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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 appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares.



TSC Offshore Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8149)

DISCLOSEABLE TRANSACTION – ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF CENTER MARK INVOLVING ISSUE OF NEW SHARES

Financial Adviser to TSC Offshore Group Limited



SBI E2-Capital (HK) Limited

THE ACQUISITION

On 31 October 2008 after trading hours, the Company and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Share and the Sale Loan for a consideration of HK\$12,900,000 and RMB1,200,000 (equivalent to approximately HK\$1,349,450) respectively. The Sale Loan Consideration will be satisfied in cash while the Sale Shares Consideration will be satisfied by way of the allotment and issue of 10,000,000 Consideration Shares by the Company to the Vendor. The Consideration Shares have a market value of approximately HK\$12.9 million, based on the closing price of HK\$1.29 per Share on 30 October 2008, being the last trading day prior to the date of Sale and Purchase Agreement. The Sale Shares Consideration was arrived at after arms' length negotiations between the Company and the Vendor with reference to (i) Zhengzhou Jier's historical operating results; and (ii) the strategic business synergies to be created by the proposed Acquisition on the Group in the future. The Sale Loan Consideration was determined with reference to the face value of the loan due from Center Mark to the Vendor as at 31 August 2008.

The Consideration Shares represent approximately 1.82% of the existing issued share capital of the Company and approximately 1.79% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

Center Mark has not carried on any business or operation save for the holding of its wholly-owned subsidiary, Zhengzhou Jier. Zhengzhou Jier is principally engaged in research and development, fabricating and sales of equipment used for offshore platforms and offshore projects.

GENERAL

As the relevant percentage (as defined in the GEM Listing Rules) ratios applicable to the proposed Acquisition exceed 5% but less than 25%, the proposed Acquisition constitutes a “discloseable transaction” of the Company under Chapter 19 of the GEM Listing Rules. This announcement is also made pursuant to Rule 17.10 of the GEM Listing Rules. As the Consideration Shares will be issued pursuant to the general mandate granted to the Board in the last annual general meeting to issue shares, this transaction is not subject to the approval of shareholders of the Company but it is subject to the reporting and announcement requirements under the GEM Listing Rules. A circular containing, among other things, details of the proposed Acquisition will be despatched to the Shareholders as soon as practicable. Application will be made to the GEM Listing Committee of Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

THE SALE AND PURCHASE AGREEMENT

Date

31 October 2008

Parties

Purchaser: the Company

Vendor: Lewaside Investments Limited, a company incorporated in the British Virgin Islands

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of the Company or connected persons of the Company. The Vendor has not carried on any business or operation save for the holding of its wholly-owned subsidiary, Center Mark.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Share and Sale Loan to the Company.

Consideration

The considerations for the Sale Share and Sale Loan are HK\$12,900,000 and RMB1,200,000 (equivalent to approximately HK\$1,349,450) respectively. The payment terms of the Sale Shares Consideration and Sale Loan Consideration are set out below:

- (a) RMB1,200,000 (equivalent to approximately HK\$1,349,450) in cash, being the Sales Loan Consideration, of which 60% will be paid on the Completion Date, and the remaining 40% will be paid as at 31 December 2009 provided that all the balances of account receivables and other receivables as stated in the management account of Zhengzhou Jier as at 31 August 2008 have been fully settled no later than 28 February 2009, unless this condition is waived in writing by the Company; and
- (b) HK\$12,900,000, being the Sale Shares Consideration, shall be settled by way of the allotment and issue of 10,000,000 Consideration Shares at an issue price of HK\$1.29 per each Consideration Share upon Completion. Pursuant to the Sale and Purchase Agreement, the Consideration Shares are to be kept under custody by the Company for a period of up to five years commencing on the Completion Date, subject to the condition that the Vendor will receive 20% of the Consideration Shares, being 2,000,000 Shares, on every anniversary of the Completion Date until the end of 5th anniversary of the Completion Date. The transfer right attaching to the Consideration Shares is subject to the fulfillment by the Vendor of the following conditions for five years commencing on the Completion Date:
 - (1) none of the Vendor Key Persons working for Center Mark and Zhengzhou Jier will resign, except pursuant to the requests or redeployment made by the Company;
 - (2) none of the Vendor Key Persons engages in any business activities which directly or indirectly compete with the businesses of Zhengzhou Jier and the Company;
 - (3) none of the Vendor Key Persons will be dismissed from their employment due to breaches of the rules and regulations of the Group;
 - (4) all representations, warranties and undertakings, except for the five years' profit forecast, on the part of the Vendor given under the Sales and Purchase Agreement remain true and accurate; and
 - (5) the Vendor Key Persons is required to rectify any deviation in relation to condition (1) to (4) above within 14 days upon the Company serves a written notice of the such on the Vendor Key Persons.

