
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in TSC Offshore Group Limited (the “Company”), you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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TSC Offshore Group Limited

TSC 海洋集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8149)

CONNECTED TRANSACTION

Independent Financial Adviser to the

Independent Board Committee and the Independent Shareholders



South China Capital Limited

A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 10 of this circular. A letter from South China Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its recommendation in respect of the connected transactions, is set out on pages 11 to 18 of this circular.

The notice convening the EGM to be held at Function Room I, Ground Floor, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong at 10:00 a.m. on Tuesday, 8 April 2008 or any adjournment thereof is set out on pages 25 to 26 of this circular. A form of proxy for use at the EGM or any adjournment thereof is enclosed. Whether or not you propose to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's principal place of business at Unit 1612, 16th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

This circular will remain on the “Latest Company Announcements” page of the GEM website for at least 7 days and on the website of the Company at www.tscoffshore.com on a continuous basis for at least 5 years from the date of its posting.

* *For identification purposes only*

CHARACTERISTICS OF GEM

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 principal 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 gazetted 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.

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“associates”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“BOP”	blow out preventor
“Company”	TSC Offshore Group Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM
“connected person”	has the meaning ascribed thereto in the GEM Listing Rules and the word “connected” shall be construed accordingly
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, to approve the Supply Agreement and the transactions contemplated thereunder
“GEM”	Growth Enterprises Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising the independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny, Mr. Bian Junjiang and Mr. Guan Zhichuan
“Independent Shareholders”	the Shareholders other than YRSI and its associates

DEFINITIONS

“Latest Practicable Date”	17 March 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“PRC”	The People’s Republic of China
“Qingdao TSC”	Qingdao TSC Offshore Equipment Co., Ltd., a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares of HK\$0.10 each in the issued share capital of the Company
“South China Capital” or “Independent Financial Adviser”	South China Capital Limited, being a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as set out in Schedule 5 to the SFO, the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Supply Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-Contract Price”	the consideration for the completion of the Sub-Contract Works by Qingdao TSC, YRO shall pay Qingdao TSC the price in the sum of RMB19,600,000. The price is inclusive of all taxes and duties payable in respect of the Sub-Contract Works
“Sub-Contract Works”	BOP handling and transport system to be supplied by Qingdao TSC to YRO pursuant to the Supply Agreement
“Supply Agreement”	one conditional sub-contract sale and purchase agreement entered into between Qingdao TSC and YRO on 29 February 2008 in relation to the supply of the BOP handling and transport system to YRO

DEFINITIONS

“YRO”	Yantai Raffles Offshore Limited, a company established in the PRC with limited liability and a non-wholly owned subsidiary of YRS
“YRO Sales”	sale of the Sub-Contract Works by Qingdao TSC to YRO pursuant to the Supply Agreement
“YRS”	Yantai Raffles Shipyard Limited, a company incorporated under the laws of Singapore with limited liability and the shares of which are traded on the Oslo Over-the-Counter Market
“YRS Group”	YRS and its subsidiaries
“YRSI”	YRS Investments Limited, a wholly-owned subsidiary of YRS
“%”	per cent

LETTER FROM THE BOARD



TSC Offshore Group Limited

TSC 海洋集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8149)

Executive Directors:

Mr. Jiang Bing Hua
Mr. Zhang Menggui
Mr. Chen Yunqiang
Mr. Zhang Hongru

Non-executive Director:

Mr. Jiang Longsheng

Independent non-executive Directors:

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

*Head office and principal
place of business:*

Unit 1612, 16th Floor
China Merchants Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

20 March 2008

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

INTRODUCTION

It was announced that on 4 March 2008, Qingdao TSC, a wholly-owned subsidiary of the Company, entered into one conditional Supply Agreement with YRO on 29 February 2008 in respect of the sale of BOP handling and transport system to YRO of which Qingdao TSC will fabricate pieces of main structure (BOP handling and transport system) of one semi-submersible upon request by YRO. The Sub-Contract Price for the Sub-Contract Works is in the sum of RMB19,600,000.

As YRO is a connected person of the Company, the YRO Sales constitute “connected transaction” of the Company under Chapter 20 of the GEM Listing Rules. The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Supply Agreement and the transactions contemplated thereunder.

* For identification purposes only

LETTER FROM THE BOARD

The Independent Board Committee, comprising Mr. Chan Ngai Sang, Kenny, Mr. Bian Junjiang and Mr. Guan Zhichuan (all being independent non-executive Directors), has been constituted to advise the Independent Shareholders in respect of the Supply Agreement. South China Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with, among other things, (i) details of the Supply Agreement; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Supply Agreement; (iii) the letter from South China Capital; and (iv) the notice of the EGM at which ordinary resolution will be proposed to approve these matters.

