TSC Offshore Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8149)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

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

HIGHLIGHTS

- Turnover amounted to approximately US$160.1 million for the year ended 31 December 2008, representing a growth of 366.4% as compared with 2007;
- Gross profit amounted to approximately US$45.6 million for the year ended 31 December 2008, representing a growth of 230.0% as compared with 2007;
- Gross profit margin was decreased from 40.3% for 2007 to 28.5% for 2008;
- Profit attributable to equity shareholders of the Company amounted to approximately US$10.3 million for the year ended 31 December 2008, representing an increase of 162.8% as compared with 2007;
- Net profit margin for the year ended 31 December 2008 was approximately 6.4%; and
- The Directors do not recommend the payment of a dividend for 2008.

ANNUAL RESULTS

The board of the Directors (the “Board”) is pleased to announce the results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2008 (the “Year”) together with the comparative figures for the year ended 31 December 2007 as follows using United States dollars as presentation currency:

Consolidated Income Statement
For the year ended 31 December 2008

	Note	2008 US$'000	2007 (restated) US$'000
Turnover	4	**160,113**	34,327
Cost of sales		**(114,470)**	(20,494)
Gross profit		**45,643**	13,833
Other revenue	5	**881**	1,399
Selling and distribution expenses		**(8,930)**	(2,551)
General and administrative expenses		**(18,364)**	(7,989)
Other operating expenses		**(4,587)**	(755)
Profit from operations		**14,643**	3,937
Finance costs	6(a)	**(500)**	(296)
Share of (losses) less profits of associates		**(2,063)**	528
Profit before taxation	6	**12,080**	4,169
Income tax	7(a)	**(1,753)**	(236)
Profit for the year		**10,327**	3,933
Attributable to:			
Equity shareholders of the Company		**10,336**	3,933
Minority interests		**(9)**	–
Profit for the year		**10,327**	3,933
Dividends payable to equity shareholders of the Company attributable to the year	8	**–**	–
Earnings per share	9		
Basic		**US2.23 cents**	US1.16 cent
Diluted		**US2.19 cents**	US1.11 cent

Consolidated Balance Sheet
At 31 December 2008

	Note	2008 US$'000	2007 (restated) US$'000
Non-current assets			
Property, plant and equipment		**16,624**	5,812
Property under development		**4,282**	1,070
Interest in leasehold land held for own use under operating leases		**3,279**	1,202
Goodwill		**22,253**	2,272
Other intangible assets		**17,770**	2,824
Interest in associates	*10*	**9,141**	14,847
Deferred tax assets		**7,483**	680
		80,832	28,707
Current assets			
Other financial asset		**–**	676
Inventories		**31,318**	14,701
Trade and other receivables	*11*	**67,363**	28,169
Amounts due from directors		**–**	38
Amount due from a related company		**85**	79
Tax recoverable		**72**	–
Pledged bank deposits		**924**	1,067
Cash at bank and in hand		**16,156**	44,334
		115,918	89,064
Current liabilities			
Trade and other payables	*12*	**59,946**	37,258
Amount due to a related company		**–**	2
Bank loans		**7,811**	3,298
Current taxation		**1,136**	454
Provisions		**2,555**	–
		71,448	41,012
Net current assets		**44,470**	48,052
Total assets less current liabilities		**125,302**	76,759

Consolidated Balance Sheet *(continued)*
At 31 December 2008 (continued)

	Note	2008 US$'000	2007 (restated) US$'000
Non-current liabilities			
Bank loans		**2,744**	405
Loan from a director		**2,056**	–
Deferred tax liabilities		**4,948**	331
		9,748	736
NET ASSETS		**115,554**	76,023
CAPITAL AND RESERVES	*14*		
Share capital		**7,225**	5,041
Reserves		**108,329**	70,982
Total equity attributable to equity shareholders of the Company		**115,554**	76,023
Minority interests		**–**	–
TOTAL EQUITY		**115,554**	76,023

Notes:

1. CORPORATE INFORMATION

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

The principal activity of the Company is investment holding. The Group are providing products and services to oil and gas industry in four main areas: (i) construction, manufacturing and trading of rig equipment; (ii) manufacturing and trading of oilfield expendables and supplies; (iii) the provision of engineering, procurement and construction (EPC) services and delivery packaged equipment to offshore rigs; and (iv) provision of consultancy services to oil drilling industry.

2. BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries and the Group's interest in associates.

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

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

The financial information set out in this announcement does not constitute the Group's financial statements for the year ended 31 December 2008, but is derived from those financial statements.

3. STATEMENT OF COMPLIANCE AND CHANGES IN ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules.

Changes in accounting policies

The HKICPA has issued the following new interpretations and amendments to HKFRSs that are first effective for the current accounting period of the Group:

- HK(IFRIC) 11, *HKFRS 2 – Group and treasury share transactions*
- HK(IFRIC) 12, *Service concession arrangements*
- HK(IFRIC) 14, *HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction*
- Amendment to HKAS 39, Financial instruments: Recognition and measurement, and HKFRS 7, Financial instruments: Disclosures – Reclassification of financial assets

These HKFRS developments have had no material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's operations.

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

4. TURNOVER

The principal activities of the Group are the construction, manufacturing and trading of rig products and technology (including rig electrical control system and other rig equipment) and oilfield expendables and supplies, the provision of rig turnkey solutions and the provision of consultancy services.

