporate guarantees given by ZZHL, TSC (Qingdao) and TSC-HHCT to the extent of banking facilities outstanding of US$7,433,000 (2009: US$12,725,000) as at 31 December 2010.

(iii) Guarantees given by the directors of the Company to the extent of banking facilities outstanding of US$3,641,000 (2009: US$Nil) as at 31 December 2010.

25 Income tax in the statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	The Group	
	2010	2009
	US$'000	US$'000
Provision for the year	**2,636**	3,073
Provisional income tax paid	**(871)**	(622)
	1,765	2,451
Balance of income tax provision relating to prior years	**2,629**	762
	4,394	3,213

25 Income tax in the statement of financial position *(continued)*

(b) Deferred tax assets and liabilities recognised:

The Group

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation in excess of related depreciation allowances	Impairment losses on doubtful debts	Write-down on inventories	Intangible assets	Tax losses	Unrealised profits	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Deferred tax arising from:								
At 1 January 2009	116	(451)	(265)	4,781	(6,622)	(238)	144	(2,535)
Exchange adjustments	(20)	50	–	346	(842)	–	–	(466)
Credited to profit or loss (note 6(a))	(173)	(1,400)	(890)	(674)	(3,598)	(316)	(144)	(7,195)
At 31 December 2009	(77)	(1,801)	(1,155)	4,453	(11,062)	(554)	–	(10,196)
At 1 January 2010	(77)	(1,801)	(1,155)	4,453	(11,062)	(554)	–	(10,196)
Exchange adjustments	–	(12)	20	(89)	292	–	–	211
Addition through acquisition of subsidiaries	–	–	–	1,289	–	–	–	1,289
Charged/(credited) to profit or loss (note 6(a))	–	154	679	(671)	(1,056)	(310)	–	(1,204)
At 31 December 2010	**(77)**	**(1,659)**	**(456)**	**4,982**	**(11,826)**	**(864)**	**–**	**(9,900)**

	2010	2009
	US$'000	US$'000
Reconciliation to the consolidated statement of financial position:		
Net deferred tax assets	**(13,124)**	(14,649)
Net deferred tax liabilities	**3,224**	4,453
	(9,900)	(10,196)

At 31 December 2010, the Group had not recognised deferred tax liabilities in respect of undistributed profits of subsidiaries of US$2,951,000 (2009: US$1,808,000) as the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

26 Provisions

Provision for loss making construction contracts:

	The Group US$'000
At 1 January 2010	2,343
Additional provisions made	23
Provisions realised	(60)
At 31 December 2010	**2,306**

Provision for loss making construction contracts is recognised for the amount by which costs exceed the associated revenue based on the best estimate of the expenditure required to settle the Group's liabilities under certain long term contracts. These provisions are expected to be realised over the next 12 months.

27 Employee retirement benefits

As stipulated by the labour regulations of the PRC, the Group participates in various defined contribution retirement plans organised by the municipal and provincial governments for its employees in the PRC. The Group is required to make contributions to the retirement plans at rates ranging from 20% to 25% of the eligible employees' salaries.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

The Group also operates defined contribution retirement benefits schemes for all qualifying employees in jurisdictions other than the PRC and Hong Kong with contributions to the schemes at 3% – 10% of the gross salaries.

The Group has no other obligation for the payment of the employees' retirement and other post-retirement benefits other than the contributions described above.

28 Equity settled share-based transactions

Pre-IPO Scheme

Pursuant to written resolutions of all shareholders of the Company on 19 October 2005, the Company adopted a Pre-IPO share option scheme ("Pre-IPO Scheme").

The purpose of the Pre-IPO Scheme is to recognise the contribution of certain directors and employees of the Group to the growth of the Group and/or the listing of shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("the Stock Exchange").

The subscription price for each share is HK$0.2383 (adjusted for the effect of capitalisation issue in May 2007) which was determined after taking into account the grantees' substantial contributions to the growth and development of the Group.

The total number of shares subject to the Pre-IPO Scheme is 18,252,000 ordinary shares (adjusted for the effect of capitalisation issue) representing approximately 6.34% of the then total issued share capital of the Company. During the year, 6,728,400 (2009: 442,800) share options were exercised and the Company had 950,400 (2009: 7,678,800) share options outstanding as at the end of the reporting period.

