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## **TSC Offshore Group Limited**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8149)**

### **CONTINUING CONNECTED TRANSACTION**

#### **THE MASTER AGREEMENT**

On 4 June 2008, the Company (as seller) entered into the Master Agreement with YRS (as buyer) in relation to the sale of the Products (which include the Equipment and the Turnkey Projects) by the Company to YRS for the two years ending 31 December 2009.

Pursuant to the Master Agreement, the Directors expected that the Annual Caps for the Transaction for the two years ending 31 December 2009 will be approximately RMB589 million and approximately RMB1,028 million respectively.

#### **GENERAL**

As at the date of this announcement, YRS is a substantial Shareholder which through its wholly-owned subsidiary, YRSI, owns approximately 10.9% of the issued share capital of the Company. Accordingly, the Transaction constitutes continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules. The Company will seek approval of the Independent Shareholders by way of poll on the entering into of the Master Agreement and the Annual Caps at the EGM.

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 formed to advise the Independent Shareholders in respect of the Master Agreement and the Annual Caps. To the best of the Directors' knowledge and belief, none of the independent non-executive Directors of the Independent Board committee has a material interest in the Transaction. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Master Agreement and the Annual Caps, the letter from the Independent Board Committee to the Independent Shareholders, and the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Master Agreement and the Annual Caps will be despatched to the Shareholders as soon as practicable.

## **INTRODUCTION**

On 4 June 2008, the Company (as seller) entered into the Master Agreement with YRS (as buyer) in relation to the sale of the Products (which include the Equipment and the Turnkey Projects) by the Company to YRS for the two years ending 31 December 2009. It is agreed that each sale and purchase of the Equipment and the Turnkey Project will be performed by the respective subsidiaries of the Company and YRS under separate contracts in accordance with the terms and conditions of the Master Agreement.

Pursuant to the Master Agreement, the Directors expected that the Annual Caps for the Transaction for the two years ending 31 December 2009 will be approximately RMB589 million and approximately RMB1,028 million respectively.

As at the date of this announcement, YRS is a substantial Shareholder which through its wholly-owned subsidiary, YRSI, owns approximately 10.9% of the issued share capital of the Company. Accordingly, the Transaction constitutes continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules. Particulars of the Master Agreement and the Transaction are described in the following sections.

## **TERMS OF THE MASTER AGREEMENT**

Date:	4 June 2008
Effective period:	From the Commencement Date to 31 December 2009 (both days inclusive).
Seller:	The Company
Buyer:	YRS
Nature of Transaction:	Pursuant to the Master Agreement, the Company agreed to sell and YRS agreed to purchase the Products (which include the Equipment and the Turnkey Projects). It is agreed that each sale and purchase of the Equipment and the Turnkey Project will be performed by the respective subsidiaries of the Company and YRS under separate contracts to be entered into in accordance with the terms and conditions of the Master Agreement.
Annual Caps:	The Annual Caps under the Master Agreement for the two years ending 31 December 2009 are approximately RMB589 million and approximately RMB1,028 million respectively.
Basis of the Annual Caps:	The Annual Caps were determined by the Company after taking into account of (i) the estimated demand for the Products during the relevant years from YRS; and (ii) the expected selling price of the Products during the relevant years.

The Group and YRS Group agreed that the Transaction shall be conducted on normal commercial terms, in particular: (i) the Transaction will be on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties to the Company; (ii) the Transaction will be in the ordinary and usual course of business of the Company and conducted after arm's length negotiations; and (iii) the Transaction will not exceed the Annual Caps for the two years ending 31 December 2009.

## **INFORMATION ON YRS GROUP**

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 this announcement, YRS is a substantial Shareholder which through its wholly-owned subsidiary, YRSI, owns approximately 10.9% of the issued share capital of the Company.

Save and except for the connected transactions as announced by the Company on 16 July 2007, 27 November 2007, 12 December 2007 and 4 March 2008, there was no similar transaction regarding the sale and purchase of the Products which had been conducted between the Group and YRS Group in the 12 months prior to the date of this announcement.