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

	2008	2007
	US$'000	*US$'000*
Rig products and technology		
– Sales of rig electrical control system	**16,250**	11,912
– Sales of other rig equipment	**10,785**	7,740
– Revenue from construction contracts	**68,490**	–
	95,525	19,652
Rig turnkey solutions		
– Revenue from construction contracts	**46,488**	–
Oilfield expendables and supplies		
– Sales of expendables and supplies	**17,276**	13,944
Consultancy services		
– Service fee income	**824**	731
	160,113	34,327

5. OTHER REVENUE

	2008	2007
	US$'000	*US$'000*
Gain on sales of accessories	**460**	491
Interest income	**388**	733
Rental income	**–**	7
Reversal of impairment losses on doubtful debts	**–**	19
Others	**33**	149
	881	1,399

6. PROFIT BEFORE TAXATION

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

	2008	2007
	US$'000	*US$'000*
(a) Finance costs:		
Interest on bank loans wholly repayable within five years	**600**	341
Less: borrowing costs capitalised into property under development*	**(100)**	(45)
	500	296

* Borrowing costs have been capitalised at rates of 6.93%-8.22% per annum (2007: 6.93%-8.22% per annum)

	2008	2007
(b) Staff costs#:		
Contributions to defined contribution retirement plans	**1,000**	268
Equity settled share-based payment expenses	**2,174**	367
Salaries, wages and other benefits	**18,268**	4,584
	21,442	5,219

	2008	2007
(c) Other items:		
Amortisation of interest in leasehold land held for own use under operating leases#	**45**	24
Amortisation of intangible assets	**2,298**	151
Depreciation#	**1,289**	503
Impairment losses on doubtful debts	**2,075**	115
Research and development costs	**728**	137
Net foreign exchange loss	**77**	405
Loss on disposal of property, plant and equipment	**8**	40
Auditors' remuneration	**624**	189
Share of associates' taxation	**(1,136)**	–
Minimum lease payments under operating leases in respect of land and buildings	**912**	323
Cost of inventories#	**114,470**	20,494

Cost of inventories includes US$7,778,000 (2007: US$820,000) relating to staff costs, depreciation and amortisation expenses which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7. INCOME TAX

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

	2008	2007
	US$'000	*US$'000*
Current tax		
Provision for the year		
– PRC enterprise income tax	**1,138**	645
– United States corporation income tax	**662**	–
	1,800	645
(Over)/under-provision in respect of prior years		
– PRC enterprise income tax	**(4)**	–
– United States corporation income tax	**31**	–
	27	–
	1,827	645
Deferred tax		
Origination and reversal of temporary differences	**(74)**	(409)
	1,753	236

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax for the year. Taxation for subsidiaries in other jurisdictions is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions. During the year, certain subsidiaries in the People's Republic of China ("PRC") are subject to tax at reduced rates of 15% (2007: 12%-15%) or fully exempt from income tax under the relevant PRC tax rules and regulations.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which became effective on 1 January 2008. According to the new tax law, the standard PRC Enterprise Income Tax rate is 25%. Furthermore, the State Council of the PRC passed the implementation guidance ("Implementation Guidance") on 26 December 2007, which sets out the details of how the existing preferential income tax rate will be adjusted to the standard rate of 25%. According to the Implementation Guidance, income tax rate for the PRC subsidiaries of the Group, which are eligible to a 100% or 50% relief from PRC Enterprise Income Tax, will be gradually changed to the standard rate of 25% over a five-year transition period.

In addition, under the new tax law, with effect from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 8 December 2006, the withholding income tax rate will be reduced to 5% if the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25%. On 22 February 2008, the Minister of Finance and State Administration of Tax approved Caishui (2008) No.1, pursuant to which dividend distribution out of pre-2008 retained earnings of foreign investment enterprises will be exempted from withholding income tax. No withholding income tax has been recognised in respect of the post-2008 retained earnings as the Group considers that no dividend will be distributed out of the post-2008 retained earnings in the foreseeable future.

7. INCOME TAX *(continued)*

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

	2008	2007 (restated)
	US$'000	*US$'000*
Profit before taxation	**12,080**	4,169
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**3,782**	1,571
Tax effect of non-deductible expenses	**1,919**	735
Tax effect of non-taxable income	**(589)**	(639)
Tax effect of profits entitled to tax exemptions in the PRC	**(3,279)**	(1,431)
Under-provision in prior years	**27**	–
Others	**(107)**	–
Actual tax expense	**1,753**	236

8. DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31 December 2008 (2007: Nil).

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of US$10,336,000 (2007 (restated): US$3,933,000) and the weighted average number of 463,319,000 (2007: 340,172,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2008	2007
	'000	*'000*
Issued ordinary shares at 1 January	**391,805**	241,044
Effect of ordinary shares issued	**69,385**	44,129
Effect of capitalisation issue	**–**	51,644
Effect of share options exercised	**2,129**	3,355
Weighted average number of ordinary shares	**463,319**	340,172

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of US$10,336,000 (2007 (restated): US$3,933,000) and the weighted average number of 470,882,000 (2007: 355,081,000) ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2008	2007
	'000	*'000*
Weighted average number of ordinary shares	**463,319**	340,172
Effect of deemed issue of shares under the Company's share option schemes	**8,629**	14,909
Weighted average number of ordinary shares (diluted)	**471,948**	355,081

10. INTEREST IN ASSOCIATES

	2008	2007 (restated)
	US$'000	*US$'000*
Share of net assets	**9,141**	9,994
Goodwill	**–**	4,853
	9,141	14,847

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

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

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

* Unofficial translation

Note: The Group's investment in Goldman Offshore, which was acquired in 2007, was included in the consolidated financial statements for the year ended 31 December 2007 at cost less impairment losses and was not equity accounted for as required by HKAS 28, because no management accounts or audited financial statements of Goldman Offshore (after equity accounting for its own associates) were available.