No further share options will be offered or granted under the Pre-IPO Scheme after the termination date i.e. 21 November 2005.

The options granted under the Pre-IPO Scheme can only be exercised by the grantees after the later of twelve months following the listing date (i.e. 28 November 2005) or such period as may be required by the Stock Exchange for the options granted under the Pre-IPO Scheme to be subject to lock-up restrictions.

If the grantee maintains continuous status of an employee for every 6 months, an additional 10% of the option granted is vested and exercisable. The accumulated vested portion of this option may not be exercised later than 10 years from the date on which the grantee accepts the options.

Share Option Schemes

In addition, pursuant to the resolutions passed by all the shareholders on 20 October 2005 and 20 August 2009, the Company has adopted share option schemes ("Share Option Schemes").

The purpose of the Share Option Schemes is to provide incentives or rewards to the participants (as defined below) for their contribution to the Group and/or enable the Group to recruit and retain high-caliber employees and to improve the loyalty of the employees.

The directors may, at their discretion, invite any participant (the "Participants") being any employee, executive directors, non-executive directors, certain consultants, suppliers and customers of the Group who, in the sole discretion of the boards, have contributed to the Group. Upon acceptance of the option, the grantee shall pay HK$1 to the Company as consideration for the grant.

28 Equity settled share-based transactions *(continued)*

Share Option Schemes *(continued)*

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Schemes and any other share option schemes in force from time to time must not in aggregate exceed 30% of the shares in issue from time to time (the "Scheme Limit").

Subject to the Scheme Limit, the Company may grant options of up to 10% of the issued share capital of the Company as at the date of adoption of the Share Option Schemes ("Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Share Option Schemes will not be counted for the purpose of calculating the 10% limit.

The Company may renew the Scheme Mandate Limit at any time subject to the approval of the shareholders. However, the Scheme Mandate Limit as "refreshed" must not exceed 10% of the shares in issue as at the date of approval of the renewed limit. Options previously granted under the Share Option Schemes (including those outstanding, cancelled, lapsed in accordance with the Share Option Schemes or exercised options) will not be counted for the purpose of calculating the limit as "refreshed".

Unless approved by the shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the issued share capital of the Company from time to time. Any further grant of options in excess of the limit must be subject to the shareholders' approval with such Participant and his associates abstaining from voting.

The exercise price must be at least the highest of: (a) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the Company's shares.

A nominal consideration of HK$1 is payable by the grantee upon acceptance of an option.

An option may be exercised in accordance with the terms of the Share Option Schemes at any time during a period to be determined and notified by the directors of the Company to each grantee of the option which period may commence on a day after the date upon which the option is granted but shall and in any event be not later than ten years from the date of grant. Unless otherwise determined by the directors of the Company at their sole discretion, there is no requirement of a minimum period for which a share option must be held.

During the year, 2,225,000 (2009: 430,000) share options under the Share Option Schemes were exercised and 1,685,000 (2009: 3,440,000) share options were lapsed.

28 Equity settled share-based transactions *(continued)*

(a) The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
– on 19 October 2005	6,177,600	Note	10 years
– on 29 December 2008	5,550,000	Note	10 years
Options granted to employees:			
– on 19 October 2005	1,944,000	Note	10 years
– on 10 May 2007	6,802,000	Note	10 years
– on 12 November 2007	9,050,000	Note	10 years
– on 15 January 2008	2,000,000	Note	10 years
– on 12 August 2008	4,000,000	Note	10 years
– on 29 December 2008	10,500,000	Note	10 years
– on 18 September 2009	20,295,000	Note	10 years
– on 1 September 2010	9,070,000	Note	10 years
Total share options	75,388,600		

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

28 Equity settled share-based transactions *(continued)*

(b) The number and weighted average exercise prices of share options are as follows:

	2010		2009	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**HK$2.10**	**62,005,800**	HK$2.12	46,023,600
Exercised during the year	**HK$0.31**	**(8,953,400)**	HK$0.39	(872,800)
Lapsed during the year	**HK$2.01**	**(1,685,000)**	HK$2.63	(3,440,000)
Granted during the year	**HK$1.27**	**9,070,000**	HK$2.06	20,295,000
Outstanding at the end of the year	**HK$2.24**	**60,437,400**	HK$2.10	62,005,800
Exercisable at the end of the year	**HK$2.87**	**20,202,400**	**HK$1.90**	18,638,800

The weighted average share price at the date of exercise for share options exercised during the year was HK$2.28 (2009: HK$1.4).

