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TSC Offshore Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 206)

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES AND RESUMPTION OF TRADING

Placing Agents:

Leading Placing Agent



Oriental Patron Securities Limited

Co-Placing Agent



Quam Securities Company Limited

PLACING AND SUBSCRIPTION AGREEMENT

The Board is pleased to announce that on 9 December 2009 (after trading hours), the Company has entered into the Placing and Subscription Agreement with the Placing Agents and the Vendor. Pursuant to the Placing and Subscription Agreement, the Vendor agreed to (i) place, through the Placing Agents up to 80,000,000 Initial Placing Shares, on a best effort basis, at a price of HK\$2.53 per Placing Share; and (ii) place (upon exercise of the Option granted by the Vendor to the Leading Placing Agent under the Placing and Subscription Agreement, if so exercised, and on a best effort basis) up to 10,000,000 Option Placing Shares (in addition to the Initial Placing Shares) held by the Vendor to the Placees at a price of HK\$2.53 per Placing Share. The Option was exercised in full on 9 December 2009.

The Placing Shares will be placed to not less than 6 independent professional, institutional and/or individual investors.

The Placing Price (or the Subscription Price) of HK\$2.53 represents:

- (i) a discount of approximately 11.23% to the closing price of HK\$2.85 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 12.15% to the average closing price of HK\$2.88 per Share as quoted on the Stock Exchange from 3 December 2009 to the Last Trading Day, both dates inclusive, being the last five consecutive trading days up to the date of the Placing and Subscription Agreement.

The total number of 90,000,000 Placing Shares (comprising both the Initial Placing Shares and the Option Placing Shares) represent (i) approximately 16.00% of the existing issued share capital of the Company of 562,610,404 Shares as at the date of this announcement and (ii) approximately 13.79% of the issued share capital of the Company of 652,610,404 Shares as enlarged by the issue and allotment of the Subscription Shares pursuant to the Subscription.

Pursuant to the Placing and Subscription Agreement, the Vendor has conditionally agreed to subscribe for the Subscription Shares (the number of which is equal to the number of the Placing Shares actually placed under the Placing) at HK\$2.53 per Subscription Share.

The Subscription is conditional upon, among other things, (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares; and (ii) successful completion of the Placing..

The Subscription Shares will be allotted and issued pursuant to the General Mandate passed at the AGM. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

The net proceeds of approximately HK\$219,180,000 from the Subscription is intended to be used as general working capital of the Group for developing deep water related products and future acquisition.

Completion of the Subscription is subject to the satisfaction of the conditions precedent in the Placing and Subscription Agreement.

As the Placing and the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 10 December 2009 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. (Hong Kong Time) on 11 December 2009.

THE PLACING AND SUBSCRIPTION AGREEMENT

Date

9 December 2009 (after trading hours)

Parties

- (1) the Vendor
- (2) the Company
- (3) the Leading Placing Agent
- (4) the Co-Placing Agent

THE PLACING

The Placing Agents have jointly and collectively agreed to place up to 90,000,000 Placing Shares owned by the Vendor, on a best effort basis, to the Placees. The Placing Shares comprise:

- (i) up to 80,000,000 Initial Placing Shares; and
- (ii) (upon exercise of the Option granted by the Vendor to the Leading Placing Agent under the Placing and Subscription Agreement, if so exercised) up to 10,000,000 Option Placing Shares (in addition to the Initial Placing Shares). The Option is exercisable by the Leading Placing Agent from 6:00-8:00 p.m. on the date of the Placing and Subscription Agreement. The Option was exercised in full on 9 December 2009.

The total number of 90,000,000 Placing Shares (comprising the Initial Placing Shares and the Option Placing Shares) represent (i) approximately 16.00% of the existing issued share capital of the Company of 562,610,404 Shares as at the date of this announcement and (ii) approximately 13.79% of the issued share capital of the Company of 652,610,404 Shares as enlarged by the Subscription.

The Placing Agents will receive a placing commission of 3.5% equivalent to the Placing Price multiplied by the number of the Placing Shares successfully placed by the Placing Agents, which was arrived at after arm's length negotiations between the Company and the Placing Agents. The Placing Agents and its ultimate beneficial owners are not connected persons (as defined in the Listing Rules) of the Company and its connected persons (as defined in the Listing Rules).

Placees

The Placing Agents will place the Placing Shares (comprising both the Initial Placing Shares and the Option Placing Shares), on a best effort basis, to not fewer than six Placees whose ultimate beneficial owners will be third parties independent of and not acting in concert with the Vendor or its concert parties, and will not be connected persons of the Company and its connected persons.

Placing Price

The Placing Price (or the Subscription Price) of HK\$2.53 represents:

- (i) a discount of approximately 11.23% to the closing price of HK\$2.85 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 12.15% to the average closing price of HK\$2.88 per Share as quoted on the Stock Exchange from 3 December 2009 to the Last Trading Day, both dates inclusive, being the last five trading days up to the date of the Placing and Subscription Agreement.