During the year ended 31 December 2008, the financial information of Goldman Offshore (after equity accounting for its own associates) for both the financial years ended 31 December 2007 and 2008 was made available to the Group. Therefore, the Group has applied the equity method as required under HKAS 28 to account for the investment in Goldman Offshore in the consolidated financial statements for the year ended 31 December 2008 and a restatement of the comparative figures in respect of the year ended 31 December 2007 has also been made.

As a result of the restatement, the Group's share of (losses) less profits of associates and profit for the year ended 31 December 2007 have increased by US$437,000. Net assets of the Group as at 31 December 2007 have increased by US$437,000. Basic and diluted earnings per share for the year ended 31 December 2007 have increased by US0.13 cent.

10. INTEREST IN ASSOCIATES *(continued)*

Effect on the consolidated financial statements for the year ended 31 December 2007

	As originally reported *US$'000*	Effect of the restatement *US$'000*	As restated *US$'000*
Interest in associates	14,410	437	14,847
Net assets	75,586	437	76,023
Share of (losses) less profits of associates	91	437	528
Profit for the year	3,496	437	3,933
Earnings per share			
Basic	US1.03 cent	US0.13 cent	US1.16 cent
Diluted	US0.98 cent	US0.13 cent	US1.11 cent

Summary financial information on associates

	Assets *US$'000*	Liabilities *US$'000*	Equity *US$'000*	Revenue *US$'000* *(Note)*	(Loss)/ profit *US$'000* *(Note)*
2008					
100 per cent	33,042	(230)	32,812	10,689	(7,093)
Group's effective interest	9,200	(59)	9,141	2,955	(2,063)
2007 (restated)					
100 per cent	83,361	(47,653)	35,708	5,121	1,919
Group's effective interest	23,676	(13,682)	9,994	1,365	528

Note: TSC Offshore (UK) Limited ("TSCUK") was an associate of the Group at 31 December 2007. During the year ended 31 December 2008, the Group acquired the remaining interest in TSCUK and TSCUK became a wholly-owned subsidiary. Operating results of TSCUK are included in the summary financial information up to the date of transfer to become a subsidiary.

11. TRADE AND OTHER RECEIVABLES

	2008 ***US$'000***	2007 *US$'000*
Trade debtors and bills receivable	**44,919**	17,927
Less: allowance for doubtful debts	**(2,302)**	(497)
	42,617	17,430
Other receivables, prepayments and deposits	**5,464**	3,658
Gross amount due from customers for contract work	**19,282**	7,081
	67,363	28,169

11. **TRADE AND OTHER RECEIVABLES** *(continued)*

Ageing analysis

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

	2008	2007
	US$'000	*US$'000*
Current	**25,689**	7,148
Less than 1 month past due	**8,758**	2,334
1 to 3 months past due	**5,766**	1,470
More than 3 months but less than 12 months past due	**2,275**	6,173
More than 12 months but less than 24 months past due	**129**	305
Amounts past due	**16,928**	10,282
	42,617	17,430

The credit terms offered by the Group to its customers differ with each product/service. The credit terms offered to customers of oilfield expendables and supplies and consultancy services are normally 30 to 90 days. The credit terms offered to customers of rig electrical control system and other rig equipment are negotiated on a case-by-case basis. Deposits ranging from 10% to 30% of the contract sum are usually required. The balance of 60% to 85% would be payable in 1 to 2 months after delivery and acceptance of products. The remaining 5% to 10% of the contract sum represents the retention money and is payable within up to 18 months after delivery of the products or 1 year after completion of the onsite testing, whichever is earlier. The amount of those retentions expected to be recovered after more than one year is US$495,000 (2007: US$279,000).

12. **TRADE AND OTHER PAYABLES**

	2008	2007
	US$'000	*US$'000*
Trade creditors and bills payable	**33,727**	5,620
Other payables and accrued charges	**5,290**	4,163
Amount due to an associate	**36**	343
Gross amount due to customers for contract work	**19,702**	–
Advances received in relation to construction contracts	**1,191**	27,132
	59,946	37,258

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

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

	2008	2007
	US$'000	*US$'000*
Within 1 month	**16,791**	3,987
More than 1 month but less than 3 months	**10,337**	872
More than 3 months but less than 12 months	**6,476**	761
More than 12 months but less than 24 months	**123**	–
	33,727	5,620

13. SEGMENT REPORTING

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

(a) Business segments

The Group comprises the following main business segments:

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

	Rig products and technology		Rig turnkey solutions		**Oilfield expendables and supplies**		Consultancy services		**Consolidated**	
	2008	2007 (restated)	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007 (restated)
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Revenue from external customers	**95,525**	19,652	**46,488**	–	**17,276**	13,944	**824**	731	**160,113**	34,327
Other revenue from external customers	**467**	435	**–**	–	**26**	231	**–**	–	**493**	666
Total	**95,992**	20,087	**46,488**	–	**17,302**	14,175	**824**	731	**160,606**	34,993
Segment results	**5,598**	4,347	**12,184**	–	**896**	682	**482**	666	**19,160**	5,695
Unallocated operating income and expenses									**(4,517)**	(1,758)
Profit from operations									**14,643**	3,937
Finance costs									**(500)**	(296)
Share of (losses) less profits of associates	**(2,063)**	528	**–**	–	**–**	–	**–**	–	**(2,063)**	528
Profit before taxation									**12,080**	4,169
Income tax									**(1,753)**	(236)
Profit for the year									**10,327**	3,933
Depreciation for the year	**827**	217	**–**	–	**440**	281	**22**	5		
Amortisation for the year	**2,329**	151	**–**	–	**14**	24	**–**	–		
Significant non-cash expense (other than depreciation and amortisation)	**2,265**	220	**–**	–	**609**	24	**–**	–		
Segment assets	**145,285**	43,772	**18,221**	7,081	**15,459**	29,009	**240**	446	**179,205**	80,308
Interest in associates	**9,141**	14,847	**–**	–	**–**	–	**–**	–	**9,141**	14,847
Unallocated assets									**8,404**	22,616
Total assets									**196,750**	117,771
Segment liabilities	**44,543**	5,385	**13,092**	27,132	**4,065**	4,464	**94**	1	**61,794**	36,982
Unallocated liabilities									**19,402**	4,766
Total liabilities									**81,196**	41,748
Capital expenditure incurred during the year	**11,589**	2,971	**–**	–	**175**	1,349	**57**	2		

