TSC Offshore Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 206)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

HIGHLIGHTS

- Turnover amounted to approximately US$112.8 million for the year ended 31 December 2009, representing a decline of 29.5% as compared with 2008;
- Gross profit amounted to approximately US$21.3 million for the year ended 31 December 2009, representing a decline of 51.3% as compared with 2008;
- Gross profit margin decreased from 27.3% for 2008 to 18.8% for 2009;
- Loss attributable to equity holders of the Company amounted to approximately US$10.2 million for the year ended 31 December 2009; and
- The Directors do not recommend the payment of a dividend for 2009.

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 2009 (the "Year") together with the comparative figures for the year ended 31 December 2008 as follows using United States dollars as presentation currency:

Consolidated Income Statement
For the year ended 31 December 2009

	Note	**2009** *US$'000*	2008 *US$'000*
Turnover	*3 & 11*	**112,842**	160,113
Cost of sales		**(91,578)**	(116,470)
Gross profit		**21,264**	43,643
Other revenue	*4*	**1,194**	881
Selling and distribution expenses		**(4,884)**	(5,172)
General and administrative expenses		**(22,910)**	(20,122)
Other operating expenses		**(9,051)**	(4,587)
(Loss)/profit from operations		**(14,387)**	14,643
Finance costs	*5(a)*	**(1,338)**	(500)
Share of results of associates		**1,399**	(2,063)
(Loss)/profit before taxation	*5*	**(14,326)**	12,080
Income tax credit/(expense)	*6(a)*	**4,088**	(1,753)
(Loss)/profit for the year		**(10,238)**	10,327
Attributable to:			
Equity holders of the Company		**(10,238)**	10,336
Minority interests		**–**	(9)
(Loss)/profit for the year		**(10,238)**	10,327
(Loss)/earnings per share	*8*		
Basic		**US(1.81) cents**	US2.23 cents
Diluted		**US(1.76) cents**	US2.19 cents

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2009

	2009	2008
	US$'000	*US$'000*
(Loss)/profit for the year	**(10,238)**	10,327
Other comprehensive income for the year:		
Exchange differences on translation of financial statements of subsidiaries and associates	**4,621**	(11,752)
Total comprehensive income for the year	**(5,617)**	(1,425)
Attributable to:		
Equity holders of the Company	**(5,617)**	(1,416)
Minority interests	**–**	(9)
Total comprehensive income for the year	**(5,617)**	(1,425)

Consolidated Balance Sheet
At 31 December 2009

	Note	2009 US$'000	2008 US$'000
Non-current assets			
Property, plant and equipment		**23,552**	16,624
Property under development		**–**	4,282
Interest in leasehold land held for own use under operating leases		**3,132**	3,279
Goodwill		**24,290**	22,253
Other intangible assets		**16,449**	17,770
Interest in associates	*9*	**9,810**	9,141
Deferred tax assets		**14,649**	7,483
		91,882	80,832
Current assets			
Inventories		**26,613**	31,318
Trade and other receivables	*10*	**64,461**	67,363
Amount due from a related company		**101**	85
Tax recoverable		**–**	72
Pledged bank deposits		**2,317**	924
Cash at bank and in hand		**38,519**	16,156
		132,011	115,918
Current liabilities			
Trade and other payables	*11*	**48,404**	59,946
Bank loans		**22,776**	7,811
Current taxation		**3,213**	1,136
Provisions		**2,343**	2,555
		76,736	71,448
Net current assets		**55,275**	44,470
Total assets less current liabilities		**147,157**	125,302

Consolidated Balance Sheet *(continued)*
At 31 December 2009

	Note	2009 *US$'000*	2008 *US$'000*
Non-current liabilities			
Bank loans		**2,661**	2,744
Loan from a director		**–**	2,056
Deferred tax liabilities		**4,453**	4,948
		7,114	9,748
NET ASSETS		**140,043**	115,554
CAPITAL AND RESERVES			
Share capital		**8,393**	7,225
Reserves		**131,650**	108,329
Total equity attributable to equity holders of the Company		**140,043**	115,554
Minority interests		**–**	–
TOTAL EQUITY		**140,043**	115,554

Consolidated Statement of Changes in Equity
For the year ended 31 December 2009

	Attributable to equity holders of the Company											
	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
Balance at 1 January 2008	5,041	52,912	2,161	1,473	597	512	–	1,640	11,687	76,023	–	76,023
Changes in equity for 2008:												
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
Total comprehensive income for the year	–	–	–	(11,752)	–	–	–	–	10,336	(1,416)	(9)	(1,425)
Transferred to reserve funds	–	–	–	–	–	–	–	216	(216)	–	–	–
Balance at 31 December 2008 and 1 January 2009	**7,225**	**89,087**	**2,161**	**(10,279)**	**2,558**	**512**	**627**	**1,856**	**21,807**	**115,554**	**-**	**115,554**
Changes in equity for 2009:												
Issues of ordinary shares	**1,157**	**28,111**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**29,268**	**-**	**29,268**
Share issue expenses	**-**	**(743)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(743)**	**-**	**(743)**
Shares issued under share option schemes	**11**	**60**	**-**	**-**	**(27)**	**-**	**-**	**-**	**-**	**44**	**-**	**44**
Equity-settled share-based transactions	**-**	**-**	**-**	**-**	**1,537**	**-**	**-**	**-**	**-**	**1,537**	**-**	**1,537**
Total comprehensive income for the year	**-**	**-**	**-**	**4,621**	**-**	**-**	**-**	**-**	**(10,238)**	**(5,617)**	**-**	**(5,617)**
Transferred to reserve funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**450**	**(450)**	**-**	**-**	**-**
Balance at 31 December 2009	**8,393**	**116,515**	**2,161**	**(5,658)**	**4,068**	**512**	**627**	**2,306**	**11,119**	**140,043**	**-**	**140,043**

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2009 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 preparation of financial statements in conformity with Hong Kong Financial Reporting Standards ("HKFRS") requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. STATEMENT OF COMPLIANCE AND CHANGES IN ACCOUNTING POLICIES

These financial statements have been prepared in accordance with all applicable 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

Changes in accounting policies

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Amendments to HKFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, *Consolidated and separate financial statement – cost of an investment in a subsidiary, jointly controlled entity or associate*
- HKAS 23 (revised 2007), *Borrowing costs*
- Amendments to HKFRS 2, *Share-based payment – vesting conditions and cancellations*
- HK(IFRIC) 15, *Agreements for the construction of real estate*
- HK(IFRIC) 16, *Hedges of a net investment in a foreign operation*

The improvements to HKFRSs (2008), amendments to HKAS 27, HKAS 23, HKFRS 7 and HKFRS 2 and Interpretations HK(IFRIC) 15 and HK(IFRIC) 16 have had no material impact on the Group's financial statements as the improvements, amendments and interpretations were consistent with policies already adopted by the Group or were not relevant to the Group's and the Company's operation. The impact of the remainder of these developments is as follows:

– HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management. Corresponding amounts have been provided on a basis consistent with the revised segment information.

