



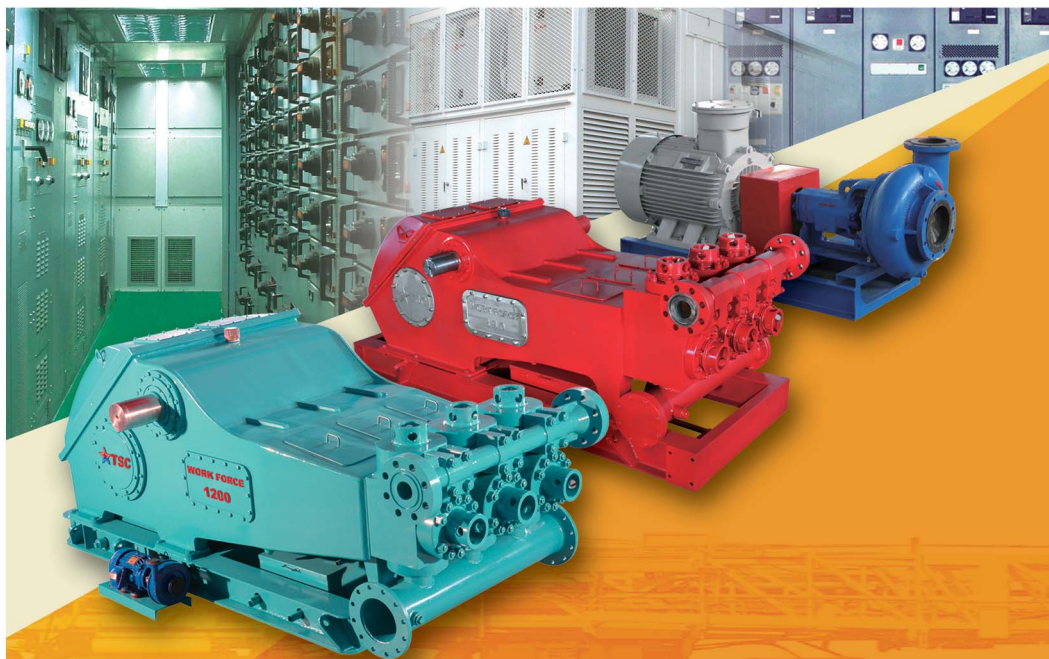
EMER INTERNATIONAL GROUP LIMITED

埃謨國際集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8149

Third Quarterly Report



*For identification purposes only

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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 third quarter ended 30 September 2007 reached approximately RMB71.1 million, representing an approximately 48.6% increase over the same period in 2006;
- Gross profit amounted to approximately RMB25.9 million for the third quarter ended 30 September 2007, representing an approximately 31.4% increase over the same period in 2006;
- Net profit amounted to approximately RMB7.2 million for the third quarter ended 30 September 2007, representing an approximately 11.8% increase over the same period in 2006;
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 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 and nine months ended 30 September 2007, together with the unaudited comparative figures for the corresponding periods in 2006 as follows:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
TURNOVER	3	71,051	47,807	173,442	143,749
COST OF SALES		(45,184)	(28,125)	(102,493)	(81,617)
GROSS PROFIT		25,867	19,682	70,949	62,132
OTHER REVENUE	3	2,266	1,825	6,949	2,978
SELLING AND DISTRIBUTION EXPENSES		(6,160)	(4,219)	(14,717)	(11,735)
GENERAL AND ADMINISTRATIVE EXPENSES		(12,596)	(10,019)	(37,588)	(30,558)
OTHER OPERATING EXPENSES	4	(232)	(369)	(1,772)	(634)
PROFIT FROM OPERATIONS		9,145	6,900	23,821	22,183
FINANCE COSTS	5	(593)	(443)	(1,580)	(846)
SHARE OF PROFIT OF ASSOCIATES		25	-	25	-
PROFIT BEFORE TAX		8,577	6,457	22,266	21,337
TAXATION	6	(1,361)	-	(2,385)	830
PROFIT AFTER TAXATION FOR THE PERIOD		7,216	6,457	19,881	22,167
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		7,216	6,457	19,881	22,167
DIVIDENDS	7	-	-	-	-
EARNINGS PER SHARE					
- basic	8(a)	RMB2.07 cents	RMB2.24 cents	RMB6.15 cents	RMB7.70 cents
- diluted	8(b)	RMB1.98 cents	RMB2.16 cents	RMB5.89 cents	RMB7.43 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 nine months ended 30 September 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		For the nine months ended	
	30 September		30 September	
	2007	2006	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover				
Sales of equipment	42,783	17,111	89,837	66,920
Sales of expendable parts and accessories	28,268	28,295	79,198	72,908
Consultancy service fee income	-	2,401	4,407	3,921
	71,051	47,807	173,442	143,749
Other revenue				
Interest income	2,538	82	2,826	353
(Loss)/gain on disposal of investment	(976)	-	33	-
Reversal of impairment losses on bad and doubtful debts	32	916	64	916
Other income	672	827	4,026	1,709
	2,266	1,825	6,949	2,978
Total revenue	73,317	49,632	180,391	146,727

