TSC Offshore Group Limited
TSC 海洋集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8149)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principle means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazette newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

* *For identification purpose only*

HIGHLIGHTS

- Turnover amounted to approximately US$34.3 million for the year ended 31 December 2007, representing a growth of 27% as compared with 2006;

- Gross profit amounted to approximately US$13.8 million for the year ended 31 December 2007, representing a growth of 14.5% as compared with 2006;

- Gross profit margin was decreased from 44.7% for 2006 to 40.3% for 2007;

- Profit attributable to equity shareholders amounted to approximately US$3.5 million for the year ended 31 December 2007, representing a decrease of 18.5% as compared with 2006;

- Net profit margin for the year ended 31 December 2007 was approximately 10.2%; and

- The Directors do not recommend the payment of a dividend for 2007.

ANNUAL RESULTS

The board of the Directors (the "Board") is pleased to announce the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007 (the "Year") together with the comparative figures for the year ended 31 December 2006 as follows using United States dollars as presentation currency:

Consolidated Income Statement
Year ended 31 December 2007

	Note	2007 US$'000	2006 US$'000
Turnover	*4*	**34,327**	27,038
Cost of sales		**(20,494)**	(14,961)
Gross profit		**13,833**	12,077
Other revenue	*4*	**1,399**	607
Selling and distribution expenses		**(2,551)**	(1,782)
General and administrative expenses		**(7,989)**	(5,770)
Other operating expenses		**(755)**	(262)
Profit from operations		**3,937**	4,870
Finance costs	*5(a)*	**(296)**	(153)
Share of results of associates		**91**	(1)
Profit before taxation	*5*	**3,732**	4,716
Income tax	*6(a)*	**(236)**	(424)
Profit for the year and attributable to equity shareholders of the Company		**3,496**	4,292
Dividend	*7*	**–**	–
Earnings per share			
Basic	*8(a)*	**US1.03 cent**	US1.49 cent
Diluted	*8(b)*	**US0.98 cent**	US1.44 cent

Consolidated Balance Sheet
As at 31 December 2007

	Note	2007 US$'000	2006 US$'000
Non-current assets			
Property, plant and equipment		**5,812**	3,078
Property under development		**1,070**	293
Interest in leasehold land held for own use under operating leases		**1,202**	1,161
Intangible assets		**2,824**	59
Goodwill		**2,272**	–
Interest in associates		**14,410**	318
Deferred tax assets		**680**	294
		28,270	5,203
Current assets			
Other financial asset		**676**	–
Inventories		**14,701**	7,340
Trade and other receivables	*9*	**28,169**	11,567
Amounts due from directors		**38**	13
Amount due from an officer		**–**	12
Amount due from a related company		**79**	80
Pledged bank deposits		**1,067**	195
Cash at bank and in hand		**44,334**	2,778
		89,064	21,985
Current liabilities			
Trade and other payables	*10*	**37,258**	7,191
Amount due to a related company		**2**	1
Bank loans		**3,298**	2,393
Current taxation		**454**	413
		41,012	9,998
Net current assets		**48,052**	11,987
Total assets less current liabilities		**76,322**	17,190
Non-current liabilities			
Bank loans		**405**	–
Deferred tax liabilities		**331**	35
		736	35
NET ASSETS		**75,586**	17,155
CAPITAL AND RESERVES	*12*		
Share capital		**5,041**	3,103
Reserves		**70,545**	14,052
TOTAL EQUITY		**75,586**	17,155

Notes:

1. CORPORATE INFORMATION

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

The principal activity of the Company is investment holding. The Group are providing products and services to oil and gas industry in three main areas: manufacturing and trading of rig electrical control system and other rig equipment under the business line of rig products and technology; manufacturing and trading of oilfield expendables and supplies; and providing rig turnkey solutions to offshore rigs. In addition, the Group provides consultancy services to oil drilling industry.

2. BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2007 comprise the Company and its subsidiaries and the Group's interest in associates.

The functional currency of the Company is Hong Kong dollars. Subsidiaries established/incorporated in the People's Republic of China ("PRC") and the United States of America ("USA") have their functional currencies in Chinese Renminbi and United States dollars respectively. The Group changed its presentation currency from Chinese Renminbi to United States dollars in 2007. During the year ended 31 December 2007, the Group acquired two foreign associates and further expands its international operations. Following the increased 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 cater for the need of the Group's global customers. The change in presentation currency has no significant impact on the financial position of the Group as at 31 December 2006 and 2007, or the results and cash flows of the Group for the year ended 31 December 2006 and 2007.

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

The financial information set out in this announcement does not constitute the Group's financial statements for the year ended 31 December 2007, but is derived from those financial statements.

3. STATEMENT OF COMPLIANCE AND CHANGES IN ACCOUNTING POLICIES

The 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, except that one of the investments in associates is stated at cost less impairment losses which does not comply with HKAS 28, *Investments in associates*. The financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules.

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. There have been no significant changes to the accounting policies applied in the financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures* and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosure and presentation*.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

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

4. TURNOVER AND OTHER REVENUE

The principal activities of the Group are the manufacturing and trading of rig products and technology (including rig electrical control system and other rig equipment) and oilfield expendables and supplies, and the provision of consultancy services. In addition, the Group commenced rig turnkey solutions business to offshore rigs in 2007.