The options outstanding at 31 December 2010 had an exercise price of HK$0.2383, HK$2.43, HK$5.6, HK$5.23, HK$2.32, HK$0.54, HK$2.06 and HK$1.27 (2009: HK$0.2383, HK$2.43, HK$5.6, HK$5.23, HK$2.32, HK$0.54 and HK$2.06) and a weighted average remaining contractual life of 8.1 years (2009: 8.5 years).

28 Equity settled share-based transactions *(continued)*

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Binomial Model. The contractual life of the share option is used as an input into this model.

Fair value of share options and assumptions

Grant date	1 September 2010	18 September 2009	29 December 2008	12 August 2008	15 January 2008	12 November 2007	10 May 2007	19 October 2005
Fair value at measurement date	US$0.07	US$0.12	US$0.03	US$0.12	US$0.27	US$0.29	US$0.13	US$0.09
Share price	HK$1.2	HK$2.06	HK$0.54	HK$2.32	HK$5.22	HK$5.6	HK$2.43	HK$0.6083
Exercise price	HK$1.27	HK$2.06	HK$0.54	HK$2.32	HK$5.23	HK$5.6	HK$2.43	HK$0.2383
Expected volatility	50%	50%	45%	41%	42%	42%	42%	51%
Option life	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Expected dividends	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Risk-free interest rate (based on Exchange Fund Notes)	1.93%	2.36%	1.235%	3.38%	2.8%	3.45%	4.24%	4.58%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on public available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

29 Capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital US$'000	**Share premium** US$'000	**Exchange reserve** US$'000	**Employee share-based compensation reserve** US$'000	**Retained profits/ (accumulated loss)** US$'000	**Total** US$'000
Balance at 1 January 2009	7,225	89,087	779	2,558	214	99,863
Changes in equity in 2009:						
Total comprehensive income for the year	–	–	–	–	2,505	2,505
Issue of ordinary shares	1,157	28,111	–	–	–	29,268
Shares issue expenses	–	(743)	–	–	–	(743)
Shares issued under share option schemes	11	60	–	(27)	–	44
Equity-settled share-based transactions	–	–	–	1,537	–	1,537
Balance at 31 December 2009 and 1 January 2010	8,393	116,515	779	4,068	2,719	132,474
Changes in equity in 2010:						
Total comprehensive income for the year	–	–	–	–	(2,861)	(2,861)
Issue of ordinary shares	219	2,404	–	–	–	2,623
Shares issued under share option schemes (note 29(b)(ii))	115	825	–	(579)	–	361
Equity-settled share-based transactions	–	–	–	1,743	–	1,743
Balance at 31 December 2010	**8,727**	**119,744**	**779**	**5,232**	**(142)**	**134,340**

29 Capital and reserves *(continued)*

(b) Share capital

(i) Authorised and issued share capital

	2010		2009	
	No. of shares '000	**Amount US$'000**	No. of shares '000	Amount US$'000
Authorised:				
Ordinary share of HK$0.1 each	**2,000,000**	**25,746**	2,000,000	25,746
Ordinary shares, issued and fully paid:				
At 1 January	**652,611**	**8,393**	561,738	7,225
Issue of ordinary shares	**17,000**	**219**	90,000	1,157
Shares issued under share option schemes	**8,953**	**115**	873	11
At 31 December	**678,564**	**8,727**	652,611	8,393

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Shares issued under share option schemes

During the year ended 31 December 2010, options were exercised to subscribe for 8,953,400 ordinary shares in the Company at a consideration of US$361,000 of which US$115,000 was credited to share capital and the balance of US$246,000 was credited to the share premium account. US$579,000 has been transferred from the employee share-based payment reserve to the share premium account in accordance with the policy set out in note 1(q)(ii).