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

4. OTHER OPERATING EXPENSES

	Unaudited			
	For the three months ended		For the nine months ended	
	30 September		30 September	
	2007	2006	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amortisation of intangible assets	28	25	78	75
Exchange difference	204	391	1,694	602
Profit on disposals of property, plant and equipment	-	(47)	-	(43)
	232	369	1,772	634

5. FINANCE COSTS

	Unaudited			
	For the three months ended		For the nine months ended	
	30 September		30 September	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Interest on bank loans	593	443	1,580	844
Finance charges on obligations under finance leases	-	-	-	2
	<u>593</u>	<u>443</u>	<u>1,580</u>	<u>846</u>

6. TAXATION

Taxation in the consolidated income statement represents:

	Unaudited			
	For the three months ended		For the nine months ended	
	30 September		30 September	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Current tax				
USA income tax	207	-	688	(484)
Mainland China enterprise income tax	1,153	231	2,933	798
	<u>1,360</u>	<u>231</u>	<u>3,621</u>	<u>314</u>
Deferred tax				
Origination and reversal of temporary differences	1	(231)	(1,236)	(1,144)
Tax expenses/(credit)	<u>1,361</u>	<u>-</u>	<u>2,385</u>	<u>(830)</u>

青島天時石油機械有限公司 (“青島天時”) 和海爾海斯 (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.

鄭州海來能源科技有限公司 (“鄭州海來”) is a New and High Technology Enterprise. The basic EIT rate is reduced to 15%.

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 nine months period ended 30 September 2007 (2006: Nil).

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2007 (2006: Nil).

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share for the three months and nine months ended 30 September 2007 are based on the profit attributable to equity shareholders of the Company of approximately RMB7,216,000 and RMB19,881,000 (three months and nine months ended 30 September 2006: RMB6,457,000 and RMB22,167,000) respectively and the weighted average number of 349,342,583 and 323,189,515 (2006: 288,000,000 and 288,000,000) ordinary shares in issue during the periods.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the three and nine months ended 30 September 2007 are based on the profit attributable to equity shareholders of the Company of approximately RMB7,216,000 and RMB19,881,000 (three months and nine months ended 30 September 2006: RMB6,457,000 and RMB22,167,000) respectively. The weighted average number of ordinary shares for the three and nine months ended 30 September 2007 are 365,005,971 and 337,486,646 (three months and nine months ended 30 September 2006: 298,880,048 and 298,197,460) after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme.

