



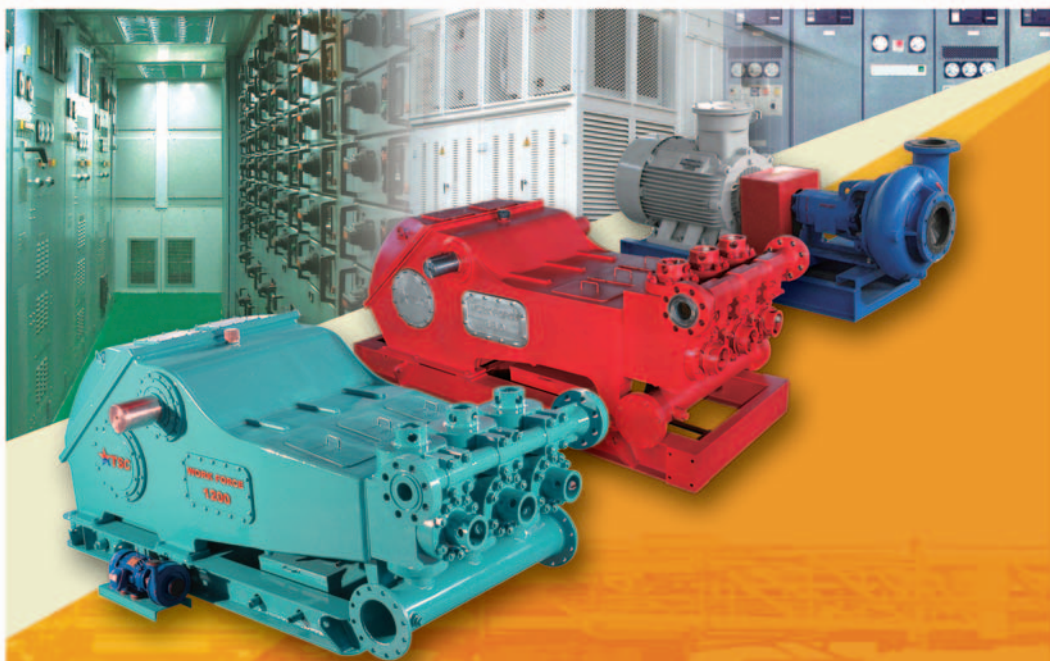
EMER INTERNATIONAL GROUP LIMITED

埃謨國際集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8149

First Quarterly Report



07

*For identification purposes only

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principle means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazette newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

RESULTS HIGHLIGHTS

- The Group's turnover for the first quarter ended 31 March 2007 reached approximately RMB57.5 million, representing an approximately 180% increase over the same period in 2006;
- Gross profit amounted to approximately RMB24.4 million for the first quarter ended 31 March 2007, representing an approximately 178% increase over the same period in 2006;
- Net profit amounted to approximately RMB8 million for the first quarter ended 31 March 2007 (first quarter ended 31 March 2006: loss attributable to equity shareholders of the Company of approximately RMB4.1 million);
- The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2007.

RESULTS

The board of Directors of the Company (“the Board”) is pleased to announce the unaudited results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31 March 2007 together with the comparative unaudited figures for the corresponding period in 2006 as follows:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		For the three months ended 31 March	
		2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
	<i>Notes</i>		
TURNOVER	3	57,530	20,566
COST OF SALES		(33,139)	(11,796)
GROSS PROFIT		24,391	8,770
OTHER REVENUE	3	2,143	484
SELLING AND DISTRIBUTION EXPENSES		(4,750)	(2,810)
GENERAL AND ADMINISTRATIVE EXPENSES		(11,743)	(10,872)
OTHER OPERATING EXPENSES	4	(629)	(99)
PROFIT/(LOSS) FROM OPERATIONS		9,412	(4,527)
FINANCE COSTS	5	(511)	(191)
PROFIT/(LOSS) BEFORE TAX		8,901	(4,718)
TAXATION	6	(945)	650
PROFIT/(LOSS) AFTER TAXATION		7,956	(4,068)
PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		7,956	(4,068)
DIVIDENDS	7	-	-
EARNINGS/(LOSS) PER SHARE			
– basic	8(a)	RMB2.74 cents	RMB(1.41) cents
– diluted	8(b)	RMB2.62 cents	RMB(1.36) cents

Notes:

1. CORPORATE INFORMATION

EMER International Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 22 February 2005 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and was listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 November 2005.