– As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity holders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

3. 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 engineering services.

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

	2009	2008
	US$'000	*US$'000*
Rig products and technology		
– Sales of rig electrical control system	**12,386**	16,250
– Sales of other rig equipment	**6,559**	10,785
– Construction contracts revenue	**62,795**	68,490
	81,740	95,525
Rig turnkey solutions		
– Construction contracts revenue	**14,334**	46,488
Oilfield expendables and supplies		
– Sales of expendables and supplies	**11,539**	17,276
Engineering services		
– Service fee income	**5,229**	824
	112,842	160,113

4. OTHER REVENUE

	2009 *US$'000*	2008 *US$'000*
Gain on sales of accessories	**894**	460
Interest income	**94**	388
Others	**206**	33
	1,194	881

5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	2009 *US$'000*	2008 *US$'000*
(a) Finance costs:		
Interest on bank loans wholly repayable within five years	**1,155**	412
Interest on other bank loan	**183**	188
Less: borrowing costs capitalised into property under development*	**–**	(100)
	1,338	500

* *Borrowing costs were capitalised at rates of 6.93%–8.22% per annum*

	2009 *US$'000*	2008 *US$'000*
(b) Staff costs:#		
Contributions to defined contribution retirement plans	**1,242**	1,000
Equity-settled share-based payment expenses	**1,537**	2,174
Salaries, wages and other benefits	**18,673**	18,268
	21,452	21,442
(c) Other items:		
Amortisation of interest in leasehold land held for own use under operating leases#	**155**	45
Amortisation of intangible assets	**2,792**	2,298
Depreciation#	**2,081**	1,289
Impairment losses on doubtful debts	**4,764**	2,075
Research and development costs	**1,121**	728
Net foreign exchange loss	**1,301**	77
Loss on disposal of property, plant and equipment and intangible assets	**8**	8
Auditors' remuneration	**611**	624
Minimum lease payments under operating leases in respect of land and buildings	**1,580**	912
Cost of inventories#	**91,578**	116,470

\# *Cost of inventories includes US$8,780,000 (2008: US$9,778,000) relating to staff costs, depreciation and amortisation expenses which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.*

Cost of inventories includes US$3,052,000 (2008: US$799,000) relating to write-down of inventories.

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

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

	2009	2008
	US$'000	*US$'000*
Current tax		
Provision for the year		
– PRC enterprise income tax	**1,297**	1,138
– United States corporation income tax	**1,454**	662
– Other corporation income tax	**322**	–
	3,073	1,800
(Over)/under-provision in respect of prior years		
– PRC enterprise income tax	**(94)**	(4)
– United States corporation income tax	**128**	31
	34	27
	3,107	1,827
Deferred tax		
Origination and reversal of temporary differences	**(7,195)**	(74)
	(4,088)	1,753

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 the United States and other jurisdictions is charged at the appropriate current rates of taxation ruling in the United States and the relevant jurisdictions. During the year, certain PRC subsidiaries are subject to tax at reduced rates of 12.5% to 15% (2008: 15% or fully exempted from income tax) under the relevant PRC tax rules and regulations.

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

	2009	2008
	US$'000	*US$'000*
(Loss)/profit before taxation	**(14,326)**	12,080
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to (losses)/profits in the jurisdictions concerned	**(3,854)**	3,782
Tax effect of non-deductible expenses	**1,448**	1,919
Tax effect of non-taxable income	**(522)**	(589)
Tax effect of profits entitled to tax reductions/exemptions in the PRC	**(1,247)**	(3,279)
Under-provision in prior years	**34**	27
Others	**53**	(107)
Actual tax (credit)/expense	**(4,088)**	1,753

7. DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31 December 2009 (2008: Nil).

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity holders of the Company of US$10,238,000 (2008: profit attributable to ordinary equity holders of the Company of US$10,336,000) and the weighted average number of 565,867,000 (2008: 463,319,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2009	2008
	'000	*'000*
Issued ordinary shares at 1 January	**561,738**	391,805
Effect of ordinary shares issued	**3,699**	69,385
Effect of share options exercised	**430**	2,129
Weighted average number of ordinary shares	**565,867**	463,319

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to ordinary equity holders of the Company of US$10,238,000 (2008: profit attributable to ordinary equity holders of the Company of US$10,336,000) and the weighted average number of 580,725,000 (2008: 471,948,000) ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2009	2008
	'000	*'000*
Weighted average number of ordinary shares	**565,867**	463,319
Effect of deemed issue of shares under the Company's share option schemes	**14,858**	8,629
Weighted average number of ordinary shares (diluted)	**580,725**	471,948

9. INTEREST IN ASSOCIATES

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

Name of associate	Form of business structure	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Goldman Offshore Design, LLC.	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 English translation*

Summary financial information on associates

	Assets US$'000	Liabilities US$'000	Equity US$'000	Revenue US$'000	Profit/(loss) US$'000
2009					
100 per cent	**35,718**	**(519)**	**35,199**	**655**	**4,993**
Group's effective interest	**9,948**	**(138)**	**9,810**	**164**	**1,399**
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)

10. TRADE AND OTHER RECEIVABLES

	2009 *US$'000*	2008 *US$'000*
Trade debtors and bills receivable	**42,139**	44,919
Less: allowance for doubtful debts	**(7,126)**	(2,302)
	35,013	42,617
Other receivables, prepayments and deposits	**7,024**	5,464
Gross amount due from customers for contract work	**22,424**	19,282
	64,461	67,363

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:

	2009	2008
	US$'000	*US$'000*
Current	**18,952**	25,689
Less than 1 month past due	**4,572**	8,758
1 to 3 months past due	**4,766**	5,766
More than 3 months but within 12 months past due	**5,924**	2,275
More than 12 months but within 24 months past due	**799**	129
Amounts past due	**16,061**	16,928
	35,013	42,617

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 engineering 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$1,035,000 (2008: US$495,000).