9. MOVEMENT OF RESERVES

	Reserves								
	(Unaudited) Share premium RMB'000	(Unaudited) Merger reserve RMB'000	(Unaudited)		(Unaudited) Capital reserve RMB'000	(Unaudited)		(Unaudited) Retained profits RMB'000	(Unaudited) Total RMB'000
			(Unaudited) Exchange fluctuation reserve RMB'000	(Unaudited) Employee share-based payment reserve RMB'000		(Unaudited) Statutory surplus reserve RMB'000	(Unaudited) public welfare fund 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	-	-	-	975	-	-	-	-	975
Profit for the period	-	-	-	-	-	-	-	22,167	22,167
Transfer from retained profit	-	-	-	-	-	-	714	(714)	-
At 30 September 2006	8,678	17,724	(158)	2,477	4,138	4,018	2,392	61,198	100,467
At 1 January 2007	9,068	17,724	(355)	2,604	4,138	7,082	1,839	69,505	111,605
Issue of share capital	374,026	-	-	-	-	-	-	-	374,026
Share issue expenses	(10,395)	-	-	-	-	-	-	-	(10,395)
Issue of bonus share capital	(5,347)	-	-	-	-	-	-	-	(5,347)
Shares issue under share option scheme	625	-	-	-	-	-	-	-	625
Transfer to share premium upon exercise of employee share option	735	-	-	(735)	-	-	-	-	-
Employee share-based payment expenses	-	-	-	932	-	-	-	-	932
Movement in exchange fluctuation reserve	-	-	(444)	-	-	-	-	-	(444)
Profit for the period	-	-	-	-	-	-	-	19,881	19,881
Transfer from retained profits	-	-	-	-	33	-	109	(142)	-
At 30 September 2007	368,712	17,724	(799)	2,801	4,171	7,082	1,948	89,244	490,883

10. 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 30 September 2007, the Group generated approximately RMB73.3 million in total revenue and a net profit of approximately RMB7.2 million. As a result, the Group realized a total revenue of approximately RMB180.4 million for the nine months ended 30 September 2007 and a net profit of approximately RMB19.9 million.

FINANCIAL REVIEW

Turnover and Other Revenue

For the three months ended 30 September 2007, the Group recorded a total sales of approximately RMB71.1 million, representing an increase of approximately 48.6% over the sales in the same period in 2006. Other revenue was approximately RMB2.3 million for the three months ended 30 September 2007.

COST OF SALES AND GROSS PROFIT MARGIN

The Group's cost of sales for the three and nine months ended 30 September 2007 and the same periods in 2006 amounted to approximately RMB45.2 million, RMB102.5 million, RMB28.1 million and RMB81.6 million respectively, resulting in a consolidated gross profit margin of approximately 36.4%, 40.9%, 41.1% and 43.2% respectively.

OPERATING COSTS AND NET PROFIT

For the three and nine months ended 30 September 2007, the Group's selling and distribution expenses amounted to approximately RMB6.2 million and RMB14.7 million respectively, accounting for approximately 8.7% and 8.5% respectively of the Group's turnover, as compared to approximately 8.8% and 8.1% for the same periods in 2006. The increase of selling and distribution expenses was mainly related to the increased selling and marketing activities.

For the three and nine months ended 30 September 2007, the Group's general and administrative expenses amounted to approximately RMB12.6 million and RMB37.6 million respectively, representing approximately 17.7% and 21.7% of the Group's turnover, as compared to those of approximately 20.9% and 21.2% for the same periods in 2006.

For the three and nine months ended 30 September 2007, the Group's other operating expense amounted to approximately RMB0.2 million and RMB1.8 million respectively while approximately RMB0.4 million and RMB0.6 million occurred for the same periods in 2006 respectively. For the three and nine months ended 30 September 2007, the Group's finance costs amounted to approximately RMB0.6 million and RMB1.6 million respectively while approximately RMB0.4 million and RMB0.8 million occurred for the same periods in 2006 respectively.

For the three months and nine months ended 30 September 2007, the Group realized a net profit of approximately RMB7.2 million and RMB19.9 million respectively.

BUSINESS REVIEW

For the three months ended 30 September 2007, the Group successfully secured three turn-key contracts for cantilever and drilling system with a total contract value of approximately RMB828 million. In addition, the growth of drilling equipment was also remarkable, the Group realized a sales of approximately RMB42.8 million in equipment sales, representing an increase of approximately 150% over the same period in 2006 due to new demand and upgrading demand from oil drilling industry.