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

	2007	2006
	US$'000	*US$'000*
Turnover		
Rig products and technology		
– Sales of rig electrical control system	**11,912**	13,401
– Sales of other rig equipment	**7,740**	–
	19,652	13,401
Oilfield expendables and supplies		
– Sales of expendables and supplies	**13,944**	13,109
Consultancy services		
– Service fee income	**731**	528
	34,327	27,038

	2007	2006
	US$'000	*US$'000*
Other revenue		
Interest income	**733**	58
Rental income	**7**	156
Gain on sales of accessories	**491**	261
Reversal of impairment losses on doubtful debts	**19**	131
Others	**149**	1
	1,399	607

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		2007	2006
		US$'000	*US$'000*
(a)	Finance costs:		
	Interest on bank loans wholly repayable within five years	**341**	85
	Interest on other loans	**–**	19
	Finance charges on obligations under finance lease	**–**	49
	Total borrowing costs	**341**	153
	Less: borrowing costs capitalised into property under development*	**(45)**	–
		296	153

* Borrowing costs have been capitalised at rates of 6.93%-8.22% per annum.

		2007	2006
		US$'000	*US$'000*
(b)	Staff costs:#		
	Contributions to defined contribution retirement plan	**268**	193
	Equity-settled share-based payment expenses	**367**	160
	Salaries, wages and other benefits	**4,584**	3,527
		5,219	3,880
(c)	Other items:		
	Amortisation of interest in leasehold land held for own use under operating leases#	**24**	24
	Amortisation of intangible assets	**151**	12
	Depreciation#	**503**	316
	Impairment losses on doubtful debts	**115**	121
	Research and development costs	**137**	170
	Net foreign exchange loss	**405**	98
	Loss on disposal of property, plant and equipment	**40**	21
	Auditors' remuneration	**189**	96
	Minimum lease payments under operating leases in respect of land and buildings	**323**	252
	Cost of inventories#	**20,494**	14,961

\# Cost of inventories includes US$820,000 (2006: US$503,000) relating to staff costs, depreciation and amortisation expenses which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6. INCOME TAX

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

	2007	2006
	US$'000	*US$'000*
Current tax		
Provision for the year		
– PRC enterprise income tax	**645**	183
– United States corporation income tax	**–**	67
	645	250
Under-provision of PRC enterprise income tax in respect of prior years	**–**	85
	645	335
Deferred tax		
Origination and reversal of temporary differences	**(409)**	89
	236	424

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 the Group's operations in the PRC and the USA is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions. During the year, certain PRC subsidiaries are subject to tax at 50% of the standard tax rates/reduced rates or fully exempt from income tax under the relevant PRC tax rules and regulations.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which became effective on 1 January 2008. According to the new tax law, the standard PRC Enterprise Income Tax rate is 25%. Dividends declared by the PRC subsidiaries to parent companies incorporated in Hong Kong and the British Virgin Islands are subject to withholding tax of 5% and 10% respectively. Furthermore, the State Council of the PRC passed the implementation guidance ("Implementation Guidance") on 26 December 2007, which sets out the details of how the existing preferential income tax rate will be adjusted to the standard rate of 25%. According to the Implementation Guidance, income tax rate for the PRC subsidiaries of the Group, which are eligible to a 100% or 50% relief from PRC Enterprise Income Tax, will be changed to the standard rate of 25% when the relief expired. The enactment of the new tax law has no significant financial effect on the amounts accrued in the balance sheet in respect of current tax payable and deferred taxation.

In accordance with Caishui (2008) No.1 issued by the Ministry of Finance and the State Administration of Taxation of the PRC, undistributed profits from the PRC subsidiaries up to 31 December 2007 will be exempted from withholding tax when they are distributed in future. As a result, no provision for withholding tax is made as at 31 December 2007.

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

	2007	2006
	US$'000	*US$'000*
Profit before taxation	**3,732**	4,716
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**1,422**	1,398
Tax effect of non-deductible expenses	**735**	368
Tax effect of non-taxable income	**(490)**	(472)
Tax effect of profits entitled to tax exemptions in the PRC	**(1,431)**	(1,082)
Tax effect of unused tax loss not recognised	**–**	127
Under-provision in prior years	**–**	85
	236	424

7. DIVIDEND

The directors do not recommend the payment of a cash dividend for the year ended 31 December 2007 (2006: Nil).

On 26 March 2007, the directors proposed a bonus issue of shares on the basis of one bonus share for every five existing shares.

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of US$3,496,000 (2006: US$4,292,000) and the weighted average number of 340,172,000 (2006: 288,056,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2007	2006
	'000	*'000*
Issued ordinary shares at 1 January	**241,044**	240,000
Effect of ordinary shares issued	**44,129**	–
Effect of capitalisation issue	**51,644**	48,009
Effect of share options exercised	**3,355**	47
Weighted average number of ordinary shares	**340,172**	288,056

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of US$3,496,000 (2006: US$4,292,000) and the weighted average number of 355,081,000 (2006: 297,343,000) ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2007	2006
	'000	*'000*
Weighted average number of ordinary shares	**340,172**	288,056
Effect of deemed issue of shares under the Company's share option scheme	**14,909**	9,287
Weighted average number of ordinary shares (diluted)	**355,081**	297,343

9. TRADE AND OTHER RECEIVABLES

	2007	2006
	US$'000	*US$'000*
Trade debtors and bills receivable	**17,927**	11,248
Less: allowances for doubtful debts	**(497)**	(376)
	17,430	10,872
Other receivables, prepayments and deposits	**3,658**	567
Gross amount due from customers for contract work	**7,081**	–
Amount due from an associate	**–**	128
	28,169	11,567

At 31 December 2007, the aggregate amount of costs incurred for construction contracts amounted to US$7,081,000 (2006: Nil) and has been included in gross amount due from customers for contract work. No contract revenue has been recognised and no progress billing has been made during the year ended 31 December 2007 as the progress was at initial stage. Advances received in relation to the construction contracts amounting to US$27,132,000 (2006: Nil) have been included in "trade and other payables" (note 10).