The unaudited consolidated results for the three months ended 31 March 2007 have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

All inter-company transactions and balances within the Group are eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. The measurement basis used in the preparation of the financial statements is the historical cost basis. The accounting policies adopted are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended 31 December 2006.

3. TURNOVER AND OTHER REVENUE

The analysis of the Group's turnover and other revenue are as follows:

	Unaudited	
	For the three months ended	
	31 March	31 March
	2007	2006
	RMB'000	RMB'000
Turnover		
Sales of equipment	28,172	1,286
Sales of expendable parts and accessories	26,798	19,280
Consultancy service fee income	2,560	–
	57,530	20,566
Other revenue		
Interest income	73	152
Rental income	54	–
Reversal of impairment losses on bad and doubtful debts	32	–
Other income	1,984	332
	2,143	484
Total revenue	59,673	21,050

The turnover was net of return, discount and sales tax.

4. OTHER OPERATING EXPENSES

	Unaudited	
	For the three months ended	
	31 March	31 March
	2007	2006
	RMB'000	RMB'000
Amortisation of intangible assets	25	25
Exchange loss	604	72
Loss on disposals of property, plant and equipment	–	2
	629	99
	629	99

5. FINANCE COSTS

	Unaudited	
	For the three months ended	
	31 March	31 March
	2007	2006
	RMB'000	RMB'000
Interest on bank loans	511	189
Finance charges on obligations under finance leases	—	2
	511	191

6. TAXATION

Taxation in the consolidated income statement represents:

	Unaudited	
	For the three months ended	
	31 March	31 March
	2007	2006
	RMB'000	RMB'000
Current tax		
USA income tax	—	—
Mainland China enterprise income tax	899	—
	899	—
Deferred tax		
Origination and reversal of temporary differences	46	(650)
Tax expenses/(credit)	945	(650)

青島天時石油機械有限公司 (“青島天時”) and 海爾海斯(西安)控制技術有限公司 (“海爾海斯”) are wholly foreign owned enterprises located in Industrial Development Zone and High Tech Industrial Development Zone respectively. In accordance with the applicable enterprise income tax law of Mainland China, they are subject to Mainland China enterprise income tax (“EIT”) at a rate of 24% and a local tax of 3%. Both Companies were exempted from EIT and the local tax for the first two profitable years of operations (i.e. for the years ended 31 December 2003 and 2004) after offsetting prior year losses and is entitled to a 50% reduction on the EIT for the following three years (i.e. started from 1 January 2005) in accordance with Article 8 of Income Tax Law of the People’s Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.

In addition, 海爾海斯 was awarded the New and High Technology Enterprise (高新技術企業) certificate on 15 November 2002. Pursuant to the Notice regarding how to apply preferential policy for New and High Technology Enterprise 《關於高新技術企業如何適用稅收優惠政策問題的通知》, the basic EIT rate for 海爾海斯 as a New and High Technology Enterprise can be reduced to 15%. Accordingly, as long as 海爾海斯 remains as a New and High Technology Enterprise with production facilities located at a recognized high-tech industrial zone, 海爾海斯 is entitled to an EIT rate of 7.5% for the next three year started from 1 January 2005.

埃謨(北京)油氣裝備技術有限公司(“埃謨(北京)”) is a wholly foreign owned enterprise established in Mainland China and is subject to EIT at a tax rate of 30% and a local tax rate of 3%. 埃謨(北京) was operating at a loss since its establishment on 2 February 2005. 埃謨(北京) was de-registered in September 2006.

No provision of Hong Kong Profits Tax has been made as the Directors consider that the Group had no assessable profit in Hong Kong during the three months period ended 31 March 2007 (2006: Nil).

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2007 (2006: Nil).

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share for the three months ended 31 March 2007 is based on the profit attributable to equity shareholders of the Company of approximately RMB7,956,000 (2006: RMB4,068,000 loss) and the weighted average number of 290,868,720 (2006: 288,000,000) ordinary shares in issue (after Bonus Shares, please refer to subsequent event on page 18) during the three months period ended 31 March 2007.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share for the three months ended 31 March 2007 is based on the profit attributable to equity shareholders of the Company of approximately RMB7,956,000 (2006: RMB4,068,000 loss) and the weighted average number of 303,536,186 (2006: 299,001,900) ordinary shares after adjusting for the effects of Bonus Shares (please refer to subsequent event on page 18) and all dilutive potential ordinary shares under the Company's share option scheme.