13. SEGMENT REPORTING *(continued)*

(b) Geographical segments

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

	Revenue from external customers		Segment assets		Capital expenditure incurred during the year	
	2008	2007	**2008**	2007	**2008**	2007
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Hong Kong	**–**	–	**242**	277	**57**	2
Mainland China	**56,507**	13,124	**81,849**	56,772	**11,381**	4,233
North America	**36,635**	16,548	**40,128**	23,259	**198**	87
South America	**14,055**	2,028	**161**	–	**12**	–
Europe	**11,118**	1,664	**53,461**	–	**151**	–
Singapore	**36,838**	–	**3,087**	–	**22**	–
Others (other part of Asia, Russia, etc.)	**4,960**	963	**277**	–	**–**	–
	160,113	34,327	**179,205**	80,308	**11,821**	4,322

14. CAPITAL AND RESERVES

	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Exchange reserve US$'000	Employee share-based compensation reserve US$'000	Capital reserve US$'000	Revaluation reserve US$'000	Reserve funds US$'000	Retained profits US$'000	Total US$'000	Minority interests US$'000	Total equity US$'000
At 1 January 2007	3,103	1,124	2,161	540	321	512	–	883	8,511	17,155	–	17,155
Issue of ordinary shares	1,196	53,638	–	–	–	–	–	–	–	54,834	–	54,834
Share issue expenses	–	(1,329)	–	–	–	–	–	–	–	(1,329)	–	(1,329)
Capitalisation issue	693	(693)	–	–	–	–	–	–	–	–	–	–
Shares issued under share option schemes	49	172	–	–	(91)	–	–	–	–	130	–	130
Equity-settled share-based transactions	–	–	–	–	367	–	–	–	–	367	–	367
Exchange differences on translation of financial statements of foreign subsidiaries and associates	–	–	–	933	–	–	–	–	–	933	–	933
Profit for the year (restated)	–	–	–	–	–	–	–	–	3,933	3,933	–	3,933
Transferred to reserve funds	–	–	–	–	–	–	–	757	(757)	–	–	–
At 31 December 2007	5,041	52,912	2,161	1,473	597	512	–	1,640	11,687	76,023	–	76,023
At 1 January 2008												
– as previously reported	5,041	52,912	2,161	1,473	597	512	–	1,640	11,250	75,586	–	75,586
– prior period adjustment in respect of an associate	–	–	–	–	–	–	–	–	437	437	–	437
– as restated	5,041	52,912	2,161	1,473	597	512	–	1,640	11,687	76,023	–	76,023
Issues of ordinary shares	2,121	36,517	–	–	–	–	–	–	–	38,638	–	38,638
Share issue expenses	–	(720)	–	–	–	–	–	–	–	(720)	–	(720)
Acquisition of subsidiaries	–	–	–	–	–	–	627	–	–	627	–	627
Shares issued under share option schemes	63	378	–	–	(213)	–	–	–	–	228	–	228
Equity-settled share-based transactions	–	–	–	–	2,174	–	–	–	–	2,174	–	2,174
Capital contribution received by non-wholly owned subsidiary from minority shareholder	–	–	–	–	–	–	–	–	–	–	9	9
Exchange differences on translation of financial statements of foreign subsidiaries and associates	–	–	–	(11,752)	–	–	–	–	–	(11,752)	–	(11,752)
Profit/(loss) for the year	–	–	–	–	–	–	–	–	10,336	10,336	(9)	10,327
Transferred to reserve funds	–	–	–	–	–	–	–	216	(216)	–	–	–
At 31 December 2008	**7,225**	**89,087**	**2,161**	**(10,279)**	**2,558**	**512**	**627**	**1,856**	**21,807**	**115,554**	**–**	**115,554**

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2008. The Audit Committee comprises all of the three independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny, Mr. Bian Junjiang and Mr. Guan Zhichuan.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2008 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

A. OVERVIEW

The Group is a product and service provider to the drilling industry, offering comprehensive product lines and various customer-focused solutions for both onshore and offshore rigs. The business can be divided into the following major business lines: (i) Rig Products and Technology; (ii) Rig Turnkey Solutions; (iii) Oilfield Expendables and Supplies; and (iv) Consultancy Services.

Under Rig Products and Technology segment, the Group develops, manufactures, markets and services a full line of equipment and systems used on drilling rigs. These include drilling equipment (such as mud pumps, drawworks, rotary tables, derricks/mast, and substructures etc.), mechanical handling systems (such as pipe handling system, BOP handling system, and riser handling system), solid control equipment (such as shale shaker, desander, desilter, degaser, and the complete tank system), rig electric control and drives (such as SCR, VFD, engine control systems, motor control center, and driller's console etc.); driller control cabin, tensioning and compensation systems, skidding systems and jacking systems. This product line also include various deck cranes for different platforms and FPSOs.

Under the Rig Turnkey Solutions business, the Group offers various customer-focused solutions and equipment packages for offshore rigs to cut delivery time and achieve saving for its clients by offering additional engineering and designing services.