29 Capital and reserves *(continued)*

(b) Share capital *(continued)*

(iii) Terms of unexpired and unexercised share options at the end of the reporting period

Exercise period	Exercise price	2010 Number	2009 Number
29 November 2005 to 18 October 2015	HK$0.2383	**950,400**	7,678,800
10 November 2007 to 9 May 2017	HK$2.43	**6,332,000**	6,602,000
12 May 2008 to 11 November 2017	HK$5.6	**8,360,000**	8,510,000
15 July 2008 to 14 January 2018	HK$5.23	**2,000,000**	2,000,000
12 February 2009 to 11 August 2018	HK$2.32	**1,700,000**	1,700,000
29 June 2009 to 28 December 2018	HK$0.54	**12,755,000**	15,220,000
18 March 2010 to 17 September 2019	HK$2.06	**19,720,000**	20,295,000
1 March 2011 to 31 August 2020	HK$1.27	**8,620,000**	–
		60,437,400	62,005,800

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 28 to the financial statements.

(c) Nature and purpose of reserves

(i) Share premium

Under the Companies Law (Revised) of the Cayman Islands, the fund in the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Merger reserve

The merger reserve represents the difference between the nominal value of the share capital of the subsidiaries acquired as a result of the restructuring exercise in 2004 and the nominal value of the Company's shares issued in exchange thereof.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and associates. The reserve is dealt with in accordance with the accounting policies set out in note 1(u).

29 Capital and reserves *(continued)*

(c) Nature and purpose of reserves *(continued)*

(iv) Employee share-based compensation reserve

The employee share-based compensation reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based payments in note 1(q)(ii).

(v) Capital reserve

The capital reserve represents the excess of capital contribution over the nominal value of the registered capital of TSC (Qingdao).

(vi) Revaluation reserve

The revaluation reserve represents the fair value adjustment to the interest previously held by the Group as an associate upon the acquisition of TSCUK.

(vii) Reserve funds

The Articles of Association of certain PRC subsidiaries require the appropriation of 10% of their profit after tax each year, based on their statutory audited financial statements, to the reserve funds until the balance reaches 50% of the registered capital of the respective PRC subsidiaries. The reserve funds may be capitalised as the paid-in capital of these subsidiaries.

(d) Distributability of reserves

The Company's reserves available for cash distribution and/or distribution in specie to equity shareholders of the Company as at 31 December 2010, as computed in accordance with the Companies Law (Revised) of the Cayman Islands amounted to US$119,602,000 (2009: US$119,234,000).

(e) Dividend

The directors do not recommend the payment of a dividend for the year ended 31 December 2010 (2009: Nil).

(f) Capital management

The Group's primary objectives when managing capital are to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

29 Capital and reserves *(continued)*

(f) Capital management *(continued)*

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. The Group reviews the capital structure on a regular basis and considers the cost of capital and the associated risks. Based on recommendations of the board of directors, the Group will balance its overall capital structure through adjusting the amount of dividends payable to shareholders, new shares issues or new debt financing. No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 2010.

The Group monitors capital with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there would be adequate working capital to service its debt obligations. The Group's gearing ratio, being the Group's total liabilities to equity shareholders' funds, as at 31 December 2010 was 56% (2009: 60%).

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

30 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to this credit risk is monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Credit terms offered by the Group to its customers are set out in note 20(a) to the financial statements.

The credit risk on cash at bank and pledged bank deposits is limited as the counterparties are banks with sound credit standing.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group has a certain concentration of credit risk as 38% (2009: 23%) and 44% (2009: 38%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

30 Financial risk management and fair values *(continued)*

(a) Credit risk *(continued)*

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 20.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group

	2010						2009					
		Contractual undiscounted cash outflow						Contractual undiscounted cash outflow				
	Carrying amount US$'000	**Total contractual undiscounted cash flow US$'000**	**Within 1 year or on demand US$'000**	**More than 1 year but within 2 years US$'000**	**More than 2 years but within 5 years US$'000**	**More than 5 years US$'000**	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	Within 1 year or on demand US$'000	More than 1 year but within 2 years US$'000	More than 2 years but within 5 years US$'000	More than 5 years US$'000
Trade and other payables	**54,864**	**54,864**	**54,864**	**–**	**–**	**–**	40,614	40,614	40,614	–	–	–
Bank loans	**17,983**	**20,434**	**15,322**	**318**	**1,604**	**3,190**	25,437	28,012	23,617	261	783	3,351
	72,847	**75,298**	**70,186**	**318**	**1,604**	**3,190**	66,051	68,626	64,231	261	783	3,351