(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 balance sheet date:

	2007	2006
	US$'000	*US$'000*
Current	**7,148**	7,854
Less than 1 month past due	**2,334**	1,276
1 to 3 months past due	**1,470**	70
More than 3 months but less than 12 months past due	**6,173**	1,549
More than 12 months but less than 24 months past due	**305**	123
Amounts past due	**10,282**	3,018
	17,430	10,872

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 consultancy 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$279,000 (2006: US$478,000).

10. TRADE AND OTHER PAYABLES

	2007	2006
	US$'000	*US$'000*
Trade creditors and bills payable	**5,620**	5,093
Other payables and accrued charges	**4,163**	2,098
Amount due to an associate	**343**	–
Advances received	**27,132**	–
	37,258	7,191

The amount due to an associate is unsecured, interest-free and repayable within one year.

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

	2007	2006
	US$'000	*US$'000*
Within 1 month	**3,987**	3,722
More than 1 month but less than 3 months	**872**	1,087
More than 3 months but less than 12 months	**761**	280
More than 12 months but less than 24 months	**–**	4
	5,620	5,093

11. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because it is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Rig products and technology	:	the manufacturing and trading of rig equipment.
Rig turnkey solutions	:	the provision of engineering, procurement and construction (EPC) services and delivery packaged equipment to offshore rigs.
Oilfield expendables and supplies	:	the manufacturing and trading of oilfield expendables and supplies.
Consultancy services	:	the provision of consultancy services.

(a) Business segments

	Rig products and technology		Rig turnkey solutions		Oilfield expendables and supplies		Consultancy services		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Revenue from external customers	**19,652**	13,401	**–**	–	**13,944**	13,109	**731**	528	**34,327**	27,038
Other revenue from external customers	**435**	261	**–**	–	**231**	157	**–**	131	**666**	549
Total	**20,087**	13,662	**–**	–	**14,175**	13,266	**731**	659	**34,993**	27,587
Segment results	**4,347**	4,201	**–**	–	**682**	373	**666**	545	**5,695**	5,119
Unallocated operating income and expenses									**(1,758)**	(249)
Profit from operations									**3,937**	4,870
Finance costs									**(296)**	(153)
Share of results of associates	**91**	(1)	**–**	–	**–**	–	**–**	–	**91**	(1)
Profit before taxation									**3,732**	4,716
Income tax									**(236)**	(424)
Profit for the year									**3,496**	4,292
Depreciation for the year	**217**	70	**–**	–	**281**	232	**5**	14		
Amortisation for the year	**151**	12	**–**	–	**24**	24	**–**	–		
Significant non-cash expense (other than depreciation and amortisation)	**220**	11	**–**	–	**24**	46	**–**	64		
Segment assets	**43,772**	12,358	**7,081**	–	**29,009**	13,411	**446**	362	**80,308**	26,131
Interest in associates	**14,410**	318	**–**	–	**–**	–	**–**	–	**14,410**	318
Unallocated assets									**22,616**	739
Total assets									**117,334**	27,188
Segment liabilities	**5,385**	2,835	**27,132**	–	**4,464**	4,056	**1**	77	**36,982**	6,968
Unallocated liabilities									**4,766**	3,065
Total liabilities									**41,748**	10,033
Capital expenditure incurred during the year	**2,971**	463	**–**	–	**1,349**	1,530	**2**	1		

(b) Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical locations of customers. Segment assets and capital expenditure are based on the geographical locations of the assets.

	Revenue from external customers		Segment assets		Capital expenditure incurred during the year	
	2007	2006	**2007**	2006	**2007**	2006
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Hong Kong	**–**	–	**277**	481	**2**	1
Mainland China	**13,124**	13,982	**56,772**	18,222	**4,233**	1,155
North America	**16,548**	9,514	**23,259**	7,428	**87**	838
Others (Other part of Asia, Europe, Russia etc.)	**4,655**	3,542	**–**	–	**–**	–
	34,327	27,038	**80,308**	26,131	**4,322**	1,994

12. CAPITAL AND RESERVES

	Share capital	**Share premium**	**Merger reserve**	**Exchange reserve**	**Employee share-based compensation reserve**	**Capital reserve**	**Reserve funds**	**Retained profits**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2006	3,089	1,074	2,161	153	186	512	492	4,778	12,445
Shares issued under share option scheme	14	50	–	–	(25)	–	–	–	39
Equity-settled share-based transactions	–	–	–	–	160	–	–	–	160
Exchange differences on translation of financial statements of foreign subsidiaries and associates	–	–	–	387	–	–	–	–	387
Profit for the year	–	–	–	–	–	–	–	4,292	4,292
Transferred to reserve funds	–	–	–	–	–	–	391	(391)	–
Others	–	–	–	–	–	–	–	(168)	(168)
At 31 December 2006	3,103	1,124	2,161	540	321	512	883	8,511	17,155