THE SUPPLY AGREEMENT

Date

29 February 2008

Transactions

Qingdao TSC, a wholly-owned subsidiary of the Company, entered into Supply Agreement in respect of the sale BOP handling and transport system to YRO of which Qingdao TSC will fabricate pieces of main structure (BOP handling and transport system) of one semi-submersible upon request by YRO.

Scope of work

Pursuant to the Supply Agreement, the Group shall fabricate, supply, commission and test the Sub-Contract Works, check of installation, integrate the Sub-Contract Works with any materials supplied by YRO; and provide engineering supports and other services required for the manufacture of the Sub-Contract Works.

Contract value

The Sub-Contract Price of the Supply Agreement for the Sub-Contract Works is in the sum of RMB19,600,000.

Payment terms

The consideration of the Supply Agreement shall be settled in cash in accordance with five production sequential milestones, namely commencement of plate cutting, completion of assembly, completion of function test and load test for the Sub-Contract Works, delivery of the Sub-Contract Works to YRO, and delivery of the Sub-Contract Works from YRO to the end user as stipulated of the Supply Agreement. The consideration of the Supply Agreement shall be fully paid upon delivery of the respective set of the Sub-Contract Works.

LETTER FROM THE BOARD

Warranty period

Qingdao TSC shall provide warranty for the Sub-Contract Works for a period up to 12 months after delivery of the Sub-Contract Works by YRO to the end user or 18 months upon Sub-Contract Works complete delivery to YRO, whichever comes first. Qingdao TSC shall reimburse YRO for the reasonable costs incurred by such work of repair, rectification, replacements, making good of defects, imperfections and other faults in the event that such works cannot be timely or reasonably carried out by Qingdao TSC.

Liquidated damages

If the effective delivery of the Sub-Contract Works to YRO is delayed and the agreed completion date has passed due to the Qingdao TSC's fault, then if at the said date the Qingdao TSC has not been granted an extension of time and the Sub-Contract Works remain incomplete, the Sub-Contract Price shall be reduced by 0.1% for each full day for which thereafter delivery of the relevant blocks of the Sub-Contract Works to YRO is delayed but the total deduction amount can not be exceed over 10% of the Sub-Contract Price.

Condition precedent

The Supply Agreement is conditional upon the approval by the Independent Shareholders in respect of the resolution for the Supply Agreement and the transactions contemplated thereunder at the EGM.

Completion

The Supply Agreement shall only be effective upon the approval by the EGM of the Company.

The terms of the Supply Agreement are based on arm's length negotiations. The consideration was determined based on the cost-plus basis of the Sub-Contract Works. The sale of BOP handling and transport system is an extension of the Group's existing products and no similar systems were sold by the Group prior to the proposed YRO Sales. The Directors consider that (i) the YRO Sales are of revenue nature and conducted in the ordinary and usual course of business of the Group pursuant to Rule 19.04(1)(g) and note 1 of the GEM Listing Rules; and (ii) the terms of the Supply Agreement is on normal commercial terms; and fair and reasonable. The Directors (excluding the independent non-executive Directors) consider that the terms of the Supply Agreement offered to YRO are no less favourable than those to be offered to independent third parties.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE YRO SALES

Qingdao TSC is a wholly-owned subsidiary of the Company and is principally engaged in design, manufacture, and sales of equipment for oil and gas industry.

The Group is a product and service provider of onshore and offshore drilling rigs in oil and gas industries. It is principally engaged in the manufacture and sale of onshore and offshore drilling and handling equipment (such as drilling rig control systems, mud pumps and jacking control systems), oilfield supplies (including expendables and accessories for drilling rigs) and also the provision of turnkey solutions for offshore rigs.

YRO is a non-wholly owned subsidiary of YRS and is principally engaged in building offshore rigs and other offshore construction and engineering.

The YRS Group is principally engaged in the construction of various marine and offshore rigs including jack-up drilling rigs, semi-submersible drilling rigs, platform supply vessels and luxury yachts. YRSI, a wholly-owned subsidiary of YRS, became a substantial Shareholder in May 2007 as disclosed in the Company's announcement dated 21 May 2007. As a strategic investor of the Company, YRO purchases the Sub-Contract Works on mutual interests of the YRS Group and the Group.

The YRO Sales are conducted in the ordinary and usual course of business of the Group. The contract value of the Supply Agreement is in the sum of RMB19,600,000, representing 9% of the Group's turnover of approximately RMB216.4 million for the year ended 31 December 2006. Therefore, the YRO Sales will increase the turnover of the Group. Furthermore, the YRO sales will raise profit and credit of the Group in the oil and gas industries. More importantly, the Group successfully penetrates and commences into the BOP handling and transport system as a result of the YRO sales, and therefore a landmark in the Group's history. The provision of new product lines would increase the revenue base of the Group.