	Unaudited	
	For the three months ended	
	31 March	31 March
	2007	2006
	Number of	Number of
	Shares	Shares
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share	290,868,720	288,000,000
Effect of dilutive potential shares from the share options scheme	12,667,466	11,001,900
	<u>303,536,186</u>	<u>299,001,900</u>
Weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share	<u>303,536,186</u>	<u>299,001,900</u>

9. SHARE CAPITAL

	Unaudited			
	31 March			
	2007		2006	
	Number of	(Unaudited)	Number of	(Unaudited)
	Shares	RMB'000	Shares	RMB'000
	'000		'000	
Authorised:				
Ordinary share of HK\$0.1 each	1,000,000	104,000	1,000,000	104,000
Ordinary shares, issued and fully paid:				
At 1 January	241,044	25,066	240,000	24,960
Shares issued under share option scheme	1,998	200	–	–
At 31 March	<u>243,042</u>	<u>25,266</u>	<u>240,000</u>	<u>24,960</u>

10. MOVEMENT OF RESERVES

	Reserves								
	(Unaudited)				(Unaudited)				
	(Unaudited)	(Unaudited)	(Unaudited)	Employee	(Unaudited)	Statutory	public	(Unaudited)	Total
	Share	Merger	Exchange	share-based	Capital	surplus	welfare	Retained	
premium	reserve	fluctuation	payment	reserve	reserve	fund	profits		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006	8,678	17,724	(158)	1,502	4,138	4,018	1,678	39,745	77,325
Employee share-based payment expenses	-	-	-	325	-	-	-	-	325
Loss for the period	-	-	-	-	-	-	-	(4,068)	(4,068)
At 31 March 2006	<u>8,678</u>	<u>17,724</u>	<u>(158)</u>	<u>1,827</u>	<u>4,138</u>	<u>4,018</u>	<u>1,678</u>	<u>35,677</u>	<u>73,582</u>
At 1 January 2007	9,068	17,724	(355)	2,604	4,138	7,082	1,839	69,505	111,605
Shares issued under share option scheme	372	-	-	-	-	-	-	-	372
Transferred to share premium upon exercise of employee share options	393	-	-	(393)	-	-	-	-	-
Employee share based payment expenses	-	-	-	313	-	-	-	-	313
Movement in exchange fluctuation reserve	-	-	(133)	-	-	-	-	-	(133)
Profit for the period	-	-	-	-	-	-	-	7,956	7,956
Transferred from retained profits	-	-	-	-	-	-	18	(18)	-
At 31 March 2007	<u>9,833</u>	<u>17,724</u>	<u>(488)</u>	<u>2,524</u>	<u>4,138</u>	<u>7,082</u>	<u>1,857</u>	<u>77,443</u>	<u>120,113</u>

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the three months ended 31 March 2007, the Group generated approximately RMB59.7 million in total revenue and resulted approximately RMB8 million in net profit.

FINANCIAL REVIEW

Turnover and Other Revenue

For the three months ended 31 March 2007, the Group recorded a turnover of approximately RMB57.5 million, representing an increase of approximately 180% over the sales in the same period in 2006. Other revenue was approximately RMB2.1 million for the three months ended 31 March 2007.

COST OF SALES AND GROSS PROFIT MARGIN

The Group's cost of sales for the three months ended 31 March 2007 and the same periods in 2006 amounted to approximately RMB33.1 million and RMB11.8 million respectively, resulting in a consolidated gross profit margin of approximately 42.4% and 42.7% respectively.

OPERATING COSTS AND NET PROFIT/(LOSS)

For the three months ended 31 March 2007, the Group's selling and distribution expenses amounted to approximately RMB4.8 million, accounting for approximately 8.3% of the Group's turnover, as compared to approximately 13.7% for the same periods in 2006. The increase of selling and distribution expenses was mainly due to the increased number of sales-related staff and more marketing activities.

For the three months ended 31 March 2007, the Group's general and administrative expenses amounted to approximately RMB11.7 million, representing approximately 20.4% of the Group's turnover, as compared to those of approximately 52.9% for the same periods in 2006.

For the three months ended 31 March 2007, the Group's other operating expense amounted to approximately RMB0.6 million while approximately RMB0.1 million occurred for the same periods in 2006. For the three months ended 31 March 2007, the Group's finance costs amounted to approximately RMB0.5 million while approximately RMB0.2 million occurred for the same periods in 2006.