11. TRADE AND OTHER PAYABLES

	2009	2008
	US$'000	*US$'000*
Trade creditors and bills payable	**36,007**	33,727
Other payables and accrued charges	**4,589**	5,290
Amount due to an associate	**18**	36
Gross amount due to customers for contract work	**6,207**	19,702
Advances received in relation to construction contracts	**1,583**	1,191
	48,404	59,946

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:

	2009	2008
	US$'000	*US$'000*
Within 1 month	**14,359**	16,791
More than 1 month but within 3 months	**8,736**	10,337
More than 3 months but within 12 months	**8,961**	6,476
More than 12 months but within 24 months	**3,951**	123
	36,007	33,727

12. SEGMENT REPORTING

The Group manages its business by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, goodwill, intangible assets and current assets with the exception of interest in associates, cash balances, tax balances and other unallocated head office and corporate assets. Segment liabilities include trade and other payables and provisions attributable to the activities of the individual segment, with the exception of loans, tax balances and other unallocated head office and corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "segment results" i.e. "adjusted earnings before finance costs and taxes" of individual segment. To arrive at segment results, the Group's earnings are further adjusted for share of results of associates and items not specifically attributed to individual segment, such as directors' and auditors' remuneration and other head office or corporate income and expenses.

In addition to receiving segment information concerning segment results, management is provided with segment information concerning revenue (including inter-segment revenue), interest expense from borrowings managed directly by the segments, depreciation and amortisation and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2009 and 2008 is set out below.

	Rig products and technology		Rig turnkey solutions		Oilfield expendables and supplies		Engineering services		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Revenue from external customers	**81,740**	95,525	**14,334**	46,488	**11,539**	17,276	**5,229**	824	**112,842**	160,113
Inter-segment revenue	**424**	27	**–**	–	**3,187**	6,878	**–**	–	**3,611**	6,905
Reportable segment revenue	**82,164**	95,552	**14,334**	46,488	**14,726**	24,154	**5,229**	824	**116,453**	167,018
Reportable segment results	**(14,233)**	5,598	**3,545**	12,184	**386**	896	**1,028**	482	**(9,274)**	19,160
Depreciation and amortisation for the year	**4,516**	3,135	**–**	–	**489**	454	**–**	22	**5,005**	3,611
Reportable segment assets	**134,864**	137,232	**7,669**	12,587	**15,355**	12,899	**331**	46	**158,219**	162,764
Additions to non-current segment assets during the year	**4,638**	11,589	**–**	–	**87**	175	**–**	57	**4,725**	11,821
Reportable segment liabilities	**(30,017)**	(44,543)	**(15,036)**	(13,093)	**(5,175)**	(4,065)	**(121)**	(93)	**(50,349)**	(61,794)

(b) Reconciliation of reportable segment revenue, loss or profit, assets and liabilities

	2009	2008
	US$'000	*US$'000*
Revenue		
Reportable segment revenue	**116,453**	167,018
Elimination of inter-segment revenue	**(3,611)**	(6,905)
Consolidated turnover	**112,842**	160,113
(Loss)/profit		
Segment results	**(9,274)**	19,160
Share of results of associates	**1,399**	(2,063)
Finance costs	**(1,338)**	(500)
Unallocated head office and corporate income and expenses	**(5,113)**	(4,517)
Consolidated (loss)/profit before taxation	**(14,326)**	12,080

	2009	2008
	US$'000	*US$'000*
Assets		
Reportable segment assets	**158,219**	162,764
Interest in associate	**9,810**	9,141
Pledged bank deposits	**2,317**	924
Cash at bank and in hand	**38,519**	16,156
Deferred tax assets	**14,649**	7,483
Tax recoverable	**–**	72
Unallocated head office and corporate assets	**379**	210
Consolidated total assets	**223,893**	196,750
Liabilities		
Reportable segment liabilities	**(50,349)**	(61,794)
Bank loans	**(25,437)**	(10,555)
Loan from a director	**–**	(2,056)
Current taxation	**(3,213)**	(1,136)
Deferred tax liabilities	**(4,453)**	(4,948)
Unallocated head office and corporate liabilities	**(398)**	(707)
Consolidated total liabilities	**(83,850)**	(81,196)

(c) Geographic information

The following table sets out information about the geographical locations of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, property under development, interest in leasehold land held for own use under operating lease, goodwill, other intangible assets and interest in associates ("specified non-current assets"). The geographical location of customers is based on the location of the customers. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, property under development, interest in leasehold land held for own use under operating leases and the location of the operations to which they are allocated, in the case intangible assets and goodwill, and the location of operations, in the case of interest in associates.

	Revenue from external customers		**Specified non-current assets**	
	2009	2008	**2009**	2008
	US$'000	*US$'000*	***US$'000***	*US$'000*
Hong Kong	**–**	–	**50**	39
Mainland China	**46,549**	56,507	**28,028**	26,017
North America	**28,158**	36,635	**13,622**	13,054
South America	**7,811**	14,055	**42**	60
Europe	**11,599**	11,118	**35,230**	34,146
Singapore	**12,255**	36,838	**239**	33
Others (Other part of Asia, India, Russia etc.)	**6,470**	4,960	**22**	–
	112,842	160,113	**77,233**	73,349

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2009. 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 2009 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

1. OVERVIEW

Principal activities of the Group remained unchanged for 2009. The Group continues to provide specialist services to the oil and gas drilling industry, offering a comprehensive range of products 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) Engineering Services.

Our long term target is to become a major product and service provider in the Oil and Gas Exploration and Production sector. Our competitive advantage is to be able to leverage on the comprehensive range of equipment and services that we already have to provide cost effective solutions as a competitive edge.

We had some setbacks in 2009 following our first acquisition of a multi-national company, Global Marine Energy Plc ("GME") and this has adversely affected our results for the year ended 31 December 2009. We have made provisions against possible impairment of assets in particular trade receivables, inventories and forseeable losses on contracts. Despite the losses provisioned, we firmly believe that the initial stages of putting together an organization which will be one of only three in the world with such a comprehensive range and level of expertise of products to meet our long term target is now completed.

Crude oil prices declined steeply from a peak of over US$130 per barrel in July 2008 to US$39 per barrel in January 2009. This led to a significantly lower drilling activity level which had an adverse impact on oil and gas operators. In contrast, crude oil prices averaged around US$100 per barrel in the previous year 2008 when boom conditions prevailed for the most part. Although oil prices recovered from the low of US$39 per barrel in January to reach an average of US$62 per barrel, market sentiments among oil and gas operators remained subdued for the year 2009.

Under Rig Product 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 segment 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 Engineering Services business includes rig inspection, engineering consulting, marketing consulting, and maintenance and repair services.