## **REASONS FOR THE TRANSACTION**

The Group is a product and service provider of onshore and offshore drilling rigs in oil and gas industries. It is principally engaged in (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), oilfield supplies (including expendables and accessories for drilling rigs); and (ii) the provision of turnkey solutions for offshore rigs.

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, YRS Group intended to purchase the Products on mutual interests of YRS Group and the Group.

As aforementioned, the Transaction will be conducted in the ordinary and usual course of business of the Company. The Directors expected that the Transaction will provide a stable source of revenue to the Group and will save administrative time of the Group. In view of the aforesaid, the Directors (excluding the independent non-executive Directors) believe that the Transaction is in the interests of the Company and the Shareholders as a whole. The Directors (excluding the independent non-executive Directors) also consider that the terms of the Master Agreement and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. The Company will form the Independent Board Committee to advise the Independent Shareholders in respect of the Master Agreement and the Annual Caps.

## **GEM LISTING RULES IMPLICATION**

As at the date of this announcement, YRS is a substantial Shareholder which through its wholly-owned subsidiary, YRSI, owns approximately 10.9% of the issued share capital of the Company. Accordingly, the Transaction constitutes continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules. The Company will seek approval of the Independent Shareholders by way of poll on the entering into of the Master Agreement and the Annual Caps at the EGM. Since YRS is a substantial Shareholder and has material interests in the Master Agreement, YRS and its associates are required to abstain from voting on the resolutions approving the Master Agreement and the Annual Caps at the EGM.

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 formed to advise the Independent Shareholders in respect of the Master Agreement and the Annual Caps. To the best of the Directors' knowledge and belief, none of the independent non-executive Directors of the Independent Board Committee has a material interest in the Transaction. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Master Agreement and the Annual Caps, the letter from the Independent Board Committee to the Independent Shareholders containing the view of the Independent Board Committee on the Master Agreement and the Annual Caps, and the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Master Agreement and the Annual Caps will be despatched to the Shareholders as soon as practicable.

## **DEFINITIONS**

Unless the context otherwise requires, capitalized terms used in this announcement shall have the following meanings:

“associate(s)”	shall have the meaning as ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Commencement Date”	the date of which the conditions precedent in the Master Agreement are fulfilled
“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 under the GEM Listing Rules and the word “connected” shall be construed accordingly
“Director(s)”	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 Master Agreement and the transactions contemplated thereunder, and the Annual Caps
“Equipment”	the equipment used on offshore platforms including but not limited to power control package, jacking control system, BOP handling and transport, burner boom, etc.
“GEM”	the Growth Enterprises Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the 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 to advise the Independent Shareholders in respect of the Master Agreement and the Annual Caps
“Independent Shareholders”	Shareholders other than YRSI and its associates
“independent third party(ies)”	shall have the meaning as ascribed to it under the GEM Listing Rules
“Master Agreement”	the agreement entered into between the Company and YRS on 4 June 2008 in relation to the Transaction
“PRC”	the People’s Republic of China
“Products”	the Equipment and the Turnkey Project(s)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the sale of the Products by the Group to YRS Group as contemplated under the Master Agreement
“Turnkey Project(s)”	the project(s) related to offshore platforms including (i) cantilever and drill floor projects; (ii) rack material cutting projects; (iii) other material processing projects; and (iv) design, engineering and consulting service projects
“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.

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

Hong Kong, 4 June 2008

*As at the date of this announcement, Mr. Jiang Bing Hua, Mr. Zhang Menggui, Mr. Zhang Hongru and Mr. Chen Yunqiang are the executive Directors; Mr. Jiang Longsheng is the non-executive Director; and Mr. Chan Ngai Sang, Kenny, Mr. Bian Junjiang and Mr. Guan Zhichuan are the independent non-executive Directors.*

*This announcement, 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 announcement 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 announcement misleading; and (3) 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.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website for at least seven days from the date of its posting and on the website of the Company at [www.tscoffshore.com](http://www.tscoffshore.com).*