
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in EMER International Group Limited, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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EMER

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)

CONNECTED TRANSACTIONS

Financial Adviser to EMER International Group Limited



Quam Capital Limited

**Independent Financial Adviser to the
Independent Board Committee and the Independent Shareholders**



A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 11 of this circular. A letter from Evolution Watterson, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its recommendation in respect of the connected transactions, is set out on pages 12 to 17 of this circular.

The notice convening the EGM to be held at Function Room I, Ground Floor, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong at 10:00 a.m. on Friday, 28 December 2007 or any adjournment thereof is set out on pages 23 to 24 of this circular. A form of proxy for use at the EGM or any adjournment thereof is enclosed. Whether or not you propose to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's principal place of business at Unit 1612, 16th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

This circular will remain on the "Latest Company Announcements" page of the GEM website for at least 7 days and on the website of the Company at www.emergroup.com on a continuous basis for at least 5 years from the date of its posting.

* For identification purposes only

12 December 2007

CHARACTERISTICS OF GEM

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 principal 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 gazetted 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.

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“associates”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“Company”	EMER International Group Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM
“connected person”	has the meaning ascribed thereto in the GEM Listing Rules and the word “connected” shall be construed accordingly
“Design Agreements”	three conditional agreements entered into between TSCUSA and YRS on 27 November 2007 in relation to the provision of the Designs to YRS; and “Design Agreement” means any one of these agreements
“Designs”	three sets of structural design drawings for cantilever and drilling turnkey packages to be sold by TSCUSA to YRS pursuant to the Design Agreements
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, to approve the Supply Agreements, the Design Agreements and the transactions contemplated thereunder
“Equipment”	three sets of electrical power control system to be supplied by Qingdao TSC to YRO pursuant to the Supply Agreements
“Evolution Watterson”	Evolution Watterson Securities Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders and a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising an securities) and type 6 (advising on corporate finance) regulated activities under the SFO

DEFINITIONS

“GEM”	Growth Enterprises Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising the independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny, Mr. Bian Junjiang and Mr. Guan Zhichuan
“Independent Shareholders”	the Shareholders other than YRSI and its associates
“Latest Practicable Date”	10 December 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“PRC”	The People’s Republic of China
“Qingdao TSC”	Qingdao TSC Offshore Equipment Co., Ltd., a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares of HK\$0.1 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Agreements”	three conditional agreements entered into between Qingdao TSC and YRO on 27 November 2007 in relation to the supply of the Equipment to YRO; and “Supply Agreement” means any one of these agreements

DEFINITIONS

“TSCUSA”	TSC Manufacturing and Supply, LLC, a company incorporated under the laws of the State of Texas, the US, with limited liability and a wholly-owned subsidiary of the Company
“US”	the United States of America
“US\$”	US Dollars, the lawful currency of the US, and the exchange rate between US\$ and RMB for the purpose of this circular is US\$1.00 = RMB7.40
“YRO”	Yantai Raffles Offshore Limited, a company established in the PRC with limited liability and a non-wholly owned subsidiary of YRS
“YRO Sales”	sale of the Equipment by Qingdao TSC to YRO pursuant to the Supply Agreements
“YRS”	Yantai Raffles Shipyard Limited, a company incorporated under the laws of Singapore with limited liability and the shares of which are traded on the Oslo Over-the-Counter Market
“YRS Group”	YRS and its subsidiaries
“YRSI”	YRS Investments Limited, a wholly-owned subsidiary of YRS
“YRS Sales”	provision of the Designs to YRS pursuant to the Design Agreements
“%”	per cent



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)

Executive Directors:

Mr. Jiang Bing Hua
Mr. Zhang Menggui
Mr. Chen Yunqiang
Mr. Zhang Hongru

Non-executive Director:

Mr. Jiang Longsheng

Independent non-executive Directors:

Mr. Chan Ngai Sang, Kenny
Mr. Bian Junjiang
Mr. Guan Zhichuan

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal
place of business:*

Unit 1612, 16th Floor
China Merchants Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

12 December 2007

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS

INTRODUCTION

It was announced that on 27 November 2007, Qingdao TSC, a wholly-owned subsidiary of the Company, entered into three conditional sales agreements with YRO in respect of the sale of three sets of electrical power control system to YRO. The contract value for the Equipment is approximately RMB69.3 million in aggregate.