	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Exchange reserve US$'000	Employee share-based compensation reserve US$'000	Capital reserve US$'000	Reserve funds US$'000	Retained profits US$'000	Total US$'000
At 1 January 2007	3,103	1,124	2,161	540	321	512	883	8,511	17,155
Issue of ordinary shares	1,196	53,638	–	–	–	–	–	–	54,834
Share issue expenses	-	(1,329)	–	–	–	–	–	–	(1,329)
Capitalisation issue	693	(693)	–	–	–	–	–	–	–
Shares issued under share option scheme	49	172	–	–	(91)	–	–	–	130
Equity-settled share-based transactions	–	–	–	–	367	–	–	–	367
Exchange differences on translation of financial statements of foreign subsidiaries and associates	–	–	–	933	–	–	–	–	933
Profit for the year	–	–	–	–	–	–	–	3,496	3,496
Transferred to reserve funds	–	–	–	–	–	–	757	(757)	–
At 31 December 2007	5,041	52,912	2,161	1,473	597	512	1,640	11,250	75,586

QUALIFIED OPINION ON AUDITOR'S REPORT

The auditors of the Company will issue a qualified opinion arising from disagreement on the accounting treatment of the associated companies included in the consolidated financial statements of the Group for the year ended 31 December 2007. An extract of the draft auditor's report is set out as follow:

"Basis for qualified opinion

Included in the Group's interest in associates as at 31 December 2007 is an investment in an associate, Goldman Offshore Design, LLC ("Goldman Offshore"), which was acquired during the year at a cost of US$7,453,000. Goldman Offshore is an investment holding company, it has not carried on any businesses and operations save for holding a 25% equity interest in each of its three associates.

As stated in notes 1(a) and 19 to the financial statements, the Group's investment in Goldman Offshore is stated at cost less impairment losses. The accounting treatment of the investment in this associate does not comply with Hong Kong Accounting Standard 28 ("HKAS 28"), *Investments in associates*, issued by the HKICPA, which states that an investment in an associate should be accounted for using the equity method. Had the investment in Goldman Offshore been equity accounted for as required by HKAS 28, the Group would have recognised its share of Goldman Offshore's results since the date of acquisition and net assets as at 31 December 2007.

In addition, as indicated in note 19 to the financial statements, the summarised financial information of associates disclosed as required under HKAS 28 does not include the financial information of Goldman Offshore since no management accounts or audited financial statements of Goldman Offshore (after equity accounting for its own associates) were available.

In the absence of the relevant financial information of Goldman Offshore, it is not practical for us to quantify the effect of the non-compliance with HKAS 28 as referred to above. Any adjustments to the figures may have a consequential effect on the Group's profit for the year and the Group's net assets as at 31 December 2007."

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2007. The Audit Committee comprises all of the three independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny, Mr. Bian Junjiang and Mr. Guan Zhichuan.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2007 have been compared by the Group's auditors, KPMG to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by KPMG on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

A. OVERVIEW

The Group is a product and service provider dedicated to the worldwide oil and gas drilling industry with four business lines, namely (i) Rig Products and Technology; (ii) Rig Turnkey Solutions; (iii) Oilfield Expendables and Supplies; and (iv) Consultancy Services. In the Year, the Group generates revenue mainly from 3 areas of business segments, namely (i) Rig Products and Technology (including mud pump, jacking control, rig electric drive and control systems, solid control systems, etc.); (ii) Oilfield Expendables and Supplies (including mud pump expendables, rig expendables and other supplies); and (iii) the provision of consultancy and marketing services to assist overseas oilfield equipment manufacturers and drilling rig engineering companies for the sales and marketing of their products and services in China and other countries.

During the Year, the Group achieved approximately US$35.7 million in total revenue and approximately US$3.5 million in profit for the year. With the efforts of the Board and the employees of the Group, the number of customers and clients increased rapidly.

It should be noted that under the business line of Rig Turnkey Solutions, no revenue was recognised for six cantilever and drilling system packages in 2007. The management expects the packages will be delivered as scheduled in 2008 and 2009.

B. FINANCIAL REVIEW

Financial Highlights

	Year ended 31 December 2007 US$'000	Year ended 31 December 2006 US$'000	Percentage of year-to-year increase/(decrease) %
Total revenue	**35,726**	27,645	29.2
Gross profit	**13,833**	12,077	14.5
Net profit	**3,496**	4,292	(18.5)
Basic earnings per share (US cent)	**1.03**	1.49	(30.9)

Turnover and Other Revenue

During the Year, the Group recorded a total revenue of approximately US$35.7 million, representing an increase of approximately 29.2% from US$27.6 million for 2006. Turnover from the Group's three main business areas reached approximately US$34.3 million, representing a 27.0% increase compared with 2006. Other revenue increased to approximately US$1.4 million which represented an increase of approximately 130.5% from 2006. The increase in the Group's turnover in 2007 was mainly attributable to the increase in sales of mud pumps and solid control and expendable parts due to expansion of customers and clients base that the Group secured in 2007.

Segment Information By Business Segments
Turnover by business segments

	Year ended 31 December 2007 US$'000	Percentage %	Year ended 31 December 2006 US$'000	Percentage %	Percentage of year-to-year increase %
Rig Products and Technology	**19,652**	**57.3**	13,401	49.6	46.6
Oilfield Expendables and Supplies	**13,944**	**40.6**	13,109	48.5	6.4
Consultancy Services	**731**	**2.1**	528	1.9	38.4
Total	**34,327**	**100.0**	27,038	100.0	27.0

Rig Products and Technology

The Group's Rig Products and Technology business includes the provision of capital equipment of rig electrical control systems, mud pumps, solid control, jacking control, etc, to oil and gas drilling companies and drilling machinery manufacturers. For the Year, sales derived from this business segment was approximately US$19.7 million, representing an increase of approximately 46.6% over 2006. The increase was mainly attributable to the demand for mud pumps, jacking control and solid control from new and existing customers.