In view of the aforesaid, the Directors (excluding the independent non-executive Directors) believe that the YRO Sales are in the interests of the Company and the Shareholders as a whole. The Directors also consider that the terms of the Supply Agreement offered to YRO are in the interests of the Company and the Shareholders as a whole. The Company will constitute the independent board committee to advise the Independent Shareholders in respect of the Supply Agreement.

IMPLICATIONS UNDER THE GEM LISTING RULES

Save as the sale of cantilever and drilling turnkey equipment packages to YRS as disclosed in the Company's announcements dated 16 July 2007 and 27 August 2007 and the circular dated 7 August 2007; sale of electrical power control system to YRO and sales of structural design drawings for three cantilever and drilling turnkey packages to YRS as disclosed in the Company's announcements dated 27 November 2007 and 28 December 2007 and the circular dated 12 December 2007; and sale of four sets of burner boom to YRO as

LETTER FROM THE BOARD

disclosed in the Company's announcements dated 12 December 2007 and 22 January 2008 and the circular dated 31 December 2007, there were no other prior transactions between the Company and (i) YRS; (ii) YRSI; and/or (iii) their respective associates since all the above connected transactions were related to the sale of offshore drilling equipments and related services to YRO and YRS within a 12-month period, the Company would aggregate all the above connected transactions and are subject to the reporting, announcement and independent shareholders' approval pursuant to Rule 20.25 of the GEM Listing Rules.

YRO is a non-wholly owned subsidiary of YRS. As at the Latest Practicable Date, 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.

YRO and its associates (including YRSI) have a material interest in the YRO Sales, therefore they are required to abstain from voting at the EGM. Save as disclosed above, to the best knowledge of the Directors, having made all reasonable enquiries, no other Shareholder is required to abstain from voting at the EGM. The Supply Agreement is subject to the approval by the Independent Shareholders by poll. The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Supply Agreement and the transactions contemplated thereunder.

EGM

Set out on pages 25 to 26 of this circular is a notice of the EGM to be held at Function Room I, Ground Floor, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong at 10:00 a.m. on Tuesday, 8 April 2008. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's principal place of business at Unit 1612, 16th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof in person should you so wish.

The results of voting taken on a poll at the EGM will be announced by the Company in accordance with the GEM Listing Rules.

PROCEDURES FOR DEMANDING A POLL

Pursuant to article 66 of the articles of association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded: (a) by the chairman of such meeting; or (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation

LETTER FROM THE BOARD

by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or (c) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or (d) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; or (e) by any Director or Directors who, individually or collectively, hold proxies in respect of the Shares representing 5% or more of the total voting rights at such meeting.

RECOMMENDATION

The Independent Board Committee, after taking into account of the advice from South China Capital, considers that the terms and conditions of the Supply Agreement are fair and reasonable, and that the YRO Sales are in the interests of the Company and the Shareholders as a whole and accordingly, recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Supply Agreement and the transactions contemplated thereunder.

The text of the letter from the Independent Board Committee is set out on page 10 of this circular. The text of the letter from South China Capital containing its advice to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons which it has taken into account in arriving at its advice is set out on pages 11 to 18 of this circular.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
On behalf of the Board
Jiang Bing Hua
Executive Chairman



TSC Offshore Group Limited

TSC 海洋集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8149)

20 March 2008

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

We have been appointed as members of the Independent Board Committee to advise you in connection with the transactions contemplated under the Supply Agreement, details of which are set out in the letter from the Board in the Company's circular dated 20 March 2008 to the Shareholders (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Your attention is drawn to the letter from South China Capital, containing its advice to us and the Independent Shareholders regarding the fairness and reasonableness of the terms and conditions of the transactions contemplated under the Supply Agreement as set out on pages 11 to 18 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 9 of the Circular and the additional information set out in the appendix to the Circular.

Having considered the terms of the Supply Agreement and the advice and recommendation of South China Capital, we consider that the YRO Sales are in the ordinary course of business of the Group, the terms of the Supply Agreement are on normal commercial terms; and fair and reasonable to the Independent Shareholders and the entering into of the Supply Agreement are in the interests of the Company and the Shareholders as a whole. We, therefore, recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Supply Agreement and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Chan Ngai Sang, Kenny

Bian Junjiang

Guan Zhichuan

Independent non-executive Directors

* For identification purposes only

LETTER FROM SOUTH CHINA CAPITAL

Set out below is the text of a letter received from South China Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the YRO Sales for the purpose of inclusion in this circular.