It was further announced that on 27 November 2007, TSCUSA, a wholly-owned subsidiary of the Company, entered into three conditional sales agreements with YRS in respect of the provision of three sets of structural design drawings for three cantilever and drilling turnkey packages. The contract value for the Designs is approximately US\$1.2 million (equivalent to approximately RMB8.9 million) in aggregate.

* For identification purposes only

LETTER FROM THE BOARD

As YRO and YRS are connected persons of the Company, the YRO Sales and the YRS Sales constitute “connected transactions” of the Company under Chapter 20 of the GEM Listing Rules. The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Supply Agreements, the Design Agreements and the transactions contemplated thereunder.

The Independent Board Committee, comprising Mr. Chan Ngai Sang, Kenny, Mr. Bian Junjiang and Mr. Guan Zhichuan (all being independent non-executive Directors), has been constituted to advise the Independent Shareholders in respect of the Supply Agreements and the Design Agreements. Evolution Watterson has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with, among other things, (i) details of the Supply Agreements and the Design Agreements; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Supply Agreements and the Design Agreements; (iii) the letter from Evolution Watterson; and (iv) the notice of the EGM.

THE SUPPLY AGREEMENTS

Transactions

Qingdao TSC, a wholly-owned subsidiary of the Company, and YRO entered into three conditional sales agreements in respect of the sale of three sets of electrical power control system to YRO on 27 November 2007.

Scope of work

Pursuant to the Supply Agreements, the Group shall design, supply, commission and test the Equipment; integrate the Equipment with other systems of YRO; and provide engineering supports and other services required for the manufacture of the Equipment.

Contract value

The contract value of the Supply Agreements for the Equipment is approximately RMB69.3 million in aggregate.

Payment terms

The consideration of each of the Supply Agreements shall be settled in cash in accordance with five progress milestones such as obtaining the satisfactory results on the factory acceptance test for the Equipment and delivery of the Equipment as stipulated in each of the Supply Agreements. The consideration of each of the Supply Agreements shall be fully paid upon delivery of the respective Equipment.

LETTER FROM THE BOARD

Warranty period

Qingdao TSC shall provide warranty for the Equipment supplied for a period of 18 months upon the receipt of each of the Equipment by YRO or 12 months upon delivery of the vessels by YRO to the end user, whichever occurs earlier. YRO has the option to extend the warranty period.

Liquidated damages

If Qingdao TSC fails to deliver any of the Equipment or fails to perform any of the services within the stipulated delivery schedule, with the exception of force majeure, Qingdao TSC shall pay YRO liquidated damages not exceeding 10% of the total value of the goods involved in the late delivery. Such liquidated damages payable shall be subject to an aggregate maximum liability equal to 10% of the consideration of the respective Supply Agreement.

Condition precedent

The Supply Agreements are conditional upon the approval by the Independent Shareholders in respect of the resolution for the Supply Agreements and the transactions contemplated thereunder at the EGM.

Completion

Each of the YRO Sales shall be completed by no later than 15 July 2008, 15 September 2008 and 15 November 2008 respectively.

The terms of the Supply Agreements are based on arm's length negotiations. The consideration was determined based on the estimated costs of the Equipment. The sale of electrical power control systems is an extension of the Group's existing products and no similar systems were sold by the Group prior to the proposed YRO Sales. The Directors consider that (i) the YRO Sales are of revenue nature and conducted in the ordinary and usual course of business of the Group pursuant to Rule 19.04(1)(g) and note 1 of the GEM Listing Rules; and (ii) the terms of the Supply Agreements are on normal commercial terms; and fair and reasonable. The Directors also consider that the terms of the Supply Agreements offered to YRO are no less favourable than those to be offered to independent third parties.

THE DESIGN AGREEMENTS

Transactions

TSCUSA, a wholly-owned subsidiary of the Company, entered into three conditional sales agreements with YRS in respect of the provision of three sets of structural design drawings for three cantilever and drilling turnkey packages on 27 November 2007.

LETTER FROM THE BOARD

Scope of work

Pursuant to the Design Agreements, the Group shall design and provide the drawings for the structure of three sets of cantilever and drilling turnkey packages, including the interface with drilling rigs.

Contract value

The contract value of the Design Agreements for the Designs is approximately US\$1.2 million (equivalent to approximately RMB8.9 million) in aggregate.