30 Financial risk management and fair values *(continued)*

(b) Liquidity risk *(continued)*

The Company

	2010 Contractual undiscounted cash outflow						2009 Contractual undiscounted cash outflow					
	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	Within 1 year or on demand US$'000	More than 1 year but within 2 years US$'000	More than 2 years but within 5 years US$'000	More than 5 years US$'000	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	Within 1 year or on demand US$'000	More than 1 year but within 2 years US$'000	More than 2 years but within 5 years US$'000	More than 5 years US$'000
Other payables and accrued charges	**564**	**564**	**564**	**–**	**–**	**–**	368	368	368	–	–	–
Amounts due to subsidiaries	**24**	**24**	**24**	**–**	**–**	**–**	26	26	26	–	–	–
	588	**588**	**588**	**–**	**–**	**–**	394	394	394	–	–	–
Financial guaranteed issued: – Maximum amount guaranteed	**–**	**–**	**–**	**–**	**–**	**–**	2,000	2,000	2,000	–	–	–

30 Financial risk management and fair values *(continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from the Group's cash at bank and in hand, pledged bank deposits and bank loans. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net borrowings (being interest-bearing financial liabilities less cash at bank and in hand and pledged bank deposits) at the end of the reporting period.

The Group

	2010		2009	
	Effective interest rate	**US$'000**	Effective interest rate	US$'000
Fixed rate borrowings:				
Bank loans	**5.31% – 7.00%**	**10,550**	5.31% – 6.58%	21,173
Variable rate borrowings/ (deposits):				
Bank loans	**5.31% – 6.50%**	**7,433**	5.31% – 6.50%	4,264
Less: Pledged bank deposits	**0.36%**	**(3,657)**	2.08%	(2,317)
Cash at bank and in hand	**0.01% – 1.29%**	**(17,147)**	0.01% – 0.36%	(38,519)
		(13,371)		(36,572)
Total net deposits		**(2,821)**		(15,399)

30 Financial risk management and fair values *(continued)*

(c) Interest rate risk *(continued)*

(i) Interest rate profile *(continued)*

The Company

	2010 Effective interest rate	2010 US$'000	2009 Effective interest rate	2009 US$'000
Variable rate deposits:				
Cash at bank and in hand	**0.01%**	**(2,475)**	0.01%	(25,575)
Total net deposits		**(2,475)**		(25,575)

(ii) Sensitivity analysis

At 31 December 2010, it is estimated that a general increase/decrease of one percentage point in interest rates, with all other variables held constant, would have increased/decreased the Group's profit before tax by approximately US$134,000 (2009: decreased/increased the Group's loss before tax by approximately US$366,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit/(loss) before taxation that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit/(loss) before tax is estimated as an annualised impact on interest expense or income of such a change interest rates. The analysis is performed on the same basis for 2009.

(d) Currency risk

(i) Forecast transactions

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 carried out production locally with Renminbi ("RMB") as functional currency while over 50% of the Group's turnover was denominated in United States dollars. At 31 December 2010, no related hedges were made by the Group.

30 Financial risk management and fair values *(continued)*

(d) Currency risk *(continued)*

(i) Forecast transactions *(continued)*

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB take place through the People's Bank of China or other institutions authorised to buy and sell foreign currencies. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

(ii) Exposure to currency risk

The following tables details the Group's exposure at the end of the reporting period to the currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in United States dollars, translated using the spot rate at the year end date.

The Group

	Exposure to United States Dollars (expressed in United States Dollars)	
	2010	2009
	$'000	$'000
Trade and other receivables	**2,202**	1,010
Cash at bank and in hand	**1,613**	3,152
Trade and other payables	**(1,560)**	(952)
Net exposure arising from recognised assets and liabilities	**2,255**	3,210

30 Financial risk management and fair values *(continued)*

(d) Currency risk *(continued)*

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit/(loss) before tax that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

The Group

	2010 Increase/(decrease) in foreign exchange rates	**2010** Effect on profit before tax US$'000	2009 Increase/(decrease) in foreign exchange rates	2009 Effect on loss before tax US$'000
United States Dollars	**5%**	**113**	5%	(161)
	(5)%	**(113)**	(5)%	161

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit/(loss) before tax measured in the respective functional currencies, translated into United States Dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excluded differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2009.

30 Financial risk management and fair values *(continued)*

(e) Fair values

The fair values of current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The carrying amounts of non-current bank loans approximate their fair values.

(f) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of the following financial instruments.