The Group's Oilfield Expendables and Supplies division offers several thousand different expendable items such as liners, pistons, valve and seats, butter fly valves, and gate valves etc. used in the daily operations of both onshore and offshore rigs.

The Group's Consultancy Services business include rig inspection, engineering consulting, marketing consulting, and maintenance and repair services.

During the Year, the Group achieved approximately US$160.1 million in total sales and approximately US$10.3 million in profit for the Year. With the efforts of the whole Group, the number of customers and clients increased rapidly.

For more detailed analysis, please refer to segment information by business segments.

B. FINANCIAL REVIEW

Financial Highlights

	Year ended 31 December 2008	Year ended 31 December 2007 (restated)	Percentage of year-to-year increase
	US$000	*US$000*	%
Total revenue	**160,994**	35,726	350.6
Gross profit	**45,643**	13,833	230.0
Profit for the Year	**10,327**	3,933	162.6
Basic earnings per share *(US cents)*	**2.23**	1.16	92.2

Turnover and Other Revenue

During the Year, the Group recorded a total revenue of approximately US$161.0 million, representing an increase of approximately 350.6% from US$35.7 million for 2007. Turnover from the Group's all business segments reached approximately US$160.1 million, representing a 366.4% increase compared with 2007. Other revenue decreased to approximately US$881,000 which represented a decrease of approximately 37% from 2007.

The increase in the Group's turnover in 2008 was mainly attributable to the increase in sales from rig products and rig turnkey solutions resulting from the expansion of customers base and the product line expansion.

Segment Information by Business Segments

Turnover by business segments

	Year ended 31 December 2008	**Percentage**	Year ended 31 December 2007	Percentage	Percentage of year-to-year increase
	US$'000	**%**	*US$'000*	%	%
Rig Products and Technology	**95,525**	**59.7**	19,652	57.3	386.1
Rig Turnkey Solutions	**46,488**	**29.0**	–	–	N/A
Oilfield Expendables and Supplies	**17,276**	**10.8**	13,944	40.6	23.9
Consultancy Services	**824**	**0.5**	731	2.1	12.7
Total	**160,113**	**100**	34,327	100.0	366.4

Rig Products and Technology

The Group's Rig Products and Technology business includes the provision a comprehensive line of capital equipment used on onshore and offshore drilling rigs. For the Year, sales derived from this business segment was approximately US$95.5 million, representing an increase of approximately 386.1% over 2007. The increase was mainly attributable to the increased sales of handling equipment, deck cranes and control systems to new and existing customers.

Rig Turnkey Solutions

The sales of approximately US$46.5 million derived from the six contracts for the sale of cantilever and drilling turnkey packages were recognised in the financial statements for the year ended 31 December 2008. Based on the latest agreement with the customer, it is expected that the packages will be delivered in 2009.

Oilfield Expendables and Supplies

The Group's Oilfield Expendables and Supplies business offers several thousands of expendable items used in the daily operations of both onshore and offshore rigs. Turnover from this business segment amounted to approximately US$17.3 million in 2008, representing a rise of approximately 23.9% over 2007. The relatively flat growth rate was because of price competition from other suppliers.

Consultancy Services

This line of business was small in size compared to other three lines of business, but still realised 12.7% growth in the year of 2008.

Segment Information by Geography

Turnover by geographic segments

	Year ended 31 December 2008 *US$'000*	**Percentage** %	Year ended 31 December 2007 *US$'000*	Percentage %	Percentage of year-to-year increase/ (decrease) %
Mainland China	**56,507**	**35.3**	13,124	38.2	330.6
North America	**36,635**	**22.9**	16,548	48.2	121.4
South America	**14,055**	**8.8**	2,028	5.9	593.0
Europe	**11,118**	**6.9**	1,664	4.8	568.1
Singapore	**36,838**	**23.0**	–	N/A	N/A
Others	**4,960**	**3.1**	963	2.9	415.1
Total	**160,113**	**100.0**	34,327	100.0	366.4

For the Year, the Group's sales derived from the North America and South America markets, accounted for approximately 22.9% and 8.8% of total turnover respectively while about 35.3%, 6.9% and 23% of sales were realised in Mainland China, Europe and Singapore respectively. Sales increase in Singapore was mainly due to the sales from Rig Turnkey Solutions and Rig Products and Technology.

Cost of Sales and Gross Profit Margin

The Group's cost of sales for 2008 and 2007 amounted to approximately US$114.5 million and US$20.5 million respectively, resulting in a gross profit margin of approximately 28.5% and 40.3% respectively. The decrease in gross profit margin was mainly attributable to low or negative margin sales contracts carried from TSC Offshore (UK) Limited ("TSCUK"). The management expect that gross margin shall be improved in future with cost control measures implemented.

Operating Costs and Profit Attributable to Equity Shareholders of the Company

During the Year, the Group's general and administrative expenses surged to approximately US$18.4 million, representing approximately 11.5% of the Group's total sales, as compared to that of approximately 23.3% for 2007. The increase in general and administrative expenses was mainly due to the increase in staff costs, employee option expenses, office rents, insurance expenses and professional fees.

During the Year, the Group's selling and distribution expenses also increased by approximately 250.0% to US$8.9 million from that of approximately US$2.6 million in 2007. The increase in selling and distribution expenses was due to the increase in sales engineers and marketing expenses to promote the Group's business in major oil producing regions.

During the Year, the Group's finance costs amounted to approximately US$500,000, as compared to approximately US$296,000 for 2007. The increase in finance costs was mainly attributable to the Group's interest and financing-related expenses.