Payment terms

The consideration of each of the Design Agreements shall be settled in cash in accordance with five progress milestones such as obtaining the approval for the drawings of the Designs and submission of the Designs to YRS. The consideration of each of the Design Agreements shall be fully paid upon submission of the respective set of design drawings.

Liquidated damages

If TSCUSA fails to deliver any of the Designs or fails to perform any of the services within the stipulated delivery schedule, with the exception of force majeure, TSCUSA shall pay YRS liquidated damages.

Condition precedent

The Design Agreements are conditional upon the approval by the Independent Shareholders in respect of the resolution for the Design Agreements and the transactions contemplated thereunder at the EGM.

The Supply Agreements and the Design Agreements are not inter-conditional on each other.

Completion

The YRS Sales shall be completed within 7 months from the date of the Design Agreements.

The terms of the Design Agreements are based on arm's length negotiations. The consideration was determined based on the estimated costs of provision of the Designs. The sale of structural designs for cantilever and drilling turnkey packages is an extension of the Group's existing business and no similar designs were sold by the Group prior to the proposed YRS Sales. The Directors consider that (i) the YRS Sales are of revenue nature and conducted in the ordinary and usual course of business of the Group pursuant to Rule 19.04(1)(g) and note 1 of the GEM Listing Rules; and (ii) the terms of the Design Agreements are on normal commercial terms; and fair and reasonable. The Directors also consider that the terms of the Design Agreements offered to YRS are no less favourable than those to be offered to independent third parties.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE YRO SALES AND THE YRS SALES

The Group is a product and service provider of onshore and offshore drilling rigs in oil and gas industries. It is principally engaged in the manufacture and sale of onshore and offshore drilling and handling equipment (such as drilling rig control systems, mud pumps and jacking control systems), oilfield supplies (including expendables and accessories for drilling rigs) and also the provision of turnkey solutions for offshore rigs.

The YRS Group is principally engaged in the construction of various marine and offshore rigs including jack-up drilling rigs, semi-submersible drilling rigs, platform supply vessels and luxury yachts. YRSI, a wholly-owned subsidiary of YRS, became a substantial Shareholder in May 2007. As a strategic investor of the Company, YRO and YRS purchase the Equipment and the Designs respectively on mutual interests of the YRS Group and the Group. The YRO Sales and the YRS Sales are conducted in the ordinary and usual course of business of the Group. The contract value of the Supply Agreements is approximately RMB69.3 million in aggregate, representing almost one-third of the Group's turnover of approximately RMB216.4 million for the year ended 31 December 2006. Therefore, the YRO Sales will increase the turnover of the Group considerably. Furthermore, the Group currently only produces a part of the electrical power control system for onshore drilling rigs. The YRO Sales represent the Group's first project in providing a complete electrical power control system for offshore jack-up rigs, and therefore a landmark in the Group's history. The YRS Sales is also an extension of the Group's business of the provision of turnkey solutions for offshore rigs. The provision of new product lines would increase the revenue base of the Group.

In view of the aforesaid, the Directors believe that the YRO Sales and the YRS Sales are in the interests of the Company and the Shareholders as a whole. The Directors also consider that (i) the terms of the Supply Agreements offered to YRO; and (ii) the terms of the Design Agreements offered to YRS are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

Save as the sale of cantilever and drilling turnkey equipment packages to YRS as disclosed in the Company's announcements dated 16 July 2007 and 27 August 2007; and the circular dated 7 August 2007, there were no other prior transactions between the Company and (i) YRS; (ii) YRSI; and/or (iii) their respective associates which would require aggregation pursuant to Rule 20.25 of the GEM Listing Rules.

YRO is a non-wholly owned subsidiary of YRS. As at the Latest Practicable Date, YRS through its wholly-owned subsidiary, YRSI, owns approximately 10.9% of the issued share capital of the Company. Therefore, YRO and YRS are connected persons of the Company and the Supply Agreements and the Design Agreements constitute "connected transactions" of the Company under Chapter 20 of the GEM Listing Rules.

LETTER FROM THE BOARD

YRSI and its associates are required to abstain from voting at the EGM. Save as disclosed above, to the best knowledge of the Directors, having made all reasonable enquiries, no other Shareholder is required to abstain from voting at the EGM. The Supply Agreements and the Design Agreements are subject to the approval by the Independent Shareholders by poll. The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Supply Agreements, the Design Agreements and the transactions contemplated thereunder.