The Sale Shares Consideration was determined after arm's length negotiations between the Company and the Vendor taking into consideration of (i) Zhengzhou Jier's historical operating results; and (ii) the strategic business synergies to be created by the proposed Acquisition on the Group in the future given that the innovative jacking gear box designed, developed and fabricated by Zhengzhou Jier, together with the Group's capability in designing and manufacturing jacking control system shall enable the Group to provide complete jacking system to the Group's customers, and hence greatly enhance the Group's competitive advantage in providing rig turnkey solutions to various jack-up platforms. The Sale Loan Consideration was determined with reference to the face value of the loan due from Center Mark to the Vendor as at 31 August 2008.

The Sale Loan Consideration will be satisfied from the Company's internal resources. The Consideration Shares represent approximately 1.82% of the existing issued share capital of the Company and approximately 1.79% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. The Consideration Shares have a market value of approximately HK\$12.9 million, based on the closing price of HK\$1.29 per Share on 30 October 2008, being the last trading day prior to the date of the Sale and Purchase Agreement.

The Consideration Shares will be issued and credited as fully paid and shall pari passu in all respects with the existing Shares on the date of allotment. An application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The issue price per each Consideration Share of HK\$1.29 has been determined based on the closing price of HK\$1.29 per Share for the last trading date before the date of the Sale and Purchase Agreement. The issue price of HK\$1.29 per Consideration Share also represents:

- (a) a premium of approximately 1.55% to the average closing price of HK\$1.27 per Share for the five trading days up to and including 31 October 2008;
- (b) a discount of approximately 3.0% over the average closing price of HK\$1.33 per Share for the 10 trading days up to and including 31 October 2008; and
- (c) a discount of approximately 22.3% over the average closing price of HK\$1.66 per Share for the 30 trading days up to and including 31 October 2008.

The Directors consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion of the Acquisition is conditional upon the satisfaction or waiver of the following conditions, among others:

- (a) the Company being satisfied with (1) the result of its due diligence review on the legal and financial status and the business operation of Center Mark and (2) the information and documents provided in relation to Zhengzhou Jier;
- (b) the Vendor Key Persons having entered into a non-competition and confidentiality agreement in the agreed form;

- (c) all necessary approvals and consents (whether government, regulatory authorities, under the GEM Listing Rules or otherwise) as may be required in respect of the proposed Acquisition contemplated thereunder having been obtained by the Company, the Vendor and other relevant parties;
- (d) all necessary internal approvals of Center Mark (including board resolution(s), directors' approval(s) and shareholder's resolution (if necessary));
- (e) there being no new significant debt incurred by Center Mark and Zhengzhou Jier during the period commencing on 31 August 2008 to the Completion Date;
- (f) there being no material change on the business status, operation and financial position of Center Mark and Zhengzhou Jier during the period commencing on 31 August 2008 to the Completion Date and the Company being satisfied, on a reasonable basis, with such change has no material adverse effect on the operation and financial position of the Center Mark and Zhengzhou Jier;
- (g) the Company and the Vendor having entered into the assignment of Sales Loan in the agreed form;
- (h) the GEM Listing Committee granting listing of, and permission to deal in, the Consideration Shares subject only to the allotment and issue of the Sales Shares, delivery of the relevant share certificates and all relevant requirements (if any) of the Stock Exchange in respect of the granting listing of, and permission to deal in, the Consideration Shares having been complied with; and
- (i) the Board resolved to approve the Sale and Purchase Agreement and the allotment and issue of the Consideration Shares to the Vendor contemplated thereunder.