Oilfield Expendables and Supplies

The Group's Oilfield Expendables and Supplies business is operated by TSC (USA) and TSC (QD) whereas the former is responsible for sales and marketing in the USA and the latter is responsible for manufacturing in the PRC. Turnover from this business segment amounted to approximately US$13.9 million in 2007, representing a rise of approximately 6.4%. The flat growth was because of price competition from other suppliers.

Rig Turnkey Solutions

The revenues to be generated from the six contracts for the sale of cantilever and drilling turnkey packages as disclosed in the Company's announcement dated 16 July 2007 and in the circular dated 7 August 2007 were not recognised in the financial statements for the year ended 31 December 2007 in accordance with Hong Kong Financial Reporting Standards. We expect that the packages will be delivered as scheduled in 2008 and 2009.

Segment Information By Geography
Turnover by geographic locations

	Year ended 31 December 2007 *US$'000*	**Percentage** *%*	Year ended 31 December 2006 *US$'000*	Percentage *%*	Percentage of year-to-year increase/ (decrease) *%*
Mainland China	**13,124**	**38.2**	13,982	51.7	(6.1)
North America	**16,548**	**48.2**	9,514	35.2	73.9
Others (other part of Asia, Europe, Russia etc.)	**4,655**	**13.6**	3,542	13.1	31.4
Total	**34,327**	**100.0**	27,038	100.0	27.0

For the Year, the significant portion of the Group's sales was derived from the North America market, contributing to approximately 48.2% of total turnover while about 38.2% of sales was realised in China. Sales to other regions were increased to approximately US$4.7 million. Such increase in sales in other regions showed that the Group's strategy of expanding sales and distributors networks was productive in the Year.

For the Year, sales from the China market experienced a slight decrease of approximately 6.1% over 2006 to reach to about US$13.1 million. Sales dropped slightly in China in the Year was mainly due to keen market competition.

Cost of Sales and Gross Profit Margin

The Group's cost of sales for 2007 and 2006 amounted to approximately US$20.5 million and US$15.0 million respectively, resulting in a gross profit margin of approximately 40.3% and 44.7% respectively. The decrease in gross profit margin was mainly attributable to the increase in the costs of raw materials and purchased parts as well as labor and keen competition in the industry.

Operating Costs and Profit Attributable to Equity Shareholders

During the Year, the Group's general and administrative expenses surged to approximately US$8.0 million, representing approximately 23.3% of the Group's total sales, as compared to that of approximately 21.3% for 2006. The increase in general and administrative expenses was mainly due to the increase in staff costs to cater for future business expansion.

During the Year, the Group's selling and distribution expenses also increased by approximately 43.2% to US$2.6 million from that of approximately US$1.8 million in 2006. The increase in selling and distribution expenses was due to the increase in sales engineers and marketing expenses to promote the Group's business in major oil producing regions. Also, delivery costs increased as a result of the increase in turnover of the Group.

During the Year, the Group's finance costs amounted to approximately US$296,000, as compared to approximately US$153,000 for 2006. The increase in finance costs was mainly attributable to the Group's interest expenses on loans.

During the Year, the Group's other operating expenses which mainly is comprised of provision, amortisation, impairment losses and exchange losses amounted to approximately US$755,000 as compared the US$262,000 for 2006.

During the Year, the Group achieved profit attributable to equity shareholders of approximately US$3.5 million, the decrease of approximately 18.6% from approximately US$4.3 million in 2006. Net profit margin for the Group in the Year was approximately 10.2% which was lower than a net profit margin of 15.9% for 2006. The drop in net profit margin was mainly due to a rapid increase in selling, general and administration expenses.

Group's Liquidity and Capital Resources

As at 31 December 2007, the Group had total intangible assets of approximately US$2.8 million.

As at 31 December 2007, the Group carried fixed assets of approximately US$8.1 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 2007, the Group had an interest in associates of approximately US$14.4 million.

As at 31 December 2007, the Group had current assets of approximately US$89.1 million. Current assets mainly comprised cash and bank balances of approximately US$44.3 million, and pledged bank deposits of approximately US$1.1 million, inventories of approximately US$14.7 million, trade and other receivables of approximately US$28.2 million, amount due from a related company of approximately US$79,000, other financial asset of US$676,000 and amounts due from directors approximately US$38,000.

As at 31 December 2007, current liabilities amounted to approximately US$41.0 million, mainly comprising trade and other payables of approximately US$37.3 million, bank loans of approximately US$3.3 million, current tax payables of approximately US$454,000, and amount due to a related company of approximately US$2,000.

As at 31 December 2007, the Group had non-current liabilities of approximately US$736,000, comprising bank loans of approximately US$405,000 and deferred tax liabilities of approximately US$331,000.

During the Year, the Company made two placements of new shares to raise funds. The first placement of 24,300,000 new shares was made in April 2007 at HK$1.88 per share to raise approximately HK$45 million (equivalent to approximately US$5.8 million) net of expenses. The second placement of 53,468,000 new shares was made in July 2007 at HK$5.80 per share to raise approximately HK$300 million (equivalent to approximately US$38.4 million) net of expenses.

In addition, the Group had received advance payments in relation to the construction contracts of approximately US$27 million.

Significant Investments and Disposals

On 29 August 2007, the Group completed the acquisition of all issued share capital of Top Sino Industrial Limited which owns a solid control system producer Zhengzhou Highlight Energy Technology Co., Ltd. ("Highlight") in China.