South China Capital Limited
28/F., Bank of China Tower
No. 1 Garden Road
Central
Hong Kong

20 March 2008

*To: The independent board committee and the independent shareholders
of TSC Offshore Group Limited*

Dear Sirs,

CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the YRO Sales, details of which are set out in the letter from the Board (the “Board Letter”) contained in the circular dated 20 March 2008 issued by the Company to the Shareholders (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Board announced on 4 March 2008 that on 29 February 2008, Qingdao TSC entered into the Supply Agreement with YRO in respect of the sale of BOP handling and transport system to YRO of which Qingdao TSC will assemble pieces of main structure (BOP handling and transport system) of one semi-submersible drilling rig upon request by YRO. The Sub-Contract Price for the Sub-Contract Works is in the sum of RMB19,600,000.

Since YRO is a non-wholly owned subsidiary of YRS, being a substantial Shareholder which also indirectly owned approximately 10.9% of the total issued share capital of the Company through YRSI as at the date of the Supply Agreement, YRO is a connected person of the Company as defined under the GEM Listing Rules. Accordingly, the Supply Agreement constitutes connected transaction for the Company under Chapter 20 of the GEM Listing Rules and is subject to the Independent Shareholders’ approval by way of poll at the EGM. YRSI, its subsidiaries and their respective associates shall abstain from voting on the relevant resolution(s) to approve the Supply Agreement and the transactions contemplated therein at the EGM.

LETTER FROM SOUTH CHINA CAPITAL

An Independent Board Committee comprising Messrs. Kenny Chan Ngai Sang, Bian Junjiang and Guan Zhichuan (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Supply Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the YRO Sales are in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Supply Agreement and the transactions contemplated therein at the EGM. We, South China Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the date hereof. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 17.92 of the GEM Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Qingdao TSC and YRO, or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the YRO Sales. In addition, we have no obligation to update this opinion to take into account events occurring after the issue of this letter. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

LETTER FROM SOUTH CHINA CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the YRO Sales, we have taken into consideration the following principal factors and reasons:

(1) Background of and reasons for the YRO Sales

Business overview of the Group

As extracted from the Board Letter, the Group is a product and service provider of onshore and offshore drilling rigs in the oil and gas industry. The principal businesses of the Group are (i) the manufacture and sale of onshore and offshore drilling and handling equipment (such as drilling rig control systems, mud pumps and jacking control systems) and oilfield supplies (including expendables and accessories for drilling rigs); and (ii) the provision of turnkey solutions for offshore rigs.

Set out below are the operating results of the Group for the nine months ended 30 September 2007 and the two years ended 31 December 2006 as extracted from the Company's unaudited third quarterly report for the nine months ended 30 September 2007 (the "2007 Third Quarterly Report") and its audited annual report for the year ended 31 December 2006 (the "2006 Annual Report") respectively:

	For the nine months ended 30 September 2007 RMB'000 (unaudited)	For the year ended 31 December 2006 RMB'000 (audited)	For the year ended 31 December 2005 RMB'000 (audited)	Year on year change %
Turnover				
– Electrical equipment	89,837	106,689	43,464	145.47
– Expendable parts and accessories	79,198	105,556	63,207	67.00
– Consultancy services	4,407	4,204	4,245	(0.97)
	173,442	216,449	110,916	95.15
Gross profit	70,949	97,055	46,921	106.85
Profit after tax	19,881	34,138	19,357	76.36

From the above table, we note that the audited total turnover of the Group for the year ended 31 December 2006 rose significantly by approximately 95.15% as compared to the prior year. As confirmed by the Directors, such significant growth was triggered by the outstanding business performance of the Group, especially from the sale of electrical equipment for use in the oil and gas drilling industry.

LETTER FROM SOUTH CHINA CAPITAL

According to the 2007 Third Quarterly Report, we also note that it is the Group's strategy to continue its business focus on serving the oil and gas drilling industry worldwide. The Directors expected that the demand for drilling products expendables will remain strong in the future. Moreover, the Directors also believed that the Group shall be at a competitive position to enjoy continual future business growth by leveraging on its lower-cost manufacturing base in the PRC, its international sales and distribution network and its ability of offering complete offshore drilling equipment "turnkey solutions" to the international clients.

Information on YRO and YRS

As extracted from the Board Letter, the YRS Group is principally engaged in the construction of various marine and offshore rigs including jack-up drilling rigs, semi-submersible drilling rigs, platform supply vessels and luxury yachts. As at the date of the Supply Agreement, YRS indirectly owned approximately 10.9% of the total issued share capital of the Company through YRSI, a wholly-owned subsidiary of YRS. YRS is therefore deemed to be a substantial Shareholder.

YRO is a non-wholly owned subsidiary of YRS and is principally engaged in the sourcing and construction of various marine and offshore rig components.