For the three months ended 31 March 2007, the Group realized a net profit of approximately RMB8 million.

BUSINESS REVIEW

For the three months ended 31 March 2007, the Group's expendable business grew rapidly over the same period in 2006 due to a strong demand for equipment and expendables from worldwide oil and gas drilling industry. The Group successfully secured more orders from international customers for mud pumps. The growth of drilling rig control system was even more remarkable, the Group realized equipment sales (rig electric control systems and mud pumps) of approximately RMB28.2 million, representing an increase of approximately 22 times over the same period in 2006 due to new demand and upgrading demand from oil drilling industry. The consultancy business realized an income of approximately RMB2.6 million for the three months ended 31 March 2007.

LIQUIDITY, FINANCIAL RESOURCES AND CHARGE OF ASSETS

As at 31 March 2007, the Group maintained current assets of approximately RMB194.2 million in which approximately RMB25.9 million was cash and bank balances while current liabilities were approximately RMB91.6 million. As at 31 March 2007, the Group carried short-term bank borrowings of approximately RMB20.4 million, which were secured by the Group's inventory assets in its USA warehouse, leasehold land use right and buildings located in Qingdao and Xi'an as well as machineries located in Qingdao.

GEARING RATIO

As at 31 March 2007, the Group maintained a gearing ratio, based on total liabilities over total assets, of approximately 38.7% (31 March 2006: approximately 25.4%).

CONTINGENT LIABILITY

As at 31 March 2007, the contingent liability of discounted bills amounted to RMB27.2 million (31 March 2006: RMB2.8 million). Save as disclosed above, the Directors are not aware of any other contingent liability.

SIGNIFICANT INVESTMENTS AND DISPOSAL

There were no material investments, acquisitions and disposals of subsidiaries by the Group during the three months period ended 31 March 2007.

CAPITAL COMMITMENT

The Group has authorized a total budget of RMB5.8 million for constructing new plants including machineries in Xi'an and Qingdao.

FOREIGN CURRENCY EXCHANGE EXPOSURE AND TREASURY POLICY

Most of the Group's trading transactions, assets and liabilities were denominated in Renminbi, United States dollars and Hong Kong dollars. Since July 2005, magnitude of fluctuation of the exchange rates of Hong Kong dollars and United States dollars to Renminbi have become larger than before, the Directors considered that the impact of the foreign exchange exposure of the Group has some adverse effect on the income of the Group. As at 31 March 2007, no related hedges were made by the Group. The Group will seek ways to hedge currency exchange risk in future.

EMPLOYEES AND REMUNERATION POLICY

The Group's remuneration policy is basically determined by the performance of individual employee and the market condition. In addition to salaries, employees' benefits included medical scheme, pension contributions and share option schemes.

PROSPECTS AND STRATEGIES

Given that oil and gas drilling works keep active worldwide, the management of the Group expects that the demand for drilling equipment and expendables shall continue to be strong in the years to come, especially in offshore drilling equipment. The Group's production base in China and international sales and distributors network make the Group in a very competitive position for continuing growth in future. The Group will continue to focus on its core business of serving oil and gas drilling industry worldwide. In addition, the Group will continue to look forward to potential investment opportunities that provide synergy in order to expand the Group's product lines quickly and penetrate further into booming offshore drilling equipment sector.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2007, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Name of Directors	Number of issued ordinary shares of HK\$0.10 each in the Company				Total	Number of underlying shares (in respect of share options granted under the Pre-IPO Share Option Scheme) (Note 3)	Approximate percentage of the Company's issued share capital
	Personal interests	Family interests	Corporate interests	Other interests			
Mr. Zhang Menggui (Note 1)	-	-	149,726,000	-	149,726,000	2,880,000	62.79%
Mr. Jiang Bing Hua (Note 1)	-	-	149,726,000	-	149,726,000	2,880,000	62.79%
Mr. Chen Yunqiang	468,000	-	-	-	468,000	1,872,000	0.96%
Mr. Zhang Hongru (Note 2)	5,977,000	-	13,524,000	-	19,501,000	1,728,000	8.73%

Notes:

1. *Global Energy Investors, LLC is the beneficial owner of 149,726,000 shares. The entire shares capital of Global Energy Investors, LLC is beneficially owned as to 50% each by Mr. Zhang Menggui and Mr. Jiang Bing Hua, both are the executive Directors of the Company. Accordingly, both Mr. Zhang Menggui and Mr. Jiang Bing Hua are deemed to be interested in the 149,726,000 shares beneficially owned by Global Energy Investors, LLC.*
2. *Mr. Zhang Hongru personally holds 5,977,000 shares and indirectly holds 13,524,000 shares through Osbeck Investments Limited which is an investment holding company wholly owned by him. He is deemed to be interested in the shares held by Osbeck Investments Limited under Part XV of the SFO.*
3. *Please refer to the section "Share Option Scheme" for details of the Pre-IPO Scheme and share options granted thereunder.*

Save as disclosed above, as at 31 March 2007, none of the Directors or chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2007, the following persons had interests or short positions in the shares and underlying shares of the Company which as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares and underlying shares of the Company:

Name	Capacity and Nature of interest	Number of shares/underlying shares held	Approximate percentage of the Company's issued share capital
Ms. Chen Fengying (Note 1)	Interest of spouse	149,726,000 shares and 2,880,000 share options	62.79%
Ms. Zhang Jiuli (Note 2)	Interest of spouse	149,726,000 shares and 2,880,000 share options	62.79%
Ms. Gao Haiping (Note 3)	Interest of spouse	19,501,000 shares and 1,728,000 share options	8.73%
Osbeck Investments Limited (Note 4)	Beneficially owned	13,524,000 shares	5.56%
Asian Infrastructure Limited (Note 5)	Beneficially owned	17,144,000 shares	7.05%

Notes:

1. *These interests represent the same block of shares and share options shown against the name of Mr. Zhang Menggui in the previous section "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES". Since Ms. Chen Fengying is the spouse of Mr. Zhang Menggui, she is deemed to be interested in the shares and share options held by him under Part XV of the SFO.*
2. *These interests represent the same block of shares and share options shown against the name of Mr. Jiang Bing Hua in the previous section "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES". Since Ms. Zhang Jiuli is the spouse of Mr. Jiang Bing Hua, she is deemed to be interested in the shares and share options held by him under Part XV of the SFO.*

3. *These interests represent the same block of shares and share options shown against the name of Mr. Zhang Hongru in the previous section "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES". Since Ms. Gao Haiping is the spouse of Mr. Zhang Hongru, she is deemed to be interested in the shares and share options held by him under Part XV of the SFO.*
4. *These shares represent the same block of shares shown against the name of Mr. Zhang Hongru in the previous section "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES". Since Osbeck Investments Limited is wholly owned by Mr. Zhang Hongru, he is deemed to be interested in the shares held by Osbeck Investments Limited under Part XV of the SFO.*
5. *Asian Infrastructure Limited is a professional investor who held 12,000,000 shares upon the listing of the Company on GEM in November 2005. As at 31 March 2007, the number of shares held by Asian Infrastructure Limited was 17,144,000 shares under Part XV of the SFO.*

Save as disclosed above, as at 31 March 2007, there was no person (other than the Directors and chief executives of the Company whose interests are set out under the paragraph headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES" above), had an interest or short position in the shares or underlying shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

SHARE OPTION SCHEME

Details of the outstanding options which have been granted and remaining unexercised under the Pre-IPO Share Option Scheme (the "Pre-IPO Scheme") as at 31 March 2007 are as follows:

Name or category of participant	Date of grant (Notes 1 & 2)	Exercisable period (Notes 1, 2 & 3)	Exercise price per share HK\$	Number of share options			
				Outstanding as at 31.12.2006	Exercised during the period (Note 4)	Lapsed during the period	Outstanding as at 31.3.2007
Directors:							
Mr. Zhang Menggui	19.10.2005	29.11.2005 to 28.11.2015	0.286	3,600,000	720,000	-	2,880,000
Mr. Jiang Bing Hua	19.10.2005	29.11.2005 to 28.11.2015	0.286	3,600,000	720,000	-	2,880,000
Mr. Chen Yunqiang	19.10.2005	29.11.2005 to 28.11.2015	0.286	2,340,000	468,000	-	1,872,000
Mr. Zhang Hongru	19.10.2005	29.11.2005 to 28.11.2015	0.286	1,728,000	-	-	1,728,000
				<u>11,268,000</u>	<u>1,908,000</u>	<u>-</u>	<u>9,360,000</u>
Employees	19.10.2005	29.11.2005 to 28.11.2015	0.286	2,898,000	90,000	-	2,808,000
Total				<u>14,166,000</u>	<u>1,998,000</u>	<u>-</u>	<u>12,168,000</u>