On 31 October 2007, the Group completed the acquisition of approximately 28.02% equity interest in Goldman Offshore Design, LLC which in turn holds 25% equity interest in an internationally recognised offshore rig platform engineering and design firm Freide & Goldman Group.

On 18 December 2007, the Group acquired 20,992,498 shares of Global Marine Energy Plc. ("GME") at a price of 15.5 pence per share through an open market trade. The acquisition of 20,992,498 shares of GME, representing approximately 28.73% of the issued share capital of GME, was completed on 21 December 2007. The Group made a conditional cash offer to all shareholders of GME at 16 pence per GME share conditional on, among others, the approval by shareholders of the Company. The approval was obtained at the extraordinary meeting of shareholders held on 17 March 2008.

As at 25 March 2008, shareholders of GME holding 35,822,153 GME share accepted validly in all respects the voluntary conditional cash offer made by the Company at 16 pence per GME share. The acceptance level was about 49.02% of the GME's issued share capital. In addition to 28.73% of GME's issued shares already owned by the Company, the Company held or had received valid acceptance in respect of a total of 56,814,651 GME shares over a total of 73,074,952 GME shares in issue, representing an approximately 77.75% of GME's issued share capital. The Company has waived other conditions and declared the offer unconditioned in all respects on 25 March 2008. It is expected that the acquisition of 49.02% of GME shares in issue will be completed in April 2008.

Save as the above on which separate announcements were made during the Year, there were no other significant investments and disposals.

Capital Structure

As at 31 December 2006, there were 241,044,000 shares in issue and the Company carried a share capital of approximately US$3,103,000.

During the Year, the Company issued 3,823,200 shares to Pre-IPO option holders and other option holders who exercised their options, and issued 146,937,604 shares for placements, bonus issue and acquisitions. As at 31 December 2007, the Company carried 391,804,804 shares in issue, and a capital of approximately US$5,041,000.

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, property under development, buildings, machinery and bank deposits with carrying value at 31 December 2007 of US$710,000, US$1,070,000, US$2,552,000, US$384,000 and US$608,000 respectively.

(ii) Corporate guarantees given by the Company and a subsidiary to the extent of banking facilities outstanding of US$3,703,000 as at 31 December 2007.

Foreign Currency Exchange Exposure

Most of the Group's production was carried out by the Group's entities in China which use Chinese Renminbi as functional currency while over 50% of the Group's sales were made in United States dollars, therefore, the Group has foreign exchange exposure. As at 31 December 2007, no related hedges were made by the Group. The Group will actively explore ways to hedge or reduce currency exchange risk in future.

Contingent Liability

As at 31 December 2007 and the date of this announcement, no contingent liability was known to the management and board of directors.

Connected Transactions

During the Year, the Group conducted the following connected transactions with connected parties of the Company, namely Yantai Raffles Offshore Limited ("YRO") and Yantai Raffles Shipyard Limited ("YRS"). YRS owned during the Year over 80% equity interest of YRO, and YRS wholly owned YRS Investments Limited ("YRSI") which in turn during the Year held over 10% issued share capital of the Company. In accordance with the GEM Listing Rules, YRSI, YRS and YRO are connected persons of the Company and the Group.

1. *Offshore rig turnkey solutions of cantilever and drilling system packages*

Transaction Date	13 July 2007
Transaction with	YRS and YRO
Purpose of Transaction	Supply agreements with YRO and YRS for providing offshore rig turnkey solutions of three cantilever and drilling system turnkey packages

Contract Values and Other Details	Total value for 6 contracts were approximately US$106 million assuming a US dollar exchange rate of 7.7531 to Renminbi. The Group shall obtain payments from YRO and YRS by 10 milestone payments. The packages under the supply agreements shall be delivered 14 months from the date of agreements.
Detailed Announcements and Shareholder Approval	Details of the transaction were announced on 16 July 2007 and in the circular dated 7 August 2007 which were all published on the website of www.hkgem.com and www.tscoffshore.com. The supply agreements were approved by shareholders at extraordinary general meeting on 27 August 2007.

2. *Detailed design for three jack-up rigs' cantilever and drilling system*

Transaction Date	27 November 2007
Transaction with	YRS
Purpose of Transaction	Three designed agreements with YRS by which the Group shall provide three sets of structural design drawings for three cantilever and drilling turnkey packages.
Contract Values and Other Details	Total value for three contracts were approximately US$1.2 million. The Group shall obtain payments from YRS by 5 progress milestone payments. The draws under the contracts shall be delivered 7 months from the date of agreements.
Detailed Announcements and Shareholder Approval	Details of the transaction were announced on 27 November 2007 and in the circular dated 12 December 2007 which were all published on the website of www.hkgem.com and www.tscoffshore.com. The design agreements were approved by shareholders at extraordinary general meeting on 28 December 2007.

3. *Three sets of electric power control system for jack-up rigs*

Transaction Date	27 November 2007
Transaction with	YRO
Purpose of Transaction	Three supply agreements with YRO by which the Group shall provide three sets of electric power control system for jack-up rigs to be built by YRO.
Contract Values and Other Details	Total value for three contracts were approximately US$9.2 million assuming a US dollar exchange rate of 7.5697 to Renminbi. The Group shall obtain payments from YRO by 5 progress milestone payments. The systems under the agreements shall all be delivered in 2008.

Detailed Announcements and Shareholder Approval	Details of the transaction were announced on 27 November 2007 and in the circular dated 12 December 2007 which were all published on the website of www.hkgem.com and www.tscoffshore.com. The supply agreements were approved by shareholders at extraordinary general meeting on 28 December 2007.