2. FINANCIAL REVIEW

	Year ended 31 December 2009	Year ended 31 December 2008	Percentage of year-to-year increase/ (decrease)
	US$'000	*US$'000*	%
Turnover	**112,842**	160,113	(29.5)
Gross profit	**21,264**	43,643	(51.3)
(Loss)/profit for the Year	**(10,238)**	10,327	(199.1)
Basic (loss)/earnings per share *(US cents)*	**(1.81)**	2.23	(181.2)

Turnover

Turnover for the Group decreased by 29.5% to US$112.8 million from US$160.1 million in 2008. The steep decline in crude oil price led to significantly lower drilling activity which had a significant adverse impact on TSC's customers. Average active drilling rig counts, which is the key indicator for our business, fell from 3,336 in 2008 to 2,304 in 2009. Offshore rig utilization dropped to 79% from 85% a year ago. Furthermore, several capital equipment projects were completed or are nearing completion which led to a lower level of revenue recognition.

Segment Information By Business Segments

Turnover by business segments

	Year ended 31 December 2009 *US$'000*	Percentage %	Year ended 31 December 2008 *US$'000*	Percentage %	Percentage of year-to-year increase/ (decrease) %
Rig Products and Technology	**81,740**	**72.5**	95,525	59.7	(14.4)
Rig Turnkey Solutions	**14,334**	**12.7**	46,488	29.0	(69.2)
Oilfield Expendables and Supplies	**11,539**	**10.2**	17,276	10.8	(33.2)
Engineering Services	**5,229**	**4.6**	824	0.5	534.6
Total	**112,842**	**100.0**	160,113	100.0	(29.5)

Rig Products and Technology

The Group's Rig Products and Technology business which provides a comprehensive line of capital equipment used on onshore and offshore drilling rigs generated a turnover of US$81.7 million. This was a reduction of 14.4% from last year due primarily to completion of projects and no new significant projects starting in 2009. The Group recognises revenue on projects on the percentage of completion basis and the majority of projects taken over by TSC from the acquisition of GME on 23 April 2008 were completed or near to completion in 2009.

Rig Turnkey Solutions

Rig Turnkey Solutions turnover comprising mainly cantilever and drilling packages decreased from approximately US$46.5 million in 2008 to US$14.3 million in 2009. The 69.2% decrease is attributed mainly to the interruption on progress on a rig turnkey project as a result of change in ownership of the shipyard where the cantilever and drilling turnkey packages were to be delivered. The shipyard has since been acquired by Yantai-Raffles Offshore Ltd ("YRO") and two of the cantilever package fabrications were moved to one of the main Yantai-Raffles yards. Construction activities have resumed in March 2010 and is estimated to be completed by end of 2010. The acquisition of the shipyard by YRO provides for future improvements in logistics and operations which will facilitate the timely completion of remaining works and provide an opportunity for future similar projects to be executed more effectively.

Oilfield Expendables and Supplies

The Group's Oilfield Expendables and Supplies business offers several thousand lines of expendable items used in the daily operations of both onshore and offshore rigs. Turnover from this business segment amounted to approximately US$11.5 million, a decrease of 33.2% from US$17.3 million in 2008. The decrease is mainly due to the market conditions in 2009.

Engineering Services

This segment comprises the provision of oilfield services by the broad range of experienced personnel within the Group. The significant increase from US$824,000 to US$5.2 million is in line with the strategy of the Group to be established as a total solutions provider to the offshore and onshore drilling rig industry. The difficult economic conditions provided the opportunity and emphasis for the expertise within the Group to be showcased. Contribution to this segment revenue also came partially from the installation and commissioning work for several of the GME projects which were completing in 2009 as well as from service and repair work done on TSC and non-TSC equipment.

Segment Information By Geography

Turnover by geographic locations

	Year ended 31 December 2009	**Percentage**	Year ended 31 December 2008	Percentage	Percentage of year-to-year increase/ (decrease)
	US$'000	**%**	*US$'000*	%	%
Mainland China	**46,549**	**41.2**	56,507	35.3	(17.6)
North America	**28,158**	**25.0**	36,635	22.9	(23.1)
South America	**7,811**	**6.9**	14,055	8.8	(44.4)
Europe	**11,599**	**10.3**	11,118	6.9	4.3
Singapore	**12,255**	**10.9**	36,838	23.0	(66.7)
Others (Other part of Asia, India, Russia etc.)	**6,470**	**5.7**	4,960	3.1	30.4
Total	**112,842**	**100.0**	160,113	100.0	(29.5)

The increase in turnover of 30.4% in the region categorised as Others is due mainly to the progress achieved on the refurbishment contract for a customer based in India.

The increase turnover of 4.3% for Europe is due mainly to the progress on the supply of two sets of pipehandling equipment to Seawell Norge AS for Statoil Hydro platforms in the Norwegian sector of the North Sea and increase in the supply of engineering components to mechanical handling products.

Turnover for the other regions decreased generally due mainly to the depressed market conditions prevailing in 2009.

Cost of Sales and Gross Profit Margin

The Group made an overall gross profit of US$21.3 million which is down 51.3% from the previous year of US$43.6 million. The decrease in gross profit is due primarily to the 29.5% decrease in turnover as well as the high cost to complete some of the projects which were taken over with the acquisition of the GME Group in 2008.

The gross profit margin for 2009 of 18.8% is reduced by 8.5% compared to the gross profit margin of 27.3% for 2008. As mentioned in this section of the discussion in the 2008 annual report, several of the projects taken over with the acquisition of the GME Group were expected to earn low or negative margins. These margins were expected to be reduced due to high cost of redesign and rework of deck cranes during the delivery phase. The business review section in last year's discussion also reiterated that sizable losses would be incurred from the old sales contracts for offshore cranes carried forward from GME. In addition to these problems, GME had prior to the acquisition committed the Company to a number of manufacturers of equipment which subsequent to the acquisition demonstrated that they were not capable of carrying out the level of manufacturing to the specifications and standards required by TSC and our clients. Included in cost of goods sold is a provision of US$2.3 million in respect of foreseeable losses on contracts not yet completed. This resulted in further significant cost to rectify the delays and deficiencies by engaging additional close supervision and contractors to expedite delivery schedules and to complete the work to the standards required. These projects are now completed or nearing completion and issues that have been uncovered relating to defective design and poor quality of manufacturing have since been corrected.