Interest-bearing loans and borrowings and receivables

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

31 Acquisition of subsidiaries

In September 2010, the Group acquired 51% of the issued share capital of Juran Limited (together with its wholly-owned subsidiaries, namely NNHK, Dongying Shengli Petroleum Technology Service Co., Ltd., Tianjin Shengli Petroleum Equipment Co., Ltd., Shandong Cruiser Top Driver Equipment Co., Ltd. and Beijing Cruiser Petroleum Technology Service Co., Ltd., collectively known as "the Acquired Subsidiaries") at total consideration of US$5,388,000. For the four months ended 31 December 2010, the Acquired Subsidiaries contributed profit of US$41,000 to the consolidated profit for the year. If the acquisition had occurred on 1 January 2010, the Group's turnover and profit for the year would increase by US$4,930,000 and US$1,185,000 respectively.

31 Acquisition of subsidiaries *(continued)*

The net assets of the Acquired Subsidiaries at the acquisition date are as follows:

	Pre–acquisition carrying amount US$'000	Fair value adjustment US$'000	Recognised values on acquisition US$'000
Property, plant and equipment	1,571	–	1,571
Property under development	39	–	39
Intangible assets	192	5,154	5,346
Interest in leasehold land held for own use	990	–	990
Inventories	3,717	–	3,717
Trade and other receivables	3,707	–	3,707
Cash at bank and in hand	3,372	–	3,372
Trade and other payables	(4,395)	–	(4,395)
Deferred tax liabilities	–	(1,289)	(1,289)
Total identifiable net assets	9,193	3,865	13,058
Less: Non-controlling interest			(6,398)
Gain on bargain purchase (note)			(1,272)
Total consideration			5,388
Consideration, satisfied by:			
– cash			2,765
– issue of new shares			2,623
			5,388
Acquisition-related costs (included in general and administrative expenses)			62
Net cash inflow arising on acquisition:			
– cash consideration paid			2,765
– cash acquired			(3,372)
Net cash inflow			(607)

Note: Bargain purchase was arisen from the acquisition of the Acquired Subsidiaries as the Group's interest in net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date exceeds the aggregate of the fair value of the consideration transferred.

32 Commitments

(a) Capital commitments outstanding at 31 December 2010 not provided for in the financial statements were as follows:

	The Group	
	2010	2009
	US$'000	US$'000
Contracted for the property	**2,034**	–

(b) At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2010	2009
	US$'000	US$'000
Within 1 year	**1,780**	1,013
After 1 year but within 5 years	**3,683**	899
After 5 years	**1,150**	43
	6,613	1,955

The Group is the lessee in respect of certain properties under operating leases. The leases run for an initial period of one to seven years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

33 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following related party transactions.

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2010 US$'000	2009 US$'000
Salaries and other emoluments	**2,427**	1,400
Share-based payments	**273**	255
Retirement scheme contributions	**112**	55
	2,812	1,710

Total remuneration is included in "staff costs" (see note 5(b)).

(b) During the year ended 31 December 2010, the Group purchased raw materials from an associate amounted to US$Nil (2009: US$53,000).

34 Accounting judgements and estimates

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes 15, 28 and 30 contain information about the assumptions and their risk factors relating to goodwill impairment, fair value of share option granted and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Useful lives of property, plant and equipment and intangible assets

The Group determines the estimated useful lives and related depreciation/amortisation charges for the property, plant and equipment and other intangible assets. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment and other intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation/amortisation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

34 Accounting judgements and estimates *(continued)*

(b) Impairment losses on trade and other receivables

The Group recognises impairment losses on doubtful debts based on an assessment of the recoverability of trade debtors and other receivables. Impairments are applied to trade debtors and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debts expenses in the period in which such estimate has been changed.

(c) Other impairment losses

If circumstances indicate that the carrying value of investment in a subsidiary, associate, property, plant and equipment, property under development, interest in leasehold land held for own use under operating leases, goodwill and other intangible assets may not be recoverable, these assets may be considered impaired, and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets". The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amount may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling prices and the value in use. It is difficult to estimate precisely selling prices because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

(d) Net realisable value of inventories

The Group recognises write-down on inventories based on an assessment of the net realisable value of the inventories. Write-down is applied to the inventories where events or changes in circumstances indicate that the net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of the inventories and write-down on inventories charged to profit or loss in the period in which such estimate has been changed.