4. *Burner boom for offshore rigs*

Transaction Date	12 December 2007
Transaction with	YRO
Purpose of Transaction	Two supply agreements with YRO by which the Group shall provide four sets of burner boom to YRO.
Contract Values and Other Details	Total value for two agreements were approximately US$890,000 assuming a US dollar exchange rate of 7.3647 to Renminbi. The Group shall obtain payments from YRO by 4 progress milestone payments. The products under the agreements shall all be delivered in 2008.
Detailed Announcements and Shareholder Approval	Details of the transaction were announced on 12 December 2007 and in the circular dated 31 December 2007 which were all published on the website of www.hkgem.com and www.tscoffshore.com. The design agreements were approved by shareholders at extraordinary general meeting on 22 January 2008.

Employees and Remuneration Policy

As at 31 December 2007, the Group had approximately 430 full-time staff in USA, 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.

C. BUSINESS REVIEW

Rig Turnkey Solutions

Although there was no revenue recognised in the Year for Rig Turnkey Solutions business, the Group achieved a remarkable progress in this segment since early 2007. As announced by the Group on 16 July 2007, the Group was awarded 6 contracts on 13 July 2007 for providing Cantilever and Drilling System Packages for three ship sets jack-up rigs to be built by Yantai Raffles Shipyard – the biggest offshore rig builder in China. The total contract value was approximately RMB828 million. By these EPC type of contracts, the Group is due to deliver three packages to Yantai Raffles Shipyard in September 2008, November 2008 and January 2009 respectively. At the end of 2007, the progresses for completion of these contracts were made in accordance with planned work schedule.

The management believes that obtaining EPC type of turnkey contracts from a major international offshore builder and the biggest offshore rig builder in China indicates that the Group became one of few major players in international markets who are capable of providing offshore rig turnkey solutions. The Group shall make its endeavors to complete these contracts in time and to the satisfaction of customer, and will continue its efforts of obtaining more of such turnkey contracts from global customers.

Rig Products and Technology

The business development in this sector in the Year was very exciting and encouraging. Although only 27 sets of rig electric control systems were sold and less than what were sold in 2006, the Group obtained contracts from an international client to develop 4 sets of jacking control system. Three sets were completed and passed ABS approval before delivery to the customer. The success in development of jacking control system and in obtaining ABS approval represent another break through for the Group to provide key equipment for jack-up rigs. The second exciting business development was that the Group obtained contracts for providing three sets of power and drilling control systems for use on Super M2 jack-up rigs to be built in Yantai shipyard. The systems would be all delivered in 2008 by contracts. This second development shows that the Group is capable to provide an integrated power and drilling rig control to a jack-up rig. The third encouraging progress was that the Group achieved a major step forward in completing the development of product of drilling cabin.

Upon the completion of acquisition of Highlight, the Group moved quickly to promote solid control systems to customers which led to more orders and increased sales to both China market and international markets.

In the Year, TSC-branded mud pumps were under a massive production. The Group delivered about 90 sets of mud pumps to customers in North America and South America.

On the production facility front, the Group completed the construction of a new factory for Xian production base, the construction of a new workshop annex to Qingdao production base, as well as the improvement of workshop in Highlight. As a result, the Group's production capacity for Rig Products and Technology was greatly improved.

In the Year, the Group completed the development of new rig equipment for offshore rigs, such as 2000 HP mud pump, 3000 HP draw-works and 49.5 inches rotary table. The Group has received orders for these products. The Group also made solid steps to achieve the capability of assembling or fabricating derricks and jacking systems and of cutting rack for jack-ups. Development of disk brake and top drive was initiated in the Year as well.

Oilfield Expendables and Supplies

The Group's Oilfield Expendables and Supplies business in the Year experienced a moderate growth in sales. However, the Group expanded product scope of expendables to include ceramic liners, new A-1700 modules, and central-fugal pumps, etc. In addition, the Group set up a subsidiary in UAE, and prepared to supply expendables and other parts to our existing and new potential customers in the Middle East.

In the Year, the Group also signed a master supplying agreement with one of the largest rig owner and drilling contractors in the world, by which the Group is on its most favored vendor list for supplying parts and equipment.

In the Year, the Group made new efforts in promoting and marketing the Group's products as well as rig turnkey solutions to dozens of potential customers and clients in North and South America, Europe and Asia.

Consultancy Services

In the Year, the Group focused its business of consultancy services on offshore drilling equipment. The Group's efforts in supplying equipment to customers in China directly produced a positive trading results.

D. FUTURE PLANS FOR MATERIAL INVESTMENTS, CAPITAL ASSETS AND CAPITAL COMMITMENT

The Company made a conditional cash offer to shares of GME issued and to be issued (excluding shares of GME already owned by the Company) at 16 pence in November 2007. As at 31 December 2007, the Company held 20,992,498 share of GME. The remaining shares of GME not owned by the Company as at 31 December 2007 were 52,082,454. Conditional on the shareholders of the Company approving the cash offer, the Company is obligated to pay a maximum of GBP8,333,192 to shareholders of GME, assuming that the offer is 100% accepted by shareholders of GME and that no additional shares are to be issued on top of 52,082,454 not owned by the Company. On 17 March 2008, the Company's shareholders meeting approved the offer. In accordance with the Code of Take Over in UK, a company during a period of offer, cannot issue any new shares. All options of GME outstanding carries exercise prices higher than 16 pence. Hence, the maximum investment commitment on part of the Company as of 31 December 2007 was GBP8,333,192. The Company shall fulfill its payment obligation from its internal resources.