Manufacturing is now increasingly done within the Group at our own manufacturing facilities in Houston, Qingdao and Dalian which have been certified to meet ISO and API quality standards. The undertaking of manufacturing activities within the Group provides for significant cost savings and significant improvements in the control over delivery schedules and quality of manufacturing. In addition to the engineering expertise that we have acquired in GME, we see the integration with in-house manufacturing facilities as a critical factor to the future success of the Group.

In general, the lower sales prices for our other business segments to remain competitive during the recession also contributed to the lower gross profit margin.

Operating Expenses and Loss Attributable to Equity holders of the Company

General and Administrative Expenses

General and Administrative Expenses amounted to US$22.9 million for the Group in 2009. Several cost savings measures were implemented throughout the Group in view of the depressed economic conditions to achieve substantial cost savings, however, provisions and additional cost more than offset these savings to result in a net increase of 13.9% over the previous year of US$20.1 million.

The cost saving measures implemented in 2009 were as follows:

- Two facilities which were on leases in Houston were consolidated to the one location owned by TSC. Staff numbers were reduced by 22 which resulted in cost savings of over US$130,000 per month from reduction in lease rentals, salaries and associated overheads in July 2009.

- The TSC Winches Ltd operations in Newcastle were combined with Ansell Jones Ltd operations in Birmingham in June 2009.11 staff were made redundant reducing payroll cost by approximately US$35,000 per month in the process.

- The onshore service division with 18 staff was discontinued resulting in reducing salaries by US$75,000 per month in November 2009 and a redundancy exercise was carried out in the UK office which reduced staff and contractors by 23 numbers reducing payroll cost by US$70,000 per month in August 2009.

Cost savings were offset by the following:

- Research and development expense increased US$393,000 from US$728,000 for 2008 to US$1,121,000 for 2009. This increase of 54% is in respect of the development of the new 3000 HP drawworks, 49.5" rotary table, 2000 HP mud pumps, digital driller control cabin, new offshore rig control and drive systems which were successfully launched in 2009.

- Rental expenses increased by US$0.7 million to US$1.6 million from US$0.9 million in the previous year despite cost savings measures through combining office premises in the US and moving to a lower rental office in Singapore. The savings were offset by the need to expand to larger premises in Brazil to meet expansion and in Birmingham for Ansell Jones Ltd in the UK. Furthermore, a provision of US$275,000 was made in accordance with Hong Kong Accounting Standard 37 on Provision wherein future lease payment on leases on premises in Newcastle UK for TSC Winches Ltd which was moved to the Ansell Jones Ltd premises in Birmingham in May 2009.

As the GME Group was acquired in April 2008, the comparatives include only a 9 month period of GME Group expenses from April 2008 onwards. The general and administrative expenses for 2009 is higher by approximately US$3.0 million in respect of the full year of GME related expenses compared to the 9 months in 2008.

Selling and Distribution Expenses

Selling and Distribution Expenses decreased by 5.6% from US$5.2 million for 2008 to US$4.9 million for 2009 as a result of cost reduction measures undertaken throughout the Group.

Other Operating Expenses

Other Operating Expenses amounted to US$9.1 million in 2009 compared to US$4.6 million in 2008. An increase of 97.3% over the Year.

The significant increase is mainly in respect of impairment losses on doubtful debts of US$4.8 million (2008: US$2.1 million) made to cover recovery risks of GME project milestone receivables. Recovery of trade debts depend to some extent on future events, trends, financial condition of our customers and negotiation of terms and condition on capital equipment contracts. The impaired loss has been recognised in respect of project milestones where recoveribility may be affected by project delays.

In addition to the impairment losses on doubtful debts, Other Operating Expenses includes an increase of US$0.5 million for the amortisation of intangible assets to US$2.8 million from the previous year amortisation of US$2.3 million. The increase was primarily due to the amortisation of a full year compared to nine months of amortisation in 2008.

Net foreign exchange losses amounted to US$1.301,000 compared to US$77,000 for 2008. As we have operating subsidiaries in seven countries the strengthening of local currencies against the foreign currencies would create losses to the extent we maintain net assets and liabilities not denominated in the local currencies. Therefore, the net foreign exchange loss is primarily due to exchange rate fluctuations related to balances denominated in currencies other than the local currency. In order to mitigate that risk, we may utilise foreign currency forward contracts to better match the currency of our revenues and associated costs in the future.

The level of turnover and contribution to gross margin consequently fell below breakeven and the Group incurred a loss of US$10.2 million compared to a profit of US$10.3 million in the previous year. The loss is primarily due to the lower turnover and recognition of GME asset impairment, cost overruns and the economic conditions.

Finance Costs

During the Year, the Group's Finance costs amounted to approximately US$1.3 million compared to approximately US$0.5 million for 2008. The increase in finance costs is due to the higher level of borrowings compared to the previous year.

Group's Liquidity and Capital Resources

As at 31 December 2009, the Group had other intangible assets of approximately US$16.4 million. As at 31 December 2009, the Group carried fixed assets of approximately US$26.7 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 2009, the Group had interest in associates and deferred tax assets of approximately US$9.8 million and approximately US$14.6 million, respectively.

As at 31 December 2009, the Group had current assets to approximately US$132.0 million. Current assets mainly comprised cash and bank balances of approximately US$38.5 million, and pledged bank deposits of approximately US$2.3 million, inventories of approximately US$26.6 million, trade and other receivables of approximately US$64.5 million and amount due from a related company of approximately US$0.1 million.

As at 31 December 2009, current liabilities amounted to approximately US$76.7 million, mainly comprising trade and other payables of approximately US$48.4 million, bank loans of approximately US$22.8 million, current tax payables of approximately US$3.2 million and provisions of approximately US$2.3 million.

As at 31 December 2009, the Group had non-current liabilities of approximately US$7.1 million, comprising bank loans of approximately US$2.7 million and deferred tax liabilities of approximately US$4.4 million. Gearing ratio, total liabilities to equity holders' fund was 59.9%, as compared to 70.3% in 2008.

During the Year, the Company made one placement of new shares to raise funds. The placement of 90,000,000 new shares of HK$0.10 each in the capital of the Company with aggregate nominal value of the placing shares was HK$9,000,000, to not less than 6 independent professional, institutional and individual placees, was made in December 2009 at the placing price at HK$2.53 per share (net price per share at approximately HK$2.46) to raise approximately HK$221.9 million net of expenses and the net proceeds were used as general working capital of the Group for developing deepwater related products and future acquisition. The price on the date of the placing based on the closing price on 9 December 2009 was HK$2.85.

Significant Investments and Disposals

During the Year, there were no significant investments and disposals done.