EGM

Set out on pages 23 to 24 of this circular is a notice of the EGM to be held at Function Room I, Ground Floor, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong at 10:00 a.m. on Friday, 28 December 2007. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's principal place of business at Unit 1612, 16th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof in person should you so wish.

The results of voting taken on a poll at the EGM will be announced by the Company in accordance with the GEM Listing Rules.

PROCEDURES FOR DEMANDING A POLL

Pursuant to article 66 of the articles of association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded: (a) by the chairman of such meeting; or (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or (c) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or (d) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; or (e) by any Director or Directors who, individually or collectively, hold proxies in respect of the Shares representing 5% or more of the total voting rights at such meeting.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee, after taking into account of the advice from Evolution Watterson, considers that the terms and conditions of the Supply Agreements and the Design Agreements are fair and reasonable, and that the YRO Sales and the YRS Sales are in the interests of the Company and the Shareholders as a whole and accordingly, recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Supply Agreements, the Design Agreements and the transactions contemplated thereunder.

The text of the letter from the Independent Board Committee is set out on page 11 of this circular. The text of the letter from Evolution Watterson containing its advice to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons which it has taken into account in arriving at its advice is set out on pages 12 to 17 of this circular.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
On behalf of the Board
Jiang Bing Hua
Executive Chairman



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)

12 December 2007

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS

We have been appointed as members of the Independent Board Committee to advise you in connection with the transactions contemplated under the Supply Agreements and the Design Agreements, details of which are set out in the letter from the Board in the Company's circular dated 12 December 2007 to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Your attention is drawn to the letter from Evolution Watterson, containing its advice to us and the Independent Shareholders regarding the fairness and reasonableness of the terms and conditions of the transactions contemplated under the Supply Agreements and the Design Agreements as set out on pages 12 to 17 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 10 of the Circular and the additional information set out in the appendix to the Circular.

Having considered the terms of the Supply Agreements and the Design Agreements; and the advice and recommendation of Evolution Watterson, we consider that the YRO Sales and the YRS Sales are in the ordinary course of business of the Group, the terms of the Supply Agreements and the Design Agreements are on normal commercial terms; and fair and reasonable to the Independent Shareholders and the entering into of the Supply Agreements and the Design Agreements are in the interests of the Company and the Shareholders as a whole. We, therefore, recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Supply Agreements, the Design Agreements and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Chan Ngai Sang, Kenny

Bian Junjiang

Guan Zhichuan

Independent non-executive Directors

* For identification purposes only

LETTER FROM EVOLUTION WATTERSON

The following is the text of a letter of advice from Evolution Watterson, the independent financial adviser, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in connection with the Supply Agreements and the Design Agreements.



12 December 2007

The Independent Board Committee
and the Independent Shareholders
EMER International Group Limited
Unit 1612, 16th Floor
China Merchants Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

Dear Sirs,

CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Supply Agreements and Design Agreements entered into between each of Qingdao TSC and TSCUSA, each of which a wholly-owned subsidiary of the Company, with YRO and YRS in respect of, the sales of three sets of electrical power control system to YRO and three sets of structural design drawings for three cantilever and drilling turnkey packages to YRS, on 27 November 2007. Details of the Supply Agreements and Design Agreements are set out in the circular of the Company dated 12 December 2007 to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalized terms in this letter have the same meanings as those defined in the Circular unless the context otherwise requires.

YRO is a non-wholly owned subsidiary of YRS, who through its wholly-owned subsidiary, YRSI, owns approximately 10.9% of the issued share capital of the Company as at the Latest Practicable Date. Therefore, YRO and YRS are connected persons of the Company. The entering into the Supply Agreements and Design Agreements constitute connected transactions for the purpose of the GEM Listing Rules.

We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the Supply Agreements and

LETTER FROM EVOLUTION WATTERSON

Design Agreements are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and its shareholders as a whole and whether the Independent Shareholders should vote in favor of the resolutions to approve the Supply Agreements and Design Agreements and the transactions contemplated thereunder at the upcoming EGM.

In formulating our recommendation, we have considered, amongst other things, (i) the Supply Agreements, (ii) the Design Agreements, and (iii) the Company's 2006 annual report. We have also discussed with the management of the Group their plans and prospects for the Group.