LIQUIDITY, FINANCIAL RESOURCES AND CHARGE OF ASSETS

As at 30 September 2007, the Group maintained current assets of approximately RMB714 million in which approximately RMB476 million was cash and bank balances while current liabilities were approximately RMB268 million. As at 30 September 2007, the Group carried bank borrowings of approximately RMB31 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 30 September 2007, the Group maintained a gearing ratio, based on total liabilities over total assets, of approximately 33.6% (30 September 2006: approximately 37.5%).

CONTINGENT LIABILITY

As at 30 September 2007, the contingent liability of discounted bills amounted to RMB15.5 million (30 September 2006: RMB6.5 million). Save as disclosed above, the Directors are not aware of any other contingent liability.

SIGNIFICANT INVESTMENTS AND DISPOSAL

On 29 August 2007, the Company completed to acquire 100% issued share capital of Top Sino Industrial Limited ("Top Sino") and assign the shareholder's loan to the Company for a total consideration of HK\$34,908,000. The consideration was satisfied as to HK\$1,808,000 in cash and HK\$33,100,000 by way of the allotment and issue of 10,000,000 consideration shares by the Company to Yearport International Limited.

In September 2007, the Group purchased back 40% of equity interest in one subsidiary of the Group for US\$128,000 from an independent third party.

CAPITAL STRUCTURE

On 31 July 2007, the Company completed a placing of 53,468,000 placing shares at the placing price of HK\$5.80 per placing share to not less than six independent places. The net proceeds raised from the Subscription were approximately HK\$300 million.

On 29 August 2007, the Company issued 10,000,000 consideration shares for the acquisition of Top Sino. Details are set out in the previous section headed "SIGNIFICANT INVESTMENTS AND DISPOSAL".

CAPITAL COMMITMENT

The Group has authorized a total budget of RMB12.2 million for constructing a new plant including machineries in Xi'an.

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 30 September 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

As at 30 September 2007, the Group had approximately 440 full-time staff in USA, Hong Kong and the PRC.

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

The Group will continue to focus on its core business of serving oil and gas drilling industry worldwide. The management of the Group expects that the demand for drilling products expendables shall continue to be strong in the years to come. The Group will continue to implement its high growth strategy through both organic growth, mergers and acquisitions. The Group's lower-cost manufacturing base in China, its international sales and distribution network and the ability of offering complete offshore drilling equipment "turn-key solutions" to its international clients has made the Group in a very competitive position for continuing growth in future.

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

As at 30 September 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)	432,000	-	136,871,200	-	137,303,200	3,024,000	36.34%
Mr. Jiang Bing Hua (Note 1)	432,000	-	136,871,200	-	137,303,200	3,024,000	36.34%
Mr. Zhang Hongru (Note 2)	4,431,600	-	16,228,800	-	20,660,400	1,814,400	5.82%
Mr. Chen Yunqiang	842,400	-	-	-	842,400	1,965,600	0.73%

Notes:

1. *Global Energy Investors, LLC is the beneficial owner of 136,871,200 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 136,871,200 shares beneficially owned by Global Energy Investors, LLC.*
2. *Mr. Zhang Hongru personally holds 4,431,600 shares and indirectly holds 16,228,800 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 Schemes" below for details of share options held by the Directors and chief executives of the Company.*

Save as disclosed above, as at 30 September 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 30 September 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 (<i>Note 1</i>)	Interest of spouse	137,303,200 shares and 3,024,000 share options	36.34%
Ms. Zhang Jiuli (<i>Note 2</i>)	Interest of spouse	137,303,200 shares and 3,024,000 share options	36.34%
Yantai Raffles Shipyard Limited (<i>Note 3</i>)	Interest in a controlled entity	42,800,000 shares	11.09%
YRS Investments Limited (<i>Note 3</i>)	Corporate	42,800,000 shares	11.09%
Asian Infrastructure Limited (<i>Note 3</i>)	Corporate	16,072,800 shares	4.16%
Mr. Brian Chang (<i>Note 3</i>)	Interest in a controlled entity	58,872,800 shares	15.25%
Keywise Capital Management (HK) Limited (<i>Note 4</i>)	Interest in a controlled entity	33,064,000 shares	8.56%
Keywise Greater China Opportunities Master Fund (<i>Note 4</i>)	Corporate	33,064,000 shares	8.56%
Ms. Gao Haiping (<i>Note 5</i>)	Interest of spouse	20,660,400 shares and 1,814,400 share options	5.82%
Osbeck Investments Limited (<i>Note 6</i>)	Corporate	16,228,800 shares	4.20%