Capital Structure

As at 31 December 2008, there were 561,737,604 shares in issue (the "Shares") and the Company carried a share capital of approximately US$7,225,000.

During the Year, the Company issued 872,800 Shares to Pre-IPO option holders and other option holders who exercised their options, and issued 90,000,000 Shares for a placement. As at 31 December 2009, the Company carried 652,610,404 Shares in issue, and a capital of approximately US$8,393,000.

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, buildings, plant and machinery, bank deposits, inventories and trade receivables of five subsidiaries namely TSC (Qingdao) Manufacture Co., Limited ("TSCQD"), TSC-HHCT (Xi'an) Control Technologies Limited ("TSC-HHCT"), TSC Manufacturing and Supply, LLC, Qingdao TSC Offshore Equipment Co., Ltd. ("TSCOE") and 8655 Golden Spike, LLC. The aggregate net book value of assets pledged amounted to US$32,854,000 (2008: US$19,908,000).

(ii) Corporate guarantees given by Zhengzhou Highlight Energy Technology Co., Ltd., TSCQD and TSC-HHCT to the extent of banking facilities outstanding of US$12,725,000 as at 31 December 2009. (2008: US$1,897,000)

Foreign Currency Exchange Exposure

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The Group has foreign exchange exposure resulting from most of the Group's subsidiaries in the PRC carried out production locally with Renminbi while over 50% of the Group's turnover was denominated in United States dollars. As at 31 December 2009, no related hedges were made by the Group.

In order to mitigate that foreign exchange exposure, we may utilize foreign currency forward contracts to better match the currency of our revenues and associated costs in the future. However, we do not use foreign currency forward contracts for trading or speculative purposes. The Group will actively explore ways to hedge or reduce currency exchange risk in future.

Contingent Liability

As at 31 December 2008, the Company has issued guarantees to banks in respect of banking facilities granted to a subsidiary.

As at 31 December 2008, 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 31 December 2008 under the guarantees issued is the facilities drawn down by a subsidiary which was US$438,000.

Exempt Connected Transaction

(a) On 23 October 2008, a loan of HK$16 million was made to the Company by Mr. Jiang Bing Hua ("Mr. Jiang"), a Director of the Company. The purpose of the loan was to meet short term bridging financing purposes and was guaranteed by another Director, Mr. Zhang Menggui ("Mr. Zhang"). The loan was unsecured, non-interest-bearing and was due to 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 from 30 December 2008 to 1 March 2010 (the "Revised Latest Repayment Date"), with the Company having the right to repay any time 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 were unchanged.

On 3 March 2009, the Company repaid HK$10 million to Mr. Jiang and the balance of HK$6 million was fully repaid to Mr. Jiang on 13 July 2009.

(b) On 23 November 2009, Mr. Jiang made a further loan of US$3 million to the Company for short term bridging financing purpose. The loan is guaranteed by Mr. Zhang and is unsecured, interest-free and to be repaid in full on or before 22 February 2010. On 17 December 2009, Mr. Jiang was fully repaid the loan of US$3 million.

Non-Exempt Continuing Connected Transactions

In June 2008, the Group conducted the following continuing connected transactions with connected parties of the Company, namely Yantai Raffles Shipyard Limited ("YRS"). YRS owned over 80% equity interest of YRO during 2008, and YRS wholly owned YRS Investments Limited ("YRSI"). 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 in 2008. 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 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 2008.

The Fabrication of BOP Handling and Transport System

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 can 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 websites of the Stock Exchange and the Company. The master agreement was approved by independent shareholders at extraordinary general meeting on 18 July 2008.

During the Year, the Group transacted a contract 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 contract cover the fabrication of BOP Handling and Transport System with a total contract value with VAT of RMB15.65 million, which is within the cap of RMB1,028 million for the Year approved by the independent shareholders of the Company. The actual sales amount of these continuing connected transactions between the Group and YRS was approximately RMB8,533,000 for the year ended 31 December 2009.

In addition, the actual sales amount of four supply contracts with YRS signed during 2008 was approximately RMB3,077,000 for the year ended 31 December 2009 (2008: RMB3,766,000).

Employees and Remuneration Policy

As at 31 December 2009, the Group had approximately 850 full-time staff in U.S.A., the United Kingdom ("UK"), Brazil, United Arab Emirates, Russia, Singapore, Hong Kong, 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.

3. BUSINESS REVIEW

As discussed in the Section on Financial review, the two main factors which led to the net operating loss for the year 2009 were the overall depressed economic fundamentals, asset impairment losses and the provisions for cost overruns on completion of projects acquired through GME. With the recovery of oil prices, some confidence was seen to have returned to the market as we have received more enquiries and was able to increase our order book in earlier 2010. Even as the price of oil gradually recovered during the course of the year the willingness of oil and gas operators to make capital expenditures or willingness of oilfield service companies to invest in capital equipment remained subdued.

On the positive side, we completed our TSC Qingdao manufacturing facility ahead of schedule in June 2009. The facility has 58,000 square meters of covered work space to carryout indoor fabrications and outfitting work in all weather conditions as well as during nightshifts. It is also equipped with painting facilities to meet stringent painting standards, test stands to ensure that equipment are well tested to meet the required quality standards before delivery and excellent facilities to house engineering and support staff. We have a full crew of skilled manufacturing workers of the various disciplines and being in Qingdao which has a long history in the shipbuilding industry we are able to recruit additional skilled workers on short notice if necessary. The TSC Qingdao facilities are both ISO and API certified and will be able to manufacture deck cranes, mud pumps, derricks, drawworks, rotary tables, top drives, drillfloor tools, mechanical handling and subsea equipment, etc. to meet the various classification society requirements. Additional manufacturing facilities are being set up in Dalian as well to meet with future requirements.

New warehouses and repair facilities were also set up in Brazil, Singapore and Middle East offices in 2009. All locations are now able to stock and offer TSC products to all customers at the various locations. Our office in Brazil has successfully established a reliable and competent team of maintenance and engineering service personnel to meet the growing demand for service in the region. We have also doubled our capacity for rack cutting at TSC-Gear to meet with growth in demand in that sub-segment.

We have made improvements to the commercial structure of the organization in order to work to the respective strengths and advantages of each region. The company recognized the challenges inherent in the management of the multitude of locations and having different phases of projects carried out at the various locations and took measures to overcome this.

We have recently completed our API Q1/IO 9001 and API 2C Surveillance Audit for Patriot Crane, LLC and certification and API 2C Monogram License will be received in due course. API 2C License Audit at TSCOE was issued on 1 February 2010 and the API Q1/ISO 9001 and API 7K Licenses at TSCQD were issued on 7 December 2009.