In arriving at our recommendation, we have relied on the information and facts provided by the Company and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We have not, however, for the purpose of this exercise, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion on the terms of the Supply Agreements and Design Agreements, we have taken into consideration the following factors and reasons:

1. Background, reasons and benefits of entering into the Supply Agreements

The Group is a product and service provider to oil and gas drilling industries for both onshore and offshore operations and is principally engaged in the manufacture and sale of onshore and offshore drilling equipment (such as drilling rig control systems and mud pumps), onshore and offshore drilling equipment turnkey packages and oilfield supplies (including expendables and accessories for drilling rigs).

LETTER FROM EVOLUTION WATTERSON

As discussed with the Directors, the Company has a positive view towards global oil and gas drilling industry and will continue to focus on its core business of serving oil and gas drilling industry worldwide and to develop, introduce and launch new products for oil drilling industry.

YRS is principally engaged in the construction of various marine and offshore rigs including jack-up drilling rigs, semi-submersible drilling rigs, platform supply vessels and luxury yachts.

YRO, a non-wholly owned subsidiary of YRS, is principally engaged in the sourcing and construction of various marine and offshore rig components.

YRSI, a wholly-owned subsidiary of YRS, became a substantial Shareholder of the Company in May 2007.

As a strategic investor of the Company via YRSI, YRS Group purchases the Equipment and Designs on mutual interests of YRS and the Company. Pursuant to the Supply Agreements, the Group shall design, supply, commission and test the Equipment; integrate the Equipment with other systems of YRO. Similarly, under the Design Agreements, the Group shall supply and deliver the Designs of cantilever and drill floor, including interface with rig for YRS.

Given that the YRO Sales and the YRS Sales: (1) are conducted in the ordinary and usual course of business of the Group, (2) help to generate a significant amount of sales revenue to the Group, and (3) enable the Group to capitalize on its existing resources and to penetrate into the offshore rig equipment market, we agreed with the Directors that the entering into the Supply Agreements and Design Agreements is in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole.

2. Key terms of the Supply Agreements

Date of agreements:	27 November 2007
Parties:	<ul style="list-style-type: none">• Qingdao TSC, a wholly-owned subsidiary of the Company, as the supplier• YRO, as the buyer
Subject matter :	The Group shall design, supply, commission and test the Equipment; integrate the Equipment with other systems of YRO; and provide engineering supports and other services required for the manufacture of the Equipment
Consideration:	amounted to approximately RMB69.3 million in aggregate for all three sets of the Equipment

LETTER FROM EVOLUTION WATTERSON

Payment terms: Payment of the contract price will be made pursuant to the schedule set under the individual contracts.

The consideration of each of the Supply Agreements shall be settled in cash in accordance with over 5 progress milestones.

3. Key terms of the Design Agreements

Date of agreements: 27 November 2007

Parties:

- TSCUSA, a wholly-owned subsidiary of the Company, as the supplier
- YRS, as the buyer

Subject matter : The Group shall supply and deliver the Designs of cantilever and drill floor, including interface with the rig.

Consideration: amounted to approximately US\$1.23 million in aggregate for all three sets of the Designs

Payment terms: Payment of the contract price will be made pursuant to the schedule set under the individual contracts.

The consideration of each of the Design Agreements shall be settled in cash in accordance with the 5 progress milestones.

4. Bases for and terms of the Consideration

We were advised by the Directors that the aggregate consideration of approximately RMB78.4 million (the “**Consideration**”) for three sets of Equipment and three sets of Designs, is decided after arm’s length negotiations between related parties and based on cost-plus basis which is commonly used by manufacturers in the equipment manufacturing industry.

We consider the cost-plus basis used by the Group for price determination acceptable as (i) it is in line with general market practice in the industry; (ii) it allows the company to assess the estimated gross profit to be derived from the project under the Supply Agreements and Design Agreements; and (iii) it enables the Group to charge a mark-up over costs for equipment and materials sourced from other suppliers.

Based on the cost-plus basis, the gross profit margins of the Designs and the Equipment was in line or slightly higher than the margins reported by other international oil rig manufacturers. As such, we agreed with the Directors that cost-plus basis is a fair and reasonable basis for determining the Consideration.