Notes:

1. *These interests represent the same block of shares held by Mr. Zhang Menggui in the previous section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" and share options held by Mr. Zhang Menggui in the below section headed "SHARE OPTION SCHEMES". 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 held by Mr. Jiang Bing Hua in the previous section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" and share options held by Mr. Jiang Bing Hua in the below section headed "SHARE OPTION SCHEMES". 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. *YRS Investments Limited ("YRSI") is owned as to 100% 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 49% 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 deemed to be interested in 16,072,800 Shares held through his wholly-owned subsidiary, Asian Infrastructure Limited.*
4. *Keywise Greater China Opportunities Master Fund is an independent investment fund registered in the Cayman Islands and is managed by Keywise Capital Management (HK) Limited, a company incorporated in Hong Kong. Accordingly, both are deemed to be interested in the 33,064,000 shares under Part XV of the SFO.*
5. *These interests represent the same block of shares held by Mr. Zhang Hongru in the previous section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" and share options held by Mr. Zhang Hongru in the below section headed "SHARE OPTION SCHEMES". 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.*
6. *These shares represent the same block of shares held by Mr. Zhang Hongru in the previous section headed "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.*

Save as disclosed above, as at 30 September 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 and section headed "SHARE OPTION SCHEMES" below), 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 SCHEMES

On 1 February 2005, Oxford Asia Investments Limited ("Oxford"), a wholly-owned subsidiary of the Company, adopted a share option scheme pursuant to which 1,690 share options were granted to certain employees of the Group. On 19 October 2005, the Company adopted a share option scheme ("Pre-IPO Share Option Scheme") to replace the share option scheme of Oxford which was cancelled on the same date. The total number of shares in the Company that are subject to the Pre-IPO Share Option Scheme is 15,210,000 shares at HK\$0.286 each, and all the options under the Pre-IPO Share Option Scheme were granted to the option holders of the Oxford's option scheme in the same proportion with their original holding. No further options will be granted under the Pre-IPO Share Option Scheme after 28 November 2005. Details of the Pre-IPO Share Option Scheme are summarised in the paragraph headed "Summary of terms of the Pre-IPO Share Option Scheme" in Appendix 5 to the prospectus of the Company dated 21 November 2005.

On 26 March 2007, the directors of the Company announced in its annual results for the year ended 31 December 2006 of a bonus issue of shares (the "Bonus Issue") to those shareholders whose names appear on the register of members of the Company on 7 May 2007 on the basis of one bonus share for every five existing shares held. The above adjustments to the subscription price and the number of shares subject to the Pre-IPO Share Option became effective on the day of the Bonus Issue becoming unconditional on 10 May 2007.

Details of the adjusted outstanding options which have been granted and remaining unexercised under the Pre-IPO Scheme as at 30 September 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 30.6.2007	Exercised during the period (Note 4)	Cancelled during the period (Note 4)	Lapsed during the period (Note 4)	Outstanding as at 30.9.2007
Directors:								
Mr. Zhang Menggui	19.10.2005	29.11.2005 to 28.11.2015	0.2383	3,024,000	-	-	-	3,024,000
Mr. Jiang Bing Hua	19.10.2005	29.11.2005 to 28.11.2015	0.2383	3,024,000	-	-	-	3,024,000
Mr. Chen Yunqiang	19.10.2005	29.11.2005 to 28.11.2015	0.2383	1,965,600	-	-	-	1,965,600
Mr. Zhang Hongru	19.10.2005	29.11.2005 to 28.11.2015	0.2383	1,814,400	-	-	-	1,814,400
				<u>9,828,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,828,000</u>
Employees	19.10.2005	29.11.2005 to 28.11.2015	0.2383	2,948,400	-	-	-	2,948,400
Total				<u>12,776,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,776,400</u>