(e) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

34 Accounting judgements and estimates *(continued)*

(f) Construction contracts

As explained in policy notes 1(l) and 1(t)(iii), revenue and profit recognition on an incompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated.

Based on the latest information available in respect of the market environment, the Group prepares budgets for construction contracts individually and the budget, which is used in the Group's financial reporting, is reviewed regularly. Foreseeable losses are provided when identified.

In preparing the financial statements for the year ended 31 December 2010, the directors of the Company have reviewed the construction contracts and consider that a provision for loss is adequate. Material adjustments to the budgeted costs may occur in future if there is a significant change in the market environment.

(g) Warranty provisions

For some of the goods sold by the Group, there is an one year warranty period. Based on historical warranty data and a weighting of all possible outcomes against their associated probabilities, no provision for warranty has been made in the financial statements. It is possible that the past warranty claim history is not indicative of future claims. Any increase in the provision would affect profit or loss in future years.

(h) Bargain purchase

The Group recognised gain on bargain purchase of subsidiaries as the net fair value of the acquirees' identifiable assets and liabilities measured as at the acquisition date exceeds the aggregate of the fair value of the considerations transferred and the amount of non-controlling interest in the acquirees. In determining the net fair value of the acquirees' identifiable assets and liabilities measured as at the acquisition date, it involves significant estimates relating to revenue to be generated in the future, which will impact the amount of gain on bargain purchase of subsidiaries.

35 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2010

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and Interpretations and one new standard which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Revised HKAS 24, *Related party disclosures*	1 January 2011
HKFRS 9, *Financial instruments*	1 January 2013
Improvements to HKFRSs 2010	1 July 2010 or 1 January 2011
Amendments to HKAS 12, *Income taxes*	1 January 2012

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application but is not yet in a position to state whether these amendments, new standards and interpretations would have a significant impact on the Group's results of operations and financial position.

Five Years Financial Summary

The following is a summary of the consolidated results, assets and liabilities of the Group prepared on the basis set out in notes.

	2010	2009	2008	2007	2006
	US$'000	US$'000	US$'000	US$'000	US$'000
Turnover	**143,455**	112,842	160,113	34,327	27,038
Cost of sales	**(91,189)**	(91,578)	(116,470)	(20,494)	(14,961)
Gross profit	**52,266**	21,264	43,643	13,833	12,077
Other revenue	**2,143**	1,194	881	1,399	607
Selling and distribution expenses	**(5,539)**	(4,884)	(5,172)	(2,551)	(1,782)
General and administration expenses	**(28,035)**	(22,910)	(20,122)	(7,989)	(5,770)
Other operating expenses	**(4,409)**	(9,051)	(4,587)	(755)	(262)
Finance costs	**(1,406)**	(1,338)	(500)	(296)	(153)
Share of results of associates	**38**	1,399	(2,063)	528	(1)
Profit/(loss) before taxation	**15,058**	(14,326)	12,080	4,169	4,716
Income tax (expense)/credit	**(1,467)**	4,088	(1,753)	(236)	(424)
Profit/(loss) for the year	**13,591**	(10,238)	10,327	3,933	4,292

ASSETS AND LIABILITIES

	As at 31 December				
	2010	2009	2008	2007	2006
	US$'000	US$'000	US$'000	US$'000	US$'000
Non-current assets	**94,715**	91,882	80,832	28,707	5,203
Current assets	**162,102**	132,011	115,918	89,064	21,985
Current liabilities	**83,532**	76,736	71,448	41,012	9,998
Net current assets	**78,570**	55,275	44,470	48,052	11,987
Non-current liabilities	**6,554**	7,114	9,748	736	35
Net assets	**166,731**	140,043	115,554	76,023	17,155

Notes:

1. The summary of consolidated results of the Group includes the results of the Company and its subsidiaries as if the current Group structure had been in existence throughout the financial periods, or from the respective dates of the incorporation where this is a shorter period. The consolidated results of the Group for the years ended 31 December 2010 are as set out on page 51 to 52 of the audited financial statements.

2. The consolidated balance sheet of the Group as at 31 December 2010 are as set out on pages 53 to 54 of the audited financial statements.

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Jiang Bing Hua
Mr. Zhang Menggui

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

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
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

OPERATIONS HEADQUARTERS

7611 Railhead Lane
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
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.tsc-holdings.com

STOCK CODE

206

TSC Group Holdings Limited

Stock Code: 206