LETTER FROM EVOLUTION WATTERSON

Pursuant to the Supply Agreements and Design Agreements, Consideration is payable by YRO and YRS to Qingdao TSC and TSCUSA respectively in cash in accordance with over 5 progress milestones. Major milestones include upon submission of drawings of the Equipment, obtaining of satisfactory results on factory acceptance tests of the Equipment and delivery of the Equipment and Designs etc.. The Directors confirmed that such payment method is in line with the general market practice for rig equipment on project basis and was negotiated on arm's length basis taking into account the funds required on each stage during the contractual period.

Having considered the above, we are of the view that the basis for determining the Consideration is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

5. Liquidated damages clause

Under the Supply Agreements, in the event that Qingdao TSC fails to deliver any of the Equipment or fails to perform any of the services within the stipulated delivery schedule, with the exception of force majeure, Qingdao TSC shall pay YRO liquidated damages not exceeding 10% of the total value of the goods involved in the late delivery.

Under the Design Agreements, in the event that TSCUSA fails to deliver any of the Designs or fails to perform any of the services within the stipulated delivery schedule, with the exception of force majeure, TSCUSA shall pay YRS liquidated damages.

As confirmed by the Directors, the inclusion of a clause on liquidated damages is a standard practice in the offshore industry to ensure various sub-contractors will deliver the equipment on time. The provision of warranty period is also in line with general market practice to ensure the quality of equipment. We have enquired and been advised by the Directors that as the key components of the Equipment are mainly sourced locally in PRC or overseas, the risk of late delivery are under controlled by the Group as the Company has already begun executing the Equipment manufacturing process and the Designs process, and believes that potential delay will be low due to careful planning of work schedule and aiming to work ahead of the planned schedule.

As for the Designs of the cantilever and drill floor, the inclusion of a clause on liquidated damages is also a standard practice in the offshore industry to ensure designs are delivered on time. The provision of warranty period is also in line with the general market practice. The Company has advised us that they have sufficient key employees who will be able to complete the Designs and ensure that the Designs obtain all its necessary approval from the relevant authority. As a measure to limit their exposure, the Company will ensure that all submission for the drawing approval will include buffer time to cover the event of delay at the regulatory level.

Having considered the above risk control measures to be implemented by the Group, we are of the view that the liquidated damages clause under the Supply Agreements and Design Agreements are in line with general market practice, on normal commercial terms and are acceptable and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

LETTER FROM EVOLUTION WATTERSON

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the Supply Agreements and the Design Agreements are entered into in the ordinary and normal course of business under normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole.

Accordingly, we would recommend the Independent Shareholders to vote in favor of the resolution to approve the Supply Agreements and the Design Agreements and the transactions contemplated thereunder at the upcoming EGM.

Yours faithfully,
For and on behalf of
Evolution Watterson Securities Limited
Edward Wu
Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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: (1) the information contained in this circular is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

(a) Interests of the directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, were as follows:

Interests in Shares

Name of Directors	Number of Shares held (long position)				Total	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	35.04%
Mr. Jiang Bing Hua (Note 1)	432,000	–	136,871,200	–	137,303,200	35.04%
Mr. Zhang Hongru (Note 2)	4,431,600	–	16,228,800	–	20,660,400	5.27%
Mr. Chen Yunqiang	842,400	–	–	–	842,400	0.22%

Notes:

- The 136,871,200 Shares of corporate interests are held through Global Energy Investors, LLC, which is beneficially owned as to 50% each by Mr. Zhang Menggui and Mr. Jiang Bing Hua. Accordingly, both Mr. Zhang Menggui and Mr. Jiang Bing Hua are deemed to be interested in the 136,871,200 Shares.
- The 16,228,800 Shares of corporate interests are held through Osbeck Investments Limited, a company wholly-owned by Mr. Zhang Hongru.