The Placing Price (and the Subscription Price) was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company, the Vendor and the Placing Agents. The Directors consider that the terms of the Placing (including the placing commission) and the Subscription are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

Ranking of Placing Shares

The Placing Shares rank pari passu among themselves and with the Shares in issue as at the date of this announcement.

Conditions of the Placing

The Placing is unconditional.

Completion

The Placing is expected to be completed on or before the fifth Business Day after the date of the Placing and Subscription Agreement or such other date as the Vendor and the Placing Agents shall agree in writing.

THE SUBSCRIPTION

The Subscription Price

The Subscription Price is HK\$2.53 per Subscription Share. The Subscription Price is the same as the Placing Price and was determined after arm's length negotiation between the Company and the Vendor with reference to the Placing Price of the Placing Shares.

The Subscription Shares

Pursuant to the Placing and Subscription Agreement, the Vendor agrees to subscribe for such number of the Subscription Shares equivalent to the number of the Placing Shares actually placed under the Placing.

The Subscription Shares will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the AGM, subject to the limit up to 20% of the then issued share capital of the Company as at the date of the AGM. Under the General Mandate, the Company is authorized to issue up to 112,347,520 Shares. Up to the date of this announcement, no Share has been issued under the General Mandate. Following the completion of the Subscription, a total number of 90,000,000 Shares (assuming the Option Placing Shares are placed) will be allotted and issued, leaving a balance of 22,347,520 Shares to be allotted and issued under the General Mandate.

Number of Subscription Shares

The number of the Subscription Shares is equivalent to the number of the Placing Shares actually placed under the Placing.

If all the Placing Shares are to be successfully placed under the Placing, the shareholding of the Vendor will decrease from approximately 24.33% to approximately 8.33% immediately after completion of the Placing and will increase to approximately 20.97% immediately after completion of the Subscription.

Ranking of Subscription Shares

The Subscription Shares, when issued and fully paid, will rank pari passu among themselves and with Shares in issue at the time of issue and allotment of the Subscription Shares.

Conditions of the Subscription

The Subscription is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Subscription Shares; and
- (ii) the successful completion of the Placing;

Completion of the Subscription will not take place if any of the above conditions are not fulfilled.

Completion

Subject to fulfillment of the above conditions, completion of the Subscription will take place on or before the second Business Day following the date when all the conditions set out above are satisfied or such later date as the Company and the Vendor may agree in writing.

The Subscription constitutes a connected transaction under the Listing Rules but it falls within the exemption under Rule 14A.31(3)(d) of the Listing Rules if the Subscription is completed within 14 days from the date of the Placing and Subscription Agreement (i.e. 23 December 2009). In the event that the Subscription is not completed within 14 days from the date of the Placing and Subscription Agreement, the Subscription will not fall within the exemption under Rule 14A.31(3)(d) of the Listing Rules and shall be subject to the approval of independence shareholders of the Company. The Company will comply with the relevant connected transaction requirements of Chapter 14A of the Listing Rules (if required).

In the event that the conditions of the Placing and Subscription Agreement are not fulfilled by 22 December 2009, or such later date as may be agreed among the Company, the Vendor and the Placing Agents, all rights, obligations and liabilities of the Company, the Vendor and the Placing Agents in relation to the Subscription shall cease and determine.

REASONS FOR THE PLACING AND SUBSCRIPTION

The gross proceeds from the Subscription will be approximately HK\$227,700,000. The net proceeds of approximately HK\$219,180,000 from the Subscription and is intended to be used as general working capital of the Group for developing deep water rig products and future acquisition.

The Directors had considered various ways of raising funds and consider that the Placing and Subscription represents an opportunity to raise capital for the Company while broadening the Shareholder base and capital base of the Company. Accordingly, the Directors consider the Placing and the Subscription are in the interests of the Company and the Shareholders as a whole.

Completion of the Subscription is subject to the satisfaction of the conditions precedent in the Placing and Subscription Agreement.