Reasons for the YRO Sales

We were advised by the Directors that YRO purchases the Sub-Contract Works from Qingdao TSC on a commercial basis. As referred to in the Board Letter, the Sub-Contract Price for the Sub-Contract Works is in the sum of RMB19,600,000, representing approximately 9% of the Group's audited total turnover of approximately RMB216.45 million for the year ended 31 December 2006. The Directors also advised that the sale of BOP handling and transport system is an extension of the Group's existing products in the oil and gas drilling industry and the Group has not conducted any sale of similar systems prior to the YRO Sales. The BOP handling and transport system to be supplied to YRO by Qingdao TSC is one of the various components of semi-submersible drilling rigs. We have further enquired into the Directors regarding the Group's future plan on the production and sale of BOP handling and transportation system. In this regard, the Directors confirmed that although the Group only assembles BOP handling and transport system and has no current plan to manufacture such products by itself, the Group will actively consider selling similar systems to other potential customers should the YRO Sales become successful. For this reason, the Directors are of the view that the YRO Sales will help the Group to penetrate into the market of BOP handling and transport system used on semi-submersible drilling rigs. The Directors also expected that the YRO Sales will raise profit and creditability of the Group in the oil and gas drilling industry and the provision of such new product lines will further expand the revenue base of the Group.

LETTER FROM SOUTH CHINA CAPITAL

Given that (i) it is the Group's existing strategy to focus on serving the oil and gas drilling industry worldwide; (ii) the YRO Sales will contribute extra turnover and profits to the Group (also see further elaboration under the paragraph headed "Basis of the Sub-Contract Price" of this letter); and (iii) the Group may penetrate into the market of BOP handling and transport system used on semi-submersible drilling rigs as a result of the YRO sales, we concur with the Directors that the YRO Sales align with the future development strategy of the Group and hence are in the ordinary and usual course of business of the Company. Furthermore, we also consider that the YRO Sales are in the interests of the Company and the Shareholders as a whole.

(2) Principal terms of the Supply Agreement

Pursuant to the Supply Agreement, Qingdao TSC agreed to fabricate, supply, commission and test the Sub-Contract Works, check of installation, integrate the Sub-Contract Works with any materials supplied by YRO; and provide engineering supports and other services required for the manufacture of the Sub-Contract Works (the "Services"). The Sub-Contract Price for the Sub-Contract Works is the sum of RMB19,600,000.

Basis of the Sub-Contract Price

From the Board Letter, we note that the Sub-Contract Price was determined after arm's length negotiation between Qingdao TSC and YRO, with reference to, among other things, the estimated cost of the Sub-Contract Works.

Upon our further enquiry, the Directors advised us that a cost-plus basis was applied in the course of determining the Sub-Contract Price. After estimating the total costs of conducting the Sub-Contract Works (including but not limited to the purchase cost of the raw materials for the BOP handling and transport system, the cost of labour and the delivery cost), a certain percentage of profit margin was marked up on the costs to arrive at the Sub-Contract Price. The Directors also confirmed that such cost-plus basis is commonly used by manufacturers in the equipment manufacturing and trading industry whereby the exact profit margin is determined on a transaction by transaction basis based on arm's length negotiation between the trader and the customer as well as the production budget of each transaction.

In order for us to assess the aforementioned basis of the Sub-contract Price, we have obtained from the Company the production budget of the Sub-Contract Works and we note the budgeting basis and the profit margin of the Sub-Contract Price. We concur with the Directors that the cost-plus basis used by the Group for the determination of the Sub-Contract Price is fair and reasonable so far as the Independent Shareholders are concerned as (i) it was determined based on detailed budgeting of the Sub-Contract Works; (ii) it allows the Group to assess the estimated gross profit to be derived from the YRO Sales; and (iii) it enables the Group to charge a mark-up over the total costs of conducting the Sub-Contract Works. Furthermore, in light of also that no similar systems have been sold by the Group prior to the YRO Sales, we are of the opinion that the

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cost-plus basis of the Sub-Contract Price is in the interests of the Company and the Shareholders as a whole since it can serve as a profit guarantee for the Group in relation to the sale of the Sub-Contract Works which is a rather new business to the Group.