As at 31 December 2007, the Group had a commitment for construction of property amounted to approximately US$1,137,000.

Save as disclosed above, the Group had no significant commitment as at 31 December 2007.

E. PROSPECT AND STRATEGY

The Group is a product and service provider in the world oil and gas drilling industry onshore and offshore. The Group is principally engaged in the provision of Rig Products and Technology, Offshore Rig Turnkey Solutions, and Oilfield Expendables and Supplies.

As the oil prices are at record high and no sign of slowing down in the offshore rig market, the Group are facing one of the best booming periods in history. Although the demand from the onshore drilling activities for the Group's products and services may experience some volatility in near future, the demand from offshore sector shall remain strong in future. Timely catching this market opportunity shall bring more value to the shareholders of the Group. In realising this potential, the Group will continue our growth strategy in 2008 and beyond:

- Continue implementing its growing strategy by organic growth and by acquisitions with emphasizing in acquiring companies which provide synergy, profit and long time value to the Company.

- Continue implementing the Group's global presences by expanding the product and service offer to all major oil and gas producing regions. Upon the completion of the acquisition of GME, the Group has added locations in US, Brazil, UK and Singapore The Group will have offices and facilities in North America, South America, Europe and Central Asia, Middle East, Asia Pacific and South East Asia.

F. SUBSEQUENT EVENTS

1. Change of company name and change of board lot size

   Pursuant to resolutions passed by the shareholders of the Company at its extraordinary general meeting held on 22 January 2008:

   - under the laws of the Cayman Islands, the name of the Company was changed from "EMER International Group Limited" to "TSC Offshore Group Limited" (with "TSC海洋集團有限公司" being adopted as its new Chinese name for identification purpose only). The certificate of incorporation on change of name was issued by the Registrar of Companies in the Cayman Islands on 22 January 2008 and the certificate of registration of change of name of overseas company was issued by the Registrar of Companies in Hong Kong on 27 February 2008. The stock short name for trading in the Shares on GEM was change from "EMER" to "TSC Offshore" in English and from "埃謨國際" to "TSC海洋集團" in Chinese with effect from 5 March 2008. The stock code of "8149" of the Company remains unchanged.

   - the board lot size for trading in the Shares was changed from 4,000 Shares to 1,000 Shares with effect from 29 February 2008.

2. The shareholders of the Company approved the conditional cash offer on 17 March 2008 at its extraordinary general meeting to the shareholders of GME.

3. As at 25 March 2008, shareholders of GME holding 35,822,153 GME share accepted validly in all respects the conditional cash offer made by the Company at 16 pence per GME share. The acceptance level was 49.02% of the GME's issued share capital. In addition to 28.73% of GME's issued shares already owned by the Company, the Company held or had received valid acceptance in respect of a total of 56,814,651 GME shares over a total of 73,074,952 GME shares in issue, representing an approximately 77.75% of GME's issued share capital. The Company has waived other conditions and declared the offer unconditioned in all respects on 25 March 2008. It is expected that the acquisition of 49.02% of GME shares in issue will be completed in April 2008.

4. On 29 February 2008, Qingdao TSC Offshore Equipment Co., Ltd, the wholly-owned subsidiary of the Company, entered into one conditional supply agreement (the "Supply Agreement") with YRO. The Supply Agreement was related to the sale of BOP handling and transport system to YRO. The contract value was in the sum of RMB19,600,000 (equivalent to approximately US$2,758,000).

YRO is a non-wholly owned subsidiary of YRS. As at the date of this announcement, YRS through its wholly-owned subsidiary, YRSI, owns approximately 10.9% of the issued share capital of the Company. Therefore, YRO is a connected person of the Company and the Supply Agreement constitutes connected transaction of the Company under Chapter 20 of the GEM Listing Rules. The Supply Agreement is subject to the approval by the independent shareholders by poll at the extraordinary general meeting to be held on 8 April 2008.

COMPETITION AND CONFLICT OF INTERESTS

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had received from each of the independent non-executive Directors an annual confirmation of his independence. The Company considered all the independent non-executive Directors are independent.

INTERESTS OF COMPLIANCE ADVISER

Pursuant to a compliance adviser agreement dated 18 October 2006 made between the Company and Quam Capital Limited ("Quam"), Quam has been appointed as the compliance adviser to the Company as required under the GEM Listing Rules at a fee for the period from 18 October 2006 to the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the period from 18 October 2006 to 31 December 2007.

None of Quam, its directors, employees nor their respective associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in any class of securities of the Company or any other member of the Group (including options or rights to subscribe for such securities) as at 31 December 2007.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The audit committee comprises three members, namely Mr. Chan Ngai Sang, Kenny (being the Chairman), Mr. Bian Junjiang and Mr. Guan Zhichuan. All of them are independent non-executive Directors.

Throughout the Year, the audit committee held five meetings in respect of the appointment of new auditors, and in considering and reviewing the quarterly, 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.

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 Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2007.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director had a direct and indirect material interest, subsisted at the end of the year or at any time during the year ended 31 December 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices Contained in Appendix 15 of the GEM Listing Rules during the year ended 31 December 2007. The Company has committed itself to a high standard of corporate governance. The Directors strongly believe that reasonable and sound corporate governance practices are vital to the Group's rapid growth and to safeguarding and enhancing shareholders' interests.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2007, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

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

Hong Kong, 26 March 2008

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

This announcement will remain on the GEM website on the "Latest Company Announcements" page for 7 days and on the website of the Company at www.tscoffshore.com on a continuous basis for at least five years from the date of its posting.