Notes:

- All dates are shown day, month, year.*
- 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 originally granted subject to any adjustment due to the bonus issue, for a period of 5 years from the date of grant.*
- These grants are exercisable, starting from the first anniversary of the listing date at stepped semi-annual increments of 10% of the total options originally granted subject to any adjustment due to the bonus issue, for a period not later than 10 years from the date of grant.*
- The period refers to the three months ended 30 September 2007.*

Pursuant to the share option scheme adopted by the Company on 20 October 2005 ("Share Option Scheme"), the board of directors granted 7,280,000 share options at HK\$2.43 each to 14 employees of the Group on 10 May 2007. Since the exercise price per share of the options granted during the period and the closing price per share were the same on the date of grant of such share options, the Company was unable to measure the value of such share options on the date which they were granted.

Details of share options under the Share Option Scheme as at 30 September 2007:

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 30.9.2007
				Outstanding as at 30.6.2007	Exercised during the period (Note 4)	Cancelled during the period (Note 4)	Lapsed during the period (Note 4)	
Employees	10.05.2007	10.11.2007 to 9.11.2017	2.43	7,280,000	-	-	-	7,280,000
Total				7,280,000	-	-	-	7,280,000

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. The period refers to the three months ended 30 September 2007.

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 nine months period ended 30 September 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 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2007.

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 nine months ended 30 September 2007.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the nine months ended 30 September 2007, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

SUBSEQUENT EVENT

- On 20 September 2007, the Company and Mr. Geiger Jr., Mr. Geiger and Mr. Norton (the “Vendors”) entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to acquire 710 shares (approximately 28.02% shareholding interest) of Goldman Offshore Design LLC, a company incorporated in the State of Texas, USA with limited liability for a total consideration of US\$7,280,000 (equivalent to approximately HK\$56,784,000).

The consideration was satisfied as to US\$3,640,000 (equivalent to approximately HK\$28,392,000) in cash and US\$3,640,000 (equivalent to approximately HK\$28,392,000) by way of the allotment and issue of 5,701,204 consideration shares (the “Consideration Shares”) at an issue price of HK\$4.98 per Consideration Share to the Vendors.

The above transaction was completed on 31 October 2007, the date was agreed in writing among the parties. 710 shares in Goldman Offshore Design LLC are held by the Company’s wholly owned subsidiary in USA.

- On 12 October 2007, an announcement (the “Overseas Announcement”) was made on the website of the London Stock Exchange stating that the Company was in discussion with Global Marine Energy Plc (“GME”), a company listed on the Alternative Investment Market of the London Stock Exchange, which may lead to a cash offer (the “Offer”) for the shares of GME at the price of 13 pence (equivalent to approximately HK\$2.05) per share of GME.

On 19 October 2007, a further Overseas Announcement was posted on the website of the London Stock Exchange in respect of a voluntary conditional Offer to be made by the Company for the entire issued and to be issued share capital of GME. The offer was subject to a number of conditions. The offer price was 13 pence (equivalent to approximately HK\$2.05) per GME share.

On 6 November 2007, the offer price was revised and increased to 16 pence (equivalent to approximately HK\$2.53) per GME share. On the basis of the offer price of 16 pence (equivalent to approximately HK\$2.53) per GME share under the Offer, the total consideration payable by the Company in cash under the Offer amounts to approximately GBP11.6 million (equivalent to approximately HK\$183.3 million). The consideration, if the Offer becomes unconditional, will be satisfied by the Group’s internal resources.

By Order of the Board
EMER International Group Limited
Jiang Bing Hua
Executive Chairman

Hong Kong, 9 November 2007

As at the date of this report, the Board comprises of Mr. Jiang Bing Hua (executive Director), Mr. Zhang Menggui (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).