Payment terms

Pursuant to the Supply Agreement, the Sub-Contract Price will be settled in cash in accordance with five progress milestones, including (i) commencement of plate cutting; (ii) completion of assembly; (iii) completion of function test and load test for the Sub-Contract Works; (iv) delivery of the Sub-Contract Works to YRO; and (v) delivery of the Sub-Contract Works from YRO to the end user. Moreover, the Sub-Contract Price will be fully paid upon delivery of the Sub-Contract Works. We have discussed with the Company regarding the aforementioned terms of payment and were advised by the Directors that such payment terms are in line with the general market practice of the equipment manufacturing and trading industry. We have also requested for copies of the sale and purchase contracts which the Group has entered into with other customers (the “Comparable Contracts”) and note that the payment terms as contained therein are similar to those of the Supply Agreement. In view of also that such payment terms, as explained by the Directors, were negotiated on arm’s length basis after taking into account the funding requirements in providing the Sub-Contract Works at each stage during the contractual period, we are of the view that the payment terms of the Supply Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

Warranty period

The Supply Agreement also stipulates that the Group will provide warranty for the Sub-Contract Works for a period up to 12 months after delivery of the Sub-Contract Works by YRO to the end user or 18 months after delivery of the Sub-Contract Works from Qingdao TSC to YRO, whichever comes first. In this relation, YRO can also extend the warranty period with regard to the work or item of the Sub-Contract Works for a further maximum period of six months from the date of replacement or repair. The Directors further confirmed that such warranty period can only be extended when any work or item of the Sub-Contract Works is rectified or replaced during the original warranty period. According to the Directors and from the copies of the Comparable Contracts which we have requested and were provided by the Company, the provision of a warranty period is a common practice of the Company for ensuring the quality of the equipments, and thus protecting the interest of the customers. Having this being the case, we consider that the inclusion of a clause on warranty period under the Supply Agreement is fair and reasonable so far as the Independent Shareholders are concerned.

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Liquidated damages

Pursuant to the Supply Agreement, in the event that the effective delivery of the Sub-Contract Works to YRO is delayed and the agreed completion date has passed due to Qingdao TSC's fault, then if at the said date Qingdao TSC has not been granted an extension of time and the Sub-Contract Works are remained incomplete, the Sub-Contract Price will be reduced by 0.1% for each full day thereafter the relevant blocks of the Sub-Contract Works are delayed in delivery to YRO but the total deduction amount cannot exceed 10% of the Sub-Contract Price.

Regarding the aforementioned arrangement of liquidated damages, the Directors confirmed that the purpose of such arrangement is to ensure that the equipments will be delivered on time and the Group would usually set the cap for the liquidated damages at 10%. We consider such reason of setting the clause on liquidated damages to be justifiable. Moreover, in light of that the maximum reduction in the Sub-Contract Price has been capped which means Qingdao TSC will not suffer from infinite losses for liquidated damages, we are of the view that the interest of the Independent Shareholders has been safeguarded. Based on the above, we consider that the inclusion of a clause on liquidated damages is fair and reasonable so far as the Independent Shareholders are concerned.

Supply of raw materials

As confirmed by the Directors and stated in the Supply Agreement, YRO will supply around 80% of the raw materials necessary for the completion of the Sub-Contract Works (the "Materials") to Qingdao TSC. In addition, the Directors also further confirmed that Qingdao TSC will enter into contracts with vendors of the remaining Materials which will not be supplied by YRO under similar clauses of warranty period and liquidated damages as the Supply Agreement. Based on the above, the Directors consider that the risk of (i) extra costs associated with replacement or repair of the Sub-Contract Works; and (ii) surcharges on late delivery of the Sub-Contract Works, are under considerable control as most of the Materials will be supplied by YRO while certain of such risk has also been partially shifted to the vendors of the remaining Materials. Given that the supply of raw materials arrangement may reduce the business risks of Qingdao TSC as just highlighted, we are of the view that the supply of raw materials arrangement under the Supply Agreement is fair and reasonable so far as the Independent Shareholders are concerned.

Other terms of the Supply Agreement

We have also reviewed the other terms of the Supply Agreement and are not aware of any terms which are uncommon to normal market practice. Based on the above, we consider that the terms of the Supply Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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RECOMMENDATION

Having considered the above factors and reasons, we are of the opinion that (i) the terms of the Supply Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the YRO Sales are in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the EGM to approve the Supply Agreement and the transactions contemplated therein and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
South China Capital Limited
Graham Lam
Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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: (1) the information contained in this circular is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

(a) Interests of the directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, were as follows:

Interests in Shares

Name of Directors	Number of Shares held (long position)				Total	Approximate percentage of the Company's issued share capital
	Personal interests	Family interests	Corporate interests	Other interests		
Mr. Zhang Menggui (Note 1)	864,000	–	136,871,200	–	137,735,200	34.97%
Mr. Jiang Bing Hua (Note 1)	864,000	–	136,871,200	–	137,735,200	34.97%
Mr. Zhang Hongru (Note 2)	4,690,800	–	16,228,800	–	20,919,600	5.31%
Mr. Chen Yunqiang	1,123,200	–	–	–	1,123,200	0.29%

Notes:

- The 136,871,200 Shares of corporate interests are held through Global Energy Investors, LLC, which is beneficially owned as to 50% each by Mr. Zhang Menggui and Mr. Jiang Bing Hua. Accordingly, both Mr. Zhang Menggui and Mr. Jiang Bing Hua are deemed to be interested in the 136,871,200 Shares.
- The 16,228,800 Shares of corporate interests are held through Osbeck Investments Limited, a company wholly-owned by Mr. Zhang Hongru.