During the Year, the Group's other operating expenses which mainly is comprised of provision, amortisation, impairment losses on doubtful debts and net foreign exchange loss, etc amounted to approximately US$4.6 million as compared the US$755,000 for 2007.

During the Year, the Group achieved profit attributable to equity shareholders of the Company of approximately US$10.3 million, the increase of approximately 162.8% from approximately US$3.9 million in 2007. Net profit margin for the Group in the Year was approximately 6.4% which was lower than a net profit margin of 11.5% for 2007. The drop in net profit margin was mainly due to lower gross margin and a rapid increase in selling, general and administrative expenses.

Group's Liquidity and Capital Resources

As at 31 December 2008, the Group had total other intangible assets of approximately US$17.8 million.

As at 31 December 2008, the Group carried fixed assets of approximately US$24.2 million being property, plant and equipment, property under development and interest in leasehold land held for own use under operating leases.

As at 31 December 2008, the Group had an interest in associates of approximately US$9.1 million.

As at 31 December 2008, the Group had current assets of approximately US$115.9 million. Current assets mainly comprised cash and bank balances of approximately US$16.2 million, and pledged bank deposits of approximately US$0.9 million, inventories of approximately US$31.3 million, trade and other receivables of approximately US$67.4 million, amount due from a related company of approximately US$85,000, and tax recoverable approximately US$72,000.

As at 31 December 2008, current liabilities amounted to approximately US$71.4 million, mainly comprising trade and other payables of approximately US$59.9 million, bank loans of approximately US$7.8 million, current tax payables of approximately US$1.1 million, and provisions of approximately US$2.6 million.

As at 31 December 2008, the Group had a non-current liabilities of approximately US$9.7 million, comprising bank loans of approximately US$2.7 million, loan from a director of approximately US$2.1 million and deferred tax liabilities of approximately US$4.9 million.

Gearing ratio, total liabilities to equity shareholders' fund was 70.3%, as compared to 54.9% in 2007.

During the Year, the Company made one placement of new shares to raise funds. The placement of 155,000,000 new shares of HK$0.10 each in the capital of the Company with aggregate nominal value of the placing shares was HK$15,500,000, to 5 placees, in which one of the placees, Keywise Greater China Opportunities Master Fund was a substantial shareholder of the Company, was made in June 2008 at the placing price at HK$1.88 per share (net price per share at approximately HK$1.84) to raise approximately HK$286 million net of expenses and the net proceeds were used as general working capital of the Group and acquisition and capital injection into UK, USA and PRC subsidiaries of the Group.

Significant Investments and Disposals

In July 2008, the Group completed the acquisition of all issued share capital of Global Marine Energy Plc ("GME"), which was delisted from the London Stock Exchange and subsequently was renamed as TSCUK. The total costs in acquiring GME was approximately US$26.2 million.

On 18 November 2008, the Group completed the acquisition of all issued share capital of Center Mark International Limited which in turn holds 100% equity interest of Zhengzhou Gear King Co., Ltd ("TSC Gear") that provides synergies in terms of expansion of its product lines and penetration into the booming offshore drilling equipment sector. TSC Gear is principally engaged in research and development, manufacturing and sale of equipment for offshore drilling platforms and offshore projects such as gear boxes for jacking systems.

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

Capital Structure

As at 31 December 2007, there were 391,804,804 shares in issue and the Company carried a share capital of approximately US$5,041,000.

During the Year, the Company issued 4,932,800 shares to Pre-IPO option holders and other option holders who exercised their options, and issued 165,000,000 shares for placements and acquisitions. As at 31 December 2008, the Company carried 561,737,604 shares in issue, and a capital of approximately US$7,225,000.

Charges on Assets

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

(i) Interest in leasehold land held for own use under operating leases, property under development, buildings, plant and machinery, inventories, trade receivables and bank deposits with the aggregate net book value of assets amounted to US$19,908,000 (2007: US$5,324,000).

(ii) Corporate guarantees given by the Group and a subsidiary to the extent of banking facilities outstanding of US$1,897,000 as at 31 December 2008.

Foreign Currency Exchange Exposure

Most of the Group's production was carried out by the Group's entities in China which use Renminbi while over 50% of the Group's sales were made in United States dollars, therefore, the Group has foreign exchange exposure. As at 31 December 2008, no related hedges were made by the Group. The Group will actively explore ways to hedge or reduce currency exchange risk in future.

Contingent Liability

As at the balance sheet date, the Company has issued guarantees to banks in respect of banking facilities granted to a subsidiary.

As at the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the balance sheet date under the guarantees issued is the facilities drawn down by a subsidiary of US$438,000 (2007: US$2,351,000).

Connected Transactions and Continuing Connected Transactions

Exempt Connected Transaction

On 23 October 2008, the Company entered into a loan agreement with Mr. Jiang Bing Hua ("Mr. Jiang"), a Director of the Company. Pursuant to such agreement, Mr. Jiang advanced a loan of HK$16 million to the Company for short term bridging financing purpose. The loan is guaranteed by another Director, Mr. Zhang Menggui. The loan is unsecured, interest-free and shall be repaid in full on or before 30 December 2008 (the "Latest Repayment Date").

On 30 December 2008, Mr. Jiang agreed with the Company to extend the Latest Repayment Date for the loan agreement from 30 December 2008 to 1 March 2010 (the "Revised Latest Repayment Date"), but the Company has the right to pay back any time on or before 1 March 2010 the whole or part of the loan to Mr. Jiang. Except for the Revised Latest Repayment Date, all other terms and conditions set out in the loan agreement dated 23 October 2008 remain unchanged.