As the Placing and the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activities in the past twelve months before the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding of the Vendor in the Company (i) as at the date of this announcement; (b) immediately after the Placing (assuming that all the 90,000,000 Placing Shares are placed) but before the Subscription; and (c) immediately after the Placing and the Subscription (assuming that all the 90,000,000 Placing Shares are placed) are as follows:

	As at the date of this announcement		Immediately after the Placing but before the Subscription		Immediately after the completion of the Placing and Subscription	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
The Vendor (<i>Note 1</i>)	136,871,200	24.33%	46,871,200	8.33%	136,871,200	20.97%
Mr. Brian Chang (<i>Note 2</i>)	108,872,800	19.35%	108,872,800	19.35%	108,872,800	16.68%
Placees (<i>Note 3</i>)	–	–	90,000,000	16.00%	90,000,000	13.79%
Other public Shareholders	316,866,404	56.32%	316,866,404	56.32%	316,866,404	48.56%
Total	<u>562,610,404</u>	<u>100%</u>	<u>562,610,404</u>	<u>100%</u>	<u>652,610,404</u>	<u>100%</u>

Notes:

- (1) *Global Energy Investors, LLC is held wholly owned and beneficially in equal shares by Mr. Zhang Menggui and Mr. Jiang Bing Hua, the executive Directors of the Company.*
- (2) *YRS Investments Limited (“YRSI”) is ultimately wholly-owned by Yantai Raffles Shipyard Limited (“YRS”), a company incorporated in Singapore and the shares of which are traded on the Oslo-Over-the-Counter Market. Accordingly, YRS is deemed to be interested in 42,800,000 Shares held by YRSI. YRS is owned as to approximately 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 and Windmere International Limited, respectively. Mr. Brian Chang is a non-executive Director of the Company.*
- (3) *It is expected that the Placees will be third parties independent of and not acting in concert with the Vendor or his concert parties, and will not be connected persons of the Company and its connected persons.*

GENERAL

The Group is principally engaged in development, manufacture, marketing, installation and service of a comprehensive line of products for onshore and offshore drilling industries.

As at the date of this announcement, the existing authorised share capital of the Company consists of 2,000,000,000 Shares out of which 562,610,404 Shares are issued and fully paid up.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Subscription Shares.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 10 December 2009 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 11 December 2009.

TERMS AND DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“AGM”	the annual general meeting of the Company held on 18 May 2009
“associates”	has the meaning given to that term in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than Saturday and Sunday and a day on which a tropical cyclone warning No.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general banking
“Company”	TSC Offshore Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 0206)
“connected person(s)”	has the meaning given to that term in the Listing Rules

“Co-Placing Agent”	Quam Securities Company Limited, a licensed corporation to carry out Types 1, 2, 4 and 9 regulated activities under the SFO
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the AGM, among other things, to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Initial Placing Shares”	up to 80,000,000 Shares legally and beneficially owned by the Vendor to be placed pursuant to the Placing and Subscription Agreement
“Last Trading Day”	9 December 2009, being the last full trading day for the Shares before the date of this announcement
“Leading Placing Agent”	Oriental Patron Securities Limited, a licensed corporation to carry out Types 1 and 4 regulated activities under the SFO
“Listing Rules”	Rules Governing the Listing of the Securities on the Stock Exchange of Hong Kong Limited
“Option”	the option granted by the Vendor to the Leading Placing Agent pursuant to which the Leading Placing Agent can, upon exercise of the Option, request the Vendor to place the Option Placing Shares at the Placing Price to the Placees
“Option Placing Shares”	up to 10,000,000 Shares legally and beneficially owned by the Vendor and to be placed by the Leading Placing Agent (upon exercise of the Option by the Leading Placing Agent) pursuant to the Placing and Subscription Agreement, which are exclusive and in addition to the Initial Placing Shares

“Placee(s)”	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associates procured by the Placing Agents to acquire any of the Placing Shares pursuant to the Placing Agents’ respective obligations under the Placing and Subscription Agreement
“Placing”	the placing of the Placing Shares legally and beneficially owned by the Vendor pursuant to the terms of the Placing and Subscription Agreement
“Placing Agents”	the Leading Placing Agent and the Co-Placing Agent
“Placing and Subscription Agreement”	the placing and subscription agreement dated 9 December 2009 entered into among others, the Company, the Vendor and the Placing Agents in relation to the Placing and the Subscription
“Placing Price”	HK\$2.53 per Placing Share, exclusive of Hong Kong stamp duty, Stock Exchange trading fees and SFC transaction levy
“Placing Shares”	collectively, the Initial Placing Shares and the Option Placing Shares
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of such number of the Subscription Shares actually placed under the Placing by the Vendor pursuant to the Placing and Subscription Agreement
“Subscription Price”	HK\$2.53 per Subscription Price

“Vendor” Global Energy Investors, LLC, being the legal and beneficial owner of 136,871,200 Shares and a substantial Shareholder of the Company

“%” per cent

By Order of the Board
TSC OFFSHORE GROUP LIMITED
Jiang Bing Hua
Executive Chairman

Hong Kong, 10 December 2009

As at the date of this announcement, the Board comprises 2 executive Directors, namely Mr. Jiang Bing Hua and Mr. Zhang Menggui; 2 non-executive Directors, namely Mr. Jiang Longsheng and Mr. Brian Chang; and 4 independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny, Mr. Bian Jinjiang, Mr. Guan Zhichuan and Mr. Robert William Fogal Jr.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any such statement contained in this announcement misleading.