Interests in underlying shares through equity derivatives

Name of Director	Date of grant	Exercisable period	Exercise price	Number of share options
Mr. Zhang Menggui	19 October 2005	29 November 2005 to 18 October 2015	0.2383	2,592,000
Mr. Jiang Bing Hua	19 October 2005	29 November 2005 to 18 October 2015	0.2383	2,592,000
Mr. Chen Yunqiang	19 October 2005	29 November 2005 to 18 October 2015	0.2383	1,684,800
Mr. Zhang Hongru	19 October 2005	29 November 2005 to 18 October 2015	0.2383	1,555,200

Save as disclosed above, as at the Latest Practicable Date, none of the directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the directors and chief executive of the Company, the following entity or person (other than directors or chief executive of the Company) had, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carry rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Capacity and nature of interest	Number of Shares/ underlying shares held	Approximate % of the Company's issued share capital
Global Energy Investors, LLC <i>(Note 1)</i>	Corporate	136,871,200 Shares	34.75%
Madam Chen Fengying <i>(Note 2)</i>	Interest of the spouse	137,735,200 Shares and 2,592,000 share options	35.62%
Madam Zhang Jiuli <i>(Note 3)</i>	Interest of the spouse	137,735,200 Shares and 2,592,000 share options	35.62%
YRSI <i>(Note 4)</i>	Corporate	42,800,000 Shares	10.87%
YRS <i>(Note 4)</i>	Corporate	42,800,000 Shares	10.87%
Mr. Brian Chang <i>(Note 4)</i>	Interest in controlled entities	58,872,800 Shares	14.95%
Keywise Greater China Opportunities Master Fund <i>(Note 5)</i>	Corporate	41,488,000 Shares	10.53%
Keywise Capital Management (HK) Limited <i>(Note 5)</i>	Corporate	41,488,000 Shares	10.53%
DnB NOR Asset Management (Asia) Limited	Corporate	23,048,000 Shares	5.85%
NESTOR Fernost Fonds <i>(Note 6)</i>	Corporate	22,828,000 Shares	5.80%
NESTOR Investment Management S.A. <i>(Note 6)</i>	Corporate	22,828,000 Shares	5.80%
Mr. Ou Yaping <i>(Note 7)</i>	Interest in controlled entities	22,000,000 Shares	5.59%

Name	Capacity and nature of interest	Number of Shares/ underlying shares held	Approximate % of the Company's issued share capital
Asia Pacific Promotion Limited (<i>Note 7</i>)	Corporate	22,000,000 Shares	5.59%
Enerchina Holdings Limited (<i>Note 7</i>)	Corporate	22,000,000 Shares	5.59%
Multiwin Corporation (<i>Note 7</i>)	Corporate	22,000,000 Shares	5.59%
Roxy Link Limited (<i>Note 7</i>)	Corporate	22,000,000 Shares	5.59%
Madam Gao Haiping (<i>Note 8</i>)	Interest of the spouse	20,919,600 Shares and 1,555,200 share options	5.71%

Notes:

1. This interest represents the same block of corporate interest held by Mr. Zhang Menggui and Mr. Jiang Bing Hua as shown in the above section headed "Interests of the directors and chief executive of the Company".
2. These interests represent the same block of Shares and share options held by Mr. Zhang Menggui as shown in the above section headed "Interests of the directors and chief executive of the Company". Since Madam Chen Fengying is the spouse of Mr. Zhang Menggui, she is deemed to be interested in the Shares and share options held by him under Part XV of the SFO.
3. These interests represent the same block of Shares and share options held by Mr. Jiang Bing Hua as shown in the above section headed "Interests of the directors and chief executive of the Company". Since Madam Zhang Jiuli is the spouse of Mr. Jiang Bing Hua, she is deemed to be interested in the Shares and share options held by him under Part XV of the SFO.
4. YRSI is ultimately wholly-owned by YRS, a company incorporated in Singapore and the shares of which are traded on the Oslo Over-the-Counter Market. Accordingly, YRS is deemed to be interested in 42,800,000 Shares held by YRSI.