On 3 March 2009, the Company paid HK$10,000,000 to Mr. Jiang. The balance of the loan due to Mr. Jiang is HK$6,000,000 payable on 1 March 2010 and the Company has the option to repay the whole balance on or before 1 March 2010.

Non-exempt Connected Transaction and Continuing Connected Transactions

During the Year, the Group conducted the following connected transaction and containing connected transactions with connected parties of the Company, namely Yantai Raffles Offshore Limited ("YRO") and Yantai Raffles Shipyard Limited ("YRS"). YRS owned over 80% equity interest of YRO during the Year, and YRS wholly owned YRS Investments Limited ("YRSI") during the Year. YRSI became a substantial shareholder of the Company since May 2007. Accordingly, YRS is deemed to be interested in 42,800,000 Shares held by YRSI. YRS is owned as to approximately 34% 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 and 50,000,000 Shares held by his wholly-owned companies, Asian Infrastructure Limited ("AIL") and Windmere International Limited ("WIL"), respectively. In accordance with the GEM Listing Rules, Mr. Brian Chang, YRS, YRO, YRSI, AIL and WIL are connected persons of the Company and the Group, which in turn totally held over 19% issued share capital of the Company during the Year.

(i) Sale of BOP handling and transport system

Category of transaction	**Connected Transaction**
Transaction Date	29 February 2008
Transaction with	YRO
Purpose of Transaction	The supply agreement with YRO in respect of the sale of BOP handling and transport system to YRO of which the Group will fabricate pieces of main structure of one semi-submersible upon request by YRO.
Contract Values and Other Details	Total value for the sub-contract price for the sub-contract works was in the sum of RMB19.6 million. The Group shall obtain payments from YRO by 5 production sequential milestone payments. The sub-contract price will be fully paid upon delivery of the sub-contract work.
Detailed Announcements and Shareholder Approval	Details of the transaction were announced on 4 March 2008 and in the circular dated 20 March 2008 which were all published on the website of www.hkgem.com and www.tscoffshore.com. The supply agreement was approved by independent shareholders at extraordinary general meeting on 8 April 2008.

(ii) Sale of the equipment used on offshore platforms including but not limited to power control package, jacking control system, BOP handling and transport, burner boom, etc. (the "Equipment") and the project(s) related to offshore platforms including (i) cantilever and drill floor projects, (ii) rack material cutting projects, (iii) other material processing projects; and (iv) design, engineering and consulting service projects (the "Turnkey Projects").

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

During the Year, the Group transacted four supply contracts with YRS under the continuing connected transactions mandate approved by the Company's independent shareholders at extraordinary general meeting held on 18 July 2008. The above-mentioned four contracts cover the supply of two burner booms and three bulk handling systems with a total contract value of RMB8 million, which is within the cap of RMB589 million for the Year approved by the independent shareholders of the Company.

Employees and Remuneration Policy

As at 31 December 2008, the Group had approximately 1,000 full-time staff in USA, UK, Basil, Singapore, the PRC and other regions. The Group's remuneration policy is basically determined by the performance of individual employee and the market condition. The Group also provides other benefits to its employees, including medical schemes, pension contributions and share option schemes.

C. BUSINESS REVIEW

Rig Products and Technology

In the Year, significant progress has been made in this business line. As the results of internal growth and through acquisition, the Group is able to offer to the market a comprehensive product line used on onshore and offshore rigs. On the drilling equipment sector, new 3000 HP drawworks, 49.5” rotary table, 2000 HP mud pumps, digital driller control cabin, new offshore rig control and drive systems have been passed Factory Acceptance Test (“FAT”) or delivered to clients. A full line of mud pumps from 340 HP to 2200 HP have been developed and started offering to the market. On the mechanical handling product line, the acquisition of TSCUK enabled the Group to offers pipe handling equipment, BOP/tree handling equipment, riser handling equipment, iron roughneck, and other related components and floor tools. On the solid control product line, the Group has developed the new generation of solid control equipment such as new vacuum degaser. Through acquiring TSC Gear in later part of the Year, the Group is able to offer to the market its own proprietary jacking system for new build jack-up rigs and has the capability of offering to the upgrade market for other brand jacking systems. The Group’s flame cutting technology and new heat treatment facilities also enable the Group to offer rack material for jack up rigs. The addition of jacking system and rack material is significant to the Group and to the market as these product lines have been controlled by a few companies in the world. Tensioning system and compensation systems for semisubmersible rigs and drill ships have been added. This strengthens the Group’s position in the deep water rig market. Conductor Tensioning Unit (“CTU”) for deep water jack up rigs was also added to the product lines through the acquisition of TSCUK. The Group has been very successful in securing multiple orders for this unique product of the Group.

It is worth a special discussion on the Patriot brand offshore deck crane product line which was bought into the Group through the acquisition of TSCUK. The Patriot brand deck crane has been known for over 20 years, being famous for Patriot kingpost cranes and other type of cranes for drilling rigs and production platforms. Many drilling rigs and platforms have been equipped with Patriot kingpost cranes that were manufacture and installed by TSCUK. In the Year, the Group made this product line be solely marketed by Patriot Crane LLC in order to better serve the needs for kingpost cranes from both oil companies and drilling contractors. Although the Group had to absorb a sizable losses from the old sales contracts for offshore Cranes carried forward by TSCUK, we expect that this product line will contribute positively in future to the Group’s performance once the undergoing measures for cost control and sales price adjustments being implemented.

With all the newly added product lines, the Group has become one of the few companies in the world who can offer such a comprehensive product for any type of drilling rigs being used today. The comprehensive product lines and engineering capability have also enabled the Group to undertake to supply complete rig equipment packages.