Except the condition (h) above, the Company may waive any of the above conditions in whole or in part by notice in writing.

Completion

Subject to fulfillment or waiver (as the case may be) of the conditions set out in the Sale and Purchase Agreement, Completion shall take place on the Completion Date.

If any of the conditions precedent of the Sale and Purchase Agreement has not been fulfilled or waived (as the case may be) by the Company on or before 18 November 2008, the Company shall be entitled to rescind the Sale and Purchase Agreement by serving a written notice to Vendor on or after the Completion Date.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company as at the date of this announcement and immediately after Completion.

	As at the date of this announcement		Immediately after Completion	
	Number of Shares	%	Number of Shares	%
Global Energy Investors, LLC (Note 1)	136,871,200	24.94	136,871,200	24.49
Mr. Zhang Menggui, a Director	864,000	0.16	864,000	0.15
Mr. Jiang Bing Hua, a Director	864,000	0.16	864,000	0.15
Osbeck Investments Limited (Note 2)	16,228,800	2.96	16,228,800	2.90
Mr. Zhang Hongru, a Director	4,690,800	0.85	4,690,800	0.84
Mr. Chen Yunqiang, a Director	1,123,200	0.20	1,123,200	0.20
YRS Investments Limited (Note 3)	42,800,000	7.80	42,800,000	7.66
Asian Infrastructure Limited (Note 3)	16,072,800	2.93	16,072,800	2.88
Windmere International Limited (Note 3)	50,000,000	9.11	50,000,000	8.95
Public Shareholders				
– Vendor	–	–	10,000,000	1.79
– Existing public Shareholders	<u>279,393,204</u>	<u>50.90</u>	<u>279,393,204</u>	<u>49.99</u>
Total	<u>548,908,004</u>	<u>100.0</u>	<u>558,908,004</u>	<u>100.0</u>

Notes:

- Global Energy Investors, LLC is beneficially owned as to 50% each by Mr. Zhang Menggui and Mr. Jiang Bing Hua, both are executive Directors.
- Osbeck Investments Limited is beneficially wholly-owned by Mr. Zhang Hongru, the executive Director.
- YRS Investments Limited (“YRSI”) is ultimately wholly-owned by Yantai Raffles Shipyard Limited (“YRS”). YRS is owned as to approximately 45% by Mr. Brian Chang and his associates (as defined by the GEM Listing Rules). 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 also ultimately owns 100% interest in Asian Infrastructure Limited and Windmere International Limited.

INFORMATION ON CENTER MARK AND ZHENGZHOU JIER

Center Mark is a private company incorporated in Hong Kong. It has not carried on any business or operation save for the holding of its wholly-owned subsidiary, Zhengzhou Jier. Zhengzhou Jier is a company incorporated in the PRC with limited liability on 27 August 2007. Zhengzhou Jier is principally engaged in research and development, fabricating and sales of equipment used for offshore platforms and offshore projects.

Below are the unaudited consolidated financial results of Center Mark for the period from 24 January 2008 (date of incorporation) to 31 August 2008.

For the period from 24 January 2008 to 31 August 2008
(unaudited)

	RMB
Turnover	9,659,502
Gross profit	3,347,565
Profit before tax	2,918,630
Profit after tax	2,183,005

As at 31 August 2008
(unaudited)

	RMB
Net asset value	2,183,008

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is a product and service provider in the world oil and gas drilling industry onshore and offshore. The Group, through its subsidiaries in the US and in China, is principally engaged in the provision of onshore and offshore drilling equipment, offshore rig turnkey solutions, and oilfield supplies (such as expendables and accessories for drilling rigs).