During the Year, Rig Products and Technology business segment activity comprised mainly the completion of existing projects. No significant new orders were started during the year and several projects were completed or were nearing completion. Progress on the Super M2 project Rig Turnkey Solutions was delayed due to the change in ownership at the shipyard where the project was being delivered. In the Oilfield Expendables and Supplies business segment we were successful in gaining acceptance as preferred vendors in several large and established distributors. Distribution was also expanded to locations in UAE, Brazil, and Singapore to utilise the existing Group's facilities in those countries which should add to the Group's customer base for the product line of expendables and supplies.

The Engineering services business segment achieved an increase of over 5 times in 2009. The highest growth was contributed by the North and South American regions where we have available strong teams of service personnel with capability to work on a wide range of TSC and non-TSC equipment. Contribution to this segment revenue also came from the installation and commissioning work for several of the GME projects which were completed during 2009. Good growth prospect is expected to continue from this segment as we have competent personnel and a high standard of work safety, efficiency and ethics.

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

The Company will continue the efforts to improve its in-house manufacturing capability worldwide to increase overall competitiveness in delivery, quantities and prices. The new manufacturing facility in Qingdao, China commenced operation since June 2009. However, the Group shall continuously seek strategic merger and acquisition opportunities that will bring synergies to the Company. The Company does not intend to make any major capital assets investment. We will be expanding our worldwide research and development centers and design and engineering teams in the future.

As at the balance sheet date, there was no capital commitments outstanding not provided for in the financial statement (2008: US$5,583,000).

5. ORDER BOOK, PROSPECT AND STRATEGY

Order Book

As of 31 December 2009, the Group as a whole carried an order backlog of approximately US$81.1 million for rig products and technology, rig turnkey solutions and expendables. Subsequent to 31 December 2009, the Group has secured further new orders amounting to US$30.7 million up to the date of this announcement.

Prospects

Our business prospects are closely related to the anticipated level of oil and gas drilling activities worldwide. We quote from the Rigzone publication titled 2010 Floater Market Outlook – "Specifically, we believe the deepwater/ultra-deepwater rig count will continue to rise (2010 average forecast to be about 20% above 2009 average), offsetting expected decreases for the midwater fleet (2010 average forecast to be 12% below 2009 average)." With the exception of new nuclear related business, almost all of our products are used on land or offshore drilling rigs. Rig utilization rates are directly correlated with oil prices which have climbed steadily despite the global economy, in general, barely out of the recession.

The business of TSC started as a supplier of rig components. In 2001 it went into manufacturing of electrical equipment for oil rigs and in 2002 expanded into the manufacture of expendable parts. TSC has constantly and aggressively increased its product range either internally through R&D efforts or through the acquisition of related businesses. Whilst the company expanded rapidly, quality has always been a priority and as early as 1 June 2004 TSC had been certified compliant with ISO9001:2000 as well as API Spec Q1. In 2004, it expanded its network overseas and gained recognition for its products internationally. From a supplier of rig electrical systems it rapidly increased its product range to include expendable parts and accessories, mud pump liners, pistons and piston rods, fluid ends and other accessories. In 2007, TSC successfully acquired and integrated another company into the Group to add solids control systems, shale shaker, complex cleaner, centrifugal pumps, injection pump, mixer and mud gun to its range of products. In late 2007, the Group acquired 7% interest in the Friede & Goldman Group indirectly, which sealed its alliance with an internationally renowned offshore rig engineering and design firm with 60 years of experience. In 2008, TSC made two further acquisitions. The first was the GME Group which was listed on the AIM in London and had subsidiaries in USA, UK, Singapore and Brazil, and the second was Zhengzhou Gear which added complete jacking systems and racks for jack-up rigs. Its dynamic growth over less than a decade is testimony to the commitment and the direction that the founders of the Company have envisioned and continually strive to perfect. Presently the Group is already one of three companies in the world with such a comprehensive range of products for the oil and gas drilling industry.

The acquisition of GME was TSC's first international acquisition and relatively bigger than previous acquisitions, not only in terms of purchase consideration, but also in terms of the diversity, scale of operations and personnel. The GME Group has a broad range of specialist engineering capabilities, a global presence and an expanding blue chip client base which will provide TSC access to compete in the growing offshore deepwater market. The acquisition brought into TSC an immense intrinsic value proposition which is envisioned to leverage the Group to greater heights through its engineering capabilities that will transform the Group to realise its vision to be a total solutions company. Although the key objective was access to the engineering capabilities and intellectual property the acquisition of GME included some contracts which resulted in losses to the Group in excess of what was expected. TSC management accepts that were oversights due to its inexperience with an extensive cross border acquisition. Certain contracts that were taken over were priced below the cost of delivering these contracts with unrealistic delivery schedules. Contracts contained terms which were unfavourable to the Group and had to be renegotiated or expedited at significant cost to the Group. GME has also entered into manufacturing contracts with manufacturers who were not qualified to manufacture offshore mechanical handling equipment. Management has since gained valuable experience in such acquisitions. However, the value proposition of the GME acquisition continues to be valid and is evident in current new orders and business that GME, now known as TSC UK, is able to secure and to take on complete offshore rig packages. The adverse impact of the unfavourable legacy contracts subject to risk factors is likely to have been largely recognized in these financial statements. With this experience behind us, given the likely recovery of the global economy, we see the prospects going forward will be much improved.

The acquisition of Zhengzhou Gear, now renamed TSC Gear, enables TSC to offer its own proprietary jacking system for new build jack-up rigs and upgrading of other brands of jacking systems. It has flame cutting technology and new heat treatment facilities which will 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 only a few companies in the world. Subsequently, tensioning systems and compensation systems for semisubmersible rigs and drill ships were added which strengthens the Group's position in the deepwater rig market.

In addition to the oil and gas industry TSC has been able to make inroads to the nuclear sector. TSC was recently awarded a contract to design and build a box transfer facility in a new building associated with the 'Silos Direct Encapsulation Plant' located at the Sellafield nuclear reprocessing plant in northern England. As part of the works TSC is to supply a specially designed 80 tonne package handling crane required for the import/export of flasks in to and out of the facilities via road transporters. The packages to be handled are heavy steel flasks containing encapsulated nuclear waste.

Furthermore, the Company and YRS have entered into a New Master Agreement to negotiate possible orders from YRS for the two years ending 31 December 2010 and 31 December 2011 from YRS up to approximately US$200 million (equivalent to approximately HK$1,560 million) per year. TSC is actively bidding for new contracts from other potential customers in PRC and from other countries. TSC management has the confidence that the Group will obtain more contract awards in future.