YRS is owned as to approximately 45% by Mr. Brian Chang and his associates. Mr. Brian Chang is deemed to be interested in 42,800,000 Shares held by YRSI as he holds more than one-third interest of the issued share capital of YRSI. Mr. Brian Chang is also deemed to be interested in 16,072,800 Shares held by his wholly-owned company, Asian Infrastructure Limited.
5. Keywise Greater China Opportunities Master Fund is an investment fund registered in the Cayman Islands and is wholly-owned by Keywise Capital Management (HK) Limited, a company incorporated in Hong Kong.
6. NESTOR Investment Management S.A. held the 22,828,000 Shares on behalf of NESTOR Fernost Fonds, an undertaking for collection investments under the laws of the Grand Duchy von Luxembourg.
7. Roxy Link Limited ("Roxy") is the beneficial owner of 22,000,000 Shares of the Company. Roxy is a wholly-owned subsidiary of Multiwin Corporation ("Multiwin"), which in turn is a wholly-owned subsidiary of Enerchina Holdings Limited ("Enerchina").

Asia Pacific Promotion Limited ("Asia Pacific") is wholly-owned by Mr. Ou Yaping ("Mr. Ou"). Enerchina is owned as to approximately 32.5% held by Asia Pacific and approximately 0.17% held by Mr. Ou directly respectively. Therefore, Mr. Ou, Asia Pacific, Enerchina and Multiwin are deemed to be interested in the 22,000,000 Shares of the Company held by Roxy under Part XV of the SFO.

8. These interests represent the same block of Shares and share options held by Mr. Zhang Hongru as shown in the above section headed “Interests of the directors and chief executive of the Company”. Since Madam Gao Haiping is the spouse of Mr. Zhang Hongru, she is deemed to be interested in the Shares and share options held by him under Part XV of the SFO.

Save as disclosed above, the directors and chief executive of the Company were not aware of any entities or persons (other than directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group as at the Latest Practicable Date.

3. COMPETING BUSINESS

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 or has any other conflict of interests with the Group.

4. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into or is proposing to enter into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory obligations).

5. MATERIAL CHANGES

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2006, the date to which the latest audited consolidated financial statements of the Group has been made up.

6. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

Name	Qualification
South China Capital Limited	a licensed corporation licensed to carry out type 6 (advising on corporate finance) regulated activity as set out in Schedule 5 to the SFO

South China Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, South China Capital did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, South China Capital did not have any direct or indirect interests in any assets which had been, since 31 December 2006 (being the date to which the latest published audited consolidated accounts of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

7. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

No contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2006, the date to which the latest published audited consolidated financial statements of the Group were made.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copy of the Supply Agreement will be available for inspection at the principal office of the Company at Unit 1612, 16th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong during normal office hours on any weekday, except Saturdays, Sundays and public holidays, from the date of this circular up to and including 8 April 2008.

9. GENERAL

The English text of this circular shall prevail over the Chinese text.

NOTICE OF EGM



TSC Offshore Group Limited

TSC 海洋集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8149)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of TSC Offshore Group Limited (the “Company”) will be held at Function Room I, Ground Floor, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong at 10:00 a.m. on Tuesday, 8 April 2008 to consider and, if thought fit, to pass, with or without amendments, the following resolutions:

ORDINARY RESOLUTION

1. “**THAT** the agreement (the “Supply Agreement”) entered into on 29 February 2008 between Qingdao TSC Offshore Equipment Co., Ltd., a wholly-owned subsidiary of the Company, as the supplier; and Yantai Raffles Offshore Limited, as the purchaser, in relation to the sale of BOP handling and transport system, copy of which have been produced at the Meeting marked “A” and signed by the chairman of the Meeting for identification purpose, be and are hereby approved, confirmed and ratified, and **THAT** all the transactions contemplated under the Supply Agreement be and are hereby approved, confirmed and ratified, and **THAT** the directors of the Company be and are hereby authorised to do such acts and execute such other documents with or without amendments and affix the common seal of the Company thereto (if required) as they may consider necessary, desirable or expedient to give effect to or otherwise in connection with or in relation to the Supply Agreement.”

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

Hong Kong, 20 March 2008

* *For identification purposes only*

NOTICE OF EGM

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares of the Company may appoint more than one proxy to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares of the Company in respect of which each such proxy is so appointed. A proxy need not be a member of the Company, but must attend the Meeting in person to represent you.
2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the principal place of business of the Company in Hong Kong at Unit 1612, 16th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for the holding of the Meeting or any adjourned meeting.
3. Completion and delivery of the form of proxy will not preclude a member of the Company from attending and voting in person at the Meeting if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. Where there are joint holders of any shares of the Company, any one of such persons may vote at the Meeting, either in person or by proxy, in respect of such shares of the Company as if he was solely entitled thereto; but if more than one of such joint holders be present at the Meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.