It was stated in the Company's annual report for the year ended 31 December 2007 that the Group will seek potential investments and acquisition opportunities that provide synergies in terms of expansion of its product lines and penetration into the booming offshore drilling equipment sector. Zhengzhou Jier is principally engaged in research and development, manufacturing and sale of equipments for offshore drilling platforms and offshore projects such as gear boxes for jacking systems. The Directors consider that with the professional technical team, the innovative jacking gear box designed, developed and fabricated by Zhengzhou Jier, together with the Group's capability in designing and manufacturing jacking control system shall enable the Group to provide complete various jacking systems to the Group's customers, and hence greatly enhance the Group's competitive advantage in providing rig turnkey solutions to various jack-up platforms.

In view of the above, the Directors consider that the proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

GENERAL

As the relevant percentage (as defined in the GEM Listing Rules) ratios applicable to the proposed Acquisition exceed 5% but less than 25%, the proposed Acquisition constitutes a "discloseable transaction" of the Company under Chapter 19 of the GEM Listing Rules. This announcement is also made pursuant to Rule 17.10 of the GEM Listing Rules. As the Consideration Shares will be issued pursuant to the directors' general mandate to issue shares, this transaction is not subject to the approval of shareholders of the Company but it is subject to the reporting and announcement requirements under the GEM Listing Rules. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

A circular containing, among other things, details of the proposed Acquisition will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	proposed acquisition of the Sale Share by the Company and assignment of the Sale Loan to the Company pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors
“Business Day”	a day on which banks are open for commercial business in Hong Kong (excluding Saturdays, Sundays and public holidays)
“Center Mark”	Center Mark International Limited 域中國際有限公司, a company incorporated in Hong Kong with limited liability
“Company”	TSC Offshore Group Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM
“Completion”	completion of the Sale and Purchase Agreement in accordance with the therein
“Completion Date”	the first Business Day following the date on which the conditions precedent of the Sale and Purchase Agreement are fulfilled or otherwise waived, in any event not later than 18 November 2008 or such other date as the Company and the Vendor may agree in writing
“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules and the word “connected” shall be construed accordingly
“Consideration Share(s)”	Share(s) to be allotted and issued to the Vendor, credited as fully paid pursuant to the Sale and Purchase Agreement
“Directors”	the directors of the Company
“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”	the Hong Kong Special Administrative Region of the PRC
“PRC”	the People’s Republic of China

“RMB”	Renminbi, the lawful currency of the PRC, and the exchange rate for RMB into HK\$ for the purpose of this announcement is RMB0.889 = HK\$1.00
“Sale and Purchase Agreement”	the conditional agreement dated 31 October 2008 entered into between the Company and the Vendor in respect of the proposed Acquisition
“Sale Loan”	all the shareholder’s loan and advances owed by Center Mark to the Vendor on the Completion Date, amounting to approximately RMB1,200,000 (equivalent to approximately HK\$1,349,450) as at the date of the Sale and Purchase Agreement
“Sale Loan Consideration”	the total consideration of RMB1,200,000 (equivalent to approximately HK\$1,349,450), which will be payable by the Company to the Vendor in respect of the sale and purchase of Sale Loan pursuant to the Sale and Purchase Agreement
“Sale Share”	the 1 ordinary share in Center Mark which are beneficially owned by the Vendor, representing the entire issued share capital of Center Mark
“Sale Shares Consideration”	the total consideration of HK\$12,900,000, which will be satisfied by way of the allotment and issue of 10,000,000 Consideration Shares (subject to adjustment) payable by the Company to the Vendor in respect of the sale and purchase of Sale Shares pursuant to the Sale and Purchase Agreement
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares of HK\$0.1 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Lewiside Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Vendor Key Persons”	all directors, senior staff (including but not limited to general manager, managers, engineers, technicians, executives and financial management staff), any staff having the key technology know-how or commercial specific technology know-how and any staff (who is deemed to be important by the Company, on a reasonable basis) of the Center Mark and Zhengzhou Jier
“Zhengzhou Jier”	Zhengzhou Jier Technology Limited 鄭州吉爾傳動科技有限公司, a company incorporated in the PRC with limited liability, which is wholly owned by Center Mark
“%”	per cent

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

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

Hong Kong, 31 October 2008

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