We were able to secure US$30.7 million worth of new orders up to the date of this announcement. Meanwhile, with most of the GME contracts which contributed to the loss for the year now completed, the Group will be able to refocus its resources and energies on executing its strategies. The Group now has an established and wide network of international customers and is also well positioned to work with its strategic shareholders to explore areas which TSC would not have been able to have access on its own. We have a very wide and comprehensive range of products we can offer to our customers. More importantly, in addition to products we are able to offer solutions through the variety of products and through our enhanced engineering capabilities. In December 2009, the Company was able to successfully place out 90 million shares at HK$2.53 per share to raise approximately HK$221.9 million and will be able to pursue further plans to develop deepwater rig products and consider potential acquisitions of strategic investments. On balance, we feel optimistic about our prospects both for the short term as well as long term to achieve our vision to be a global product and service provider to the oil and gas industry.

Strategies

As the world economy heads out of the recession, oil consumption will increase and lead to higher oil price and more investments in the industry. The total investment in the offshore sector is expected to increase from US$130 billion in 2009 to over US$220 billion per year over the next 5 years. About US$50 billion per year is estimated to be spent in the offshore rig and related activities.

Our goal is to be a total solutions provider.

Our key strategies are as follows:

Markets and Strategic Alliances

- Build further opportunities with strategic partners
- Penetrate market through oilfield engineering services
- Leverage on wide network, resources and relationships to combine with our technical expertise and capability to offer seamless solutions to our clients
- Develop specialise expertise team for strategic acquisitions

Project Execution and Delivery

- Align global culture, standards, policies and procedures to goals
- Manage risks to execute effectively, efficiently and reliably

Product Development and Total Solutions

- Accelerate progression of engineering value chain in key technology areas
- Complement knowledge base with product realization at manufacturing centers
- Prioritise key Research and Development to achieve specific product leadership

Deepwater Frontier

- Position to provide niche deepwater solutions and products

2009 was a difficult year for TSC with the global recession, an extremely cautious credit and commodity market and the challenges we met with the takeover and integration of a cross border acquisition of a multi-location company. The consequences have been costly but the rationale behind the acquisition continues to be valid. TSC is now one of the three companies in the world that is able to offer such a range of engineering expertise, specialized equipment and services, a wide range of high quality oilfield expendables and supplies. We have indeed become a company with a capability to provide total solutions to onshore and offshore rigs.

TRANSFER OF LISTING FROM THE GROWTH ENTERPRISE MARKET ("GEM") TO THE MAIN BOARD OF THE STOCK EXCHANGE ("MAIN BOARD")

On 7 May 2009, an application was made by the Company to the Stock Exchange for the transfer of listing from GEM to the Main Board. Subsequent to receiving the approval-in-principle for the transfer of listing from the Stock Exchange on 27 May 2009, dealings in the Company's shares on the Main Board commenced at 9:30 a.m. on 5 June 2009. The Board is of the view that the transfer of listing has enhanced the profile of the Group making it more attractive to institutional and retail investors and thus increasing the trading liquidity of its shares. With improved ability to raise capital, the Group is confident of its business development and growth prospects in the long run. In addition, the stock code for trading in the Shares on the Stock Exchange has been changed from "8149" to "206" on 5 June 2009.

CHANGE IN DIRECTORS AND SENIOR MANAGEMENT

On 10 July 2009, Mr. Brian Chang and Mr. Robert William Fogal Jr were appointed as non-executive Director and independent non-executive Director of the Company respectively. On the same day, the resignation of Mr. Zhang Hongru, who had resigned as chief financial officer, executive Director and compliance officer of the Company and companies within the Group, was taken effect. Mr. Zhang Hongru has resigned to focus on other business interests and family commitments, Mr. Zhang Menggui and Mr. Paul Lim Joo Heng have taken over the positions of compliance officer and chief financial officer of the Company respectively. Mr. Chen Yunqiang also resigned from the positions of executive Director and as director of EMER International Limited, a subsidiary of the Company, with effect from 10 July 2009, so that he can focus more on the operations of the subsidiaries of the Company in Mainland China. Mr. Chen Yunqiang continues to hold his other positions within the Group.

SUBSEQUENT EVENTS

On 10 February 2010, the Company (as seller) entered into a new master agreement (the "New Master Agreement") with YRS (as buyer) in relation to the sale of the products (which include the equipment used on offshore platforms including but not limited to power control package, jacking control system, BOP handling and transport, burner boom, etc. 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) by the Company to YRS for the two years ending 31 December

2011 (the “Transaction”). Pursuant to the New Master Agreement, the annual caps for each of the two years ending 31 December 2011 are both US$200 million (equivalent to approximately HK$1,560 million (the “Annual Caps”).

YRS, Mr. Brian Chang, China International Marine Containers (Group) Co., Limited and their respective associates shall abstain from voting on the approval of the New Master Agreement and the Annual Caps at the extraordinary general meeting (“EGM”). On 19 March 2010, the New Master Agreement and the Annual Caps were approved by the independent shareholders by poll at the EGM. Details of the Transaction were announced on 10 February 2010 and in the circular dated 3 March 2010 which were all published on the websites of the Stock Exchange and the Company.

Save as disclosed in this announcement, no subsequent events occurred after 31 December 2009 which may have significant effects on the assets and liabilities of future operations of the Group.

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 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 three 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 Appendix 10 of the 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 2009.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the loan agreement with Mr. Jiang on 23 November 2009 as mentioned in the section of "Exempt Connected Transactions" and "Non-Exempt 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 2009.

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 14 of the Listing Rules during the year ended 31 December 2009. 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 2009, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

A copy of annual report containing all information required by relevant paragraphs of Appendix 16 to the Listing Rules will be published on the Stock Exchange's website (http://www.hkex.com.hk) and the Company's website (http://www.tscoffshore.com) in due course.

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

Hong Kong, 22 April 2010

As at the date of this announcement, the Board comprises of Mr. Jiang Bing Hua (executive Director), Mr. Zhang Menggui (executive Director), Mr. Brian Chang (non-executive Director), Mr. Jiang Longsheng (non-executive Director), Mr. Bian Junjiang (independent non-executive Director), Mr. Chan Ngai Sang, Kenny (independent non-executive Director), Mr. Guan Zhichuan (independent non-executive Director) and Mr. Robert William Fogal Jr (independent non-executive Director).