Rig Turnkey Solutions

Remarkable progress has been made in the execution of the existing contracts signed with Yantai Raffles Group for turn keying the complete cantilever and drilling system for three jack up rigs which was announced on 13 July 2007. Due to the delay by the Group's suppliers and certain schedule changes by the client, a new delivery schedule has been renegotiated and agreed by the client and the Group. No liquidation damage was imposed to the Group due to the changes of the schedule on part of the client. It is now planned that the three packages shall be delivered in the year of 2009.

With the complete product lines and the experiences of undertaking the turnkey contracts by the Group, several new innovative turnkey solutions have been proposed to the market for upgrading aged jack up rigs and semisubmersible rigs. With the slowdown of the demand for new build rigs, we believe that the Group is in very unique and competitive position in addressing the needs from rig upgrading business which by the management's experience shall be strong when new build rig business is showing down.

Oilfield Expendables and Supplies

The Group's Oilfield Expendables and Supplies business in the Year has experienced a moderate growth in sales. However, the Group expanded product scope of expendables to include ceramic liners, new fluid end modules for different mud pumps, centrifugal pumps, etc. In addition, the Group has set up a subsidiary in UAE with a sizable warehouse facility, and is prepared to supply expendables and other parts to our existing and new potential customers in the Middle East. Preparation of distribution centers in Silsden of UK, Macae of Brazil, and Singapore has been initiated to utilize the existing Group's facilities in those countries. The addition of the four distribution centers in UAE, Brazil, UK, and Singapore will expand the Group's the customer base for the product line of expendables and supplies.

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

Consulting and Services

Since the Group gradually faces out its marketing consultancy business, the Group has expanded its consulting and service business to provide the service of engineering and design, rig inspection, equipment maintenance and repairs for various rig products and cranes. The Group will continue exploring opportunities in this segment of business.

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

The Company will continue the efforts to improving its in-house manufacturing capability to increase overall competitiveness in delivery, quality and prices. The new manufacturing facility in Qingdao, China is scheduled to be completed and in operation in June 2009.

Because of the economic slowdown and the infavorable financial market in 2009, the Group is not planning to engage any major acquisitions in 2009. However, the Group shall keep its eyes open for those attractive and rewarding merge and acquisition opportunities.

Except the already approved plan of completing manufacturing facility in Qingdao, there is no other capital assets investment plan.

The capital commitments outstanding at the balance sheet date not provided for in the financial statement was approximately US$5,583,000.

E. ORDER BOOK, PROSPECT AND STRATEGY

As of 31 December 2008, the Group as a whole carried an uninvoiced order book valued at approximately US$115 million for rig products & technology, turnkey solutions and expendables. As at the date of this announcement, the Company holds a master agreement with YRS, by which the Company and YRS can negotiate for possible orders from YRS up to approximately RMB589 million (US$86.4 million) and approximately RMB1,028 million (US$151 million) for the two years ending 31 December 2009 respectively. The Group is actively bidding for new contracts from other potential customers in China and from other countries. Besides the above, the Group carried an active and live enquiry and quotation log with a value of approximately US$352 million for the equipment and equipment packages of the Group as at 31 December 2008. The value of such log increased to US$631 million as at the date of this announcement, increased by 79% within a period of less than three month in 2009. In fact, the Group secured some US$7 million orders for handling equipment from 1 January 2009 to the date of the announcement already. The management has the confidence that the Group will obtain more contract awards in future.

In responding to the current perceived slowdown in global economy and financial crisis in USA, the Group has adjusted its development strategy from “aggressive growth” to “build solid foundation for further growth in future”. Measures on cost control, new product development and new market development will be implemented. Even thought the new build rig market is expected to be slow in the near future, the management believe that the market for old rig upgrading will grow.

Because of the comprehensive product line expanded by the acquisition undertaken in the Year and past, the Group now is in a very strong and unique competitive position in the world to address the needs of rig upgrade market. The Group is capable of undertaking a wide range of projects, from small pipe handling upgrading jobs to large comprehensive rig turnkey upgrading projects.

The management expect that repair service and expendable business are also expected to be growing due to the added locations in several major oil and gas producing regions by the Group.

The Group will continue to maintain its solid global presences by facilitating the distribution and service capability in North America, South America, Europe and Central Asia, the Middle East, Asia Pacific and South East Asia.

F. SUBSEQUENT EVENT

In the Directors’ meeting held on 26 March 2009, the Board proposed for shareholders’ approval the increase in the authorised share capital from HK$100,000,000 divided into 1,000,000,000 Shares to HK$200,000,000 divided into 2,000,000,000 Shares by creating an additional 1,000,000,000 unissued Shares of the Company.

COMPETITION AND CONFLICT OF INTERESTS

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

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Directors propose for shareholders' approval the increase in the authorised share capital from HK$100,000,000 divided into 1,000,000,000 Shares to HK$200,000,000 divided into 2,000,000,000 Shares by creating an additional 1,000,000,000 unissued Shares of the Company.

The increase in authorised share capital is conditional upon the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on 18 May 2009.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2008.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the loan agreement with Mr. Jiang on 23 October 2008 as mentioned in the section of "Connected Transactions and Continuing Connected Transactions" above, no contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director had a direct and indirect material interest, subsisted at the end of the year or at any time during the year ended 31 December 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices Contained in Appendix 15 of the GEM Listing Rules during the year ended 31 December 2008. The Company has committed itself to a high standard of corporate governance. The Directors strongly believe that reasonable and sound corporate governance practices are vital to the Group's rapid growth and to safeguarding and enhancing shareholders' interests.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

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

Hong Kong, 26 March 2009

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

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for 7 days from the date of its posting and on the website of the Company at www.tscoffshore.com.