Notes:

1. All dates are shown day, month, year.
2. The vesting period of the options is 5 years and starts from the date of grant and become vested at stepped semi-annual increments of 10% of the total options granted for a period of 5 years from the date of grant.
3. These grants are exercisable, starting from the first anniversary of the listing date at stepped semi-annual increments of 10% of the total options granted, for a period not later than 10 years from the date of grant.
4. 1,998,000 share options were exercised at an exercise price of HK\$0.286 per share and the weighted average closing price immediately before the dates of exercise of options was HK\$1.47.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any businesses that competes or may compete, either directly or indirectly, with the business of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the three months period ended 31 March 2007 .

INTERESTS OF COMPLIANCE ADVISER

Pursuant to a compliance adviser agreement dated 18 October 2006 made between the Company and Quam Capital Limited (“Quam”), Quam has been appointed as the compliance adviser to the Company as required under the GEM Listing Rules at a fee for the period from 18 October 2006 to the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the period from 18 October 2006 to 31 December 2007.

None of Quam, its directors, employees nor their respective associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in any class of securities of the Company or any other member of the Group (including options or rights to subscribe for such securities) as at 31 March 2007.

AUDIT COMMITTEE

The Company established an audit committee on 20 October 2005 with terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Group.

The audit committee comprises three members, namely Mr. Chan Ngai Sang, Kenny (being the chairman of the audit committee), Mr. Bian Junjiang and Mr. Guan Zhichuan. All of them are independent non-executive Directors. The audit committee of the Company has reviewed the unaudited results of the Group for the three months ended 31 March 2007 and are 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' INTERESTS IN CONTRACTS

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 during or at the end of the three months ended 31 March 2007 or at any time during such period.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the three months ended 31 March 2007.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the three months ended 31 March 2007, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

SUBSEQUENT EVENT

- On 4 April 2007, the Group divested 40% of equity interest of FGM Manufacturing Limited ("FGM") for US\$130,000.

FGM is one of our subsidiaries with issued share capital of HK\$100 as at 31 March 2007. The Company is holding 25% equity interest in 鄭州富格海洋工程裝備有限公司 with issued share capital of RMB10 million.

The principal activity of 鄭州富格海洋工程裝備有限公司 is the manufacturing and trading of equipments, expendable parts and accessories for offshore drilling platform.

- On 19 April 2007, the Company had completed a placing of 24,300,000 placing shares at the placing price of HK\$1.88 per placing share to one placee being Keywise Greater China Opportunities Master Fund ("the Placee").

The Placee is an independent investment fund registered in the Cayman Islands. The Placee aims to provide its investors with long term superior absolute returns through its investments in securities of the Company that have a substantial portion of their assets in the Greater China Market or that derive a large portion of their revenues or earnings from activity connected to the Greater China Market. The Placee, its directors and its ultimate beneficial owner(s) are not connected persons of the Company and are independent of and not connected with the Company and its connected persons.

- The 2007 annual general meeting (the “AGM”) of the shareholders of the Company (“Shareholders”) was convened as scheduled on 7 May 2007. At the AGM, Shareholders considered and approved, inter alia, resolutions for the proposed one bonus share for every five existing shares (the “Bonus Issue”) then held and the retiring of directors by rotation and re-election of retiring directors as set out in the notice of annual general meeting dated 30 March 2007 and a circular dated 30 March 2007 to the Shareholders.

As at the date of this report, in accordance with the terms of the Bonus Issue, a total of 53,468,400 shares (“Bonus Shares”) of the Company would be issued and dispatched to the Shareholders, taking the total number of shares of the Company in issue to 320,810,400 shares. Approval from the Stock Exchange on the listing of the Bonus Shares is expected to be received and the trading of the Bonus Shares are expected to commence on 18 May 2007.

At the AGM, Mr. Chen Yunqiang, Mr. Jiang Longsheng, Mr. Chan Ngai Sang, Kenny and Mr. Bian Junjiang, Directors of the Company, retired by rotation in accordance with articles 86 and 87 of the articles of association of the Company, were re-elected as Directors of the Company.

By Order of the Board
EMER International Group Limited
Zhang Menggui
Chairman

Hong Kong, 9 May 2007

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