Interests in underlying shares through equity derivatives

Name of Director	Date of grant	Exercisable period	Exercise price	Number of share options
Mr. Zhang Menggui	19 October 2005	29 November 2005 to 28 November 2015	0.2383	3,024,000
Mr. Jiang Bing Hua	19 October 2005	29 November 2005 to 28 November 2015	0.2383	3,024,000
Mr. Chen Yunqiang	19 October 2005	29 November 2005 to 28 November 2015	0.2383	1,965,600
Mr. Zhang Hongru	19 October 2005	29 November 2005 to 28 November 2015	0.2383	1,814,400

Save as disclosed above, as at the Latest Practicable Date, none of the directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the directors and chief executive of the Company, the following entity or person (other than directors or chief executive of the Company) had, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carry rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Capacity and nature of interest	Number of shares/ underlying shares held	Approximate percentage of the Company's issued share capital
Madam Chen Fengying (Note 1)	Interest of the spouse	137,303,200 Shares and 3,024,000 share options	35.82%
Madam Zhang Jiuli (Note 2)	Interest of the spouse	137,303,200 Shares and 3,024,000 share options	35.82%
YRSI (Note 3)	Corporate	42,800,000 Shares	10.92%
YRS (Note 3)	Corporate	42,800,000 Shares	10.92%
Mr. Brian Chang (Notes 3)	Interest in a controlled entity	58,872,800 Shares	15.03%
Keywise Greater China Opportunities Master Fund (Note 4)	Corporate	38,164,000 Shares	9.74%
Keywise Capital Management (HK) Limited (Note 4)	Corporate	38,164,000 Shares	9.74%
NESTOR Investment Management S.A. (Note 5)	Corporate	22,828,000 Shares	5.83%
NESTOR Fernost Fonds (Note 5)	Corporate	22,828,000 Shares	5.83%
Madam Gao Haiping (Note 6)	Interest of the spouse	20,660,400 Shares and 1,814,400 share options	5.74%

Notes:

- These interests represent the same block of Shares and share options held by Mr. Zhang Menggui as shown in the above section headed "Interests of the directors and chief executive of the Company". Since Madam 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 held by Mr. Jiang Bing Hua as shown in the above section headed “Interests of the directors and chief executive of the Company”. Since Madam 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. YRSI is ultimately wholly-owned by 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 also 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 investment fund registered in the Cayman Islands and is wholly-owned by Keywise Capital Management (HK) Limited, a company incorporated in Hong Kong.
5. NESTOR Investment Management S.A. held 22,828,000 Shares on behalf of NESTOR Fernost Fonds, an undertaking for collective investments under the Laws of the Grand Duchy von Luxembourg.
6. These interests represent the same block of Shares and share options held by Mr. Zhang Hongru as shown in the above section headed “Interests of the directors and chief executive of the Company”. Since Madam 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.

Save as disclosed above, the directors and chief executive of the Company were not aware of any entities or persons (other than directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group as at the Latest Practicable Date.

3. COMPETING BUSINESS

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 or has any other conflict of interests with the Group.

4. DIRECTORS’ SERVICE CONTRACTS

None of the Directors has a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory obligations).

5. MATERIAL CHANGES

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2006, the date to which the latest audited consolidated financial statements of the Group has been made up.

6. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

Name	Qualification
Evolution Watterson	Licensed corporation to carry out type 1 (dealing in securities), type 4 (advising an securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Evolution Watterson has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Evolution Watterson did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Evolution Watterson did not have any direct or indirect interests in any assets which had been, since 31 December 2006 (being the date to which the latest published audited consolidated accounts of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

7. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

No contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2006, the date to which the latest published audited consolidated financial statements of the Group were made.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Supply Agreements and the Design Agreements will be available for inspection at the principal office of the Company at Unit 1612, 16th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road, Central, Hong Kong during normal office hours on any weekday, except Saturdays, Sundays and public holidays, from the date of this circular up to and including 28 December 2007.

9. GENERAL

The English text of this circular shall prevail over the Chinese text.



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of EMER International Group Limited (the “Company”) will be held at Function Room I, Ground Floor, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong at 10:00 a.m. on Friday, 28 December 2007 to consider and, if thought fit, to pass, with or without amendments, the following resolutions:

ORDINARY RESOLUTIONS

1. **“THAT** the three agreements (the “Supply Agreements”) entered into on 27 November 2007 between Qingdao TSC Offshore Equipment Co., Ltd., a wholly-owned subsidiary of the Company, as the supplier; and (ii) Yantai Raffles Offshore Limited, as the purchaser, in relation to the sale of three sets of electrical power control system, copies of which have been produced at the Meeting marked “A” to “C” respectively and signed by the chairman of the Meeting for identification purpose, be and are hereby approved, confirmed and ratified, and **THAT** all the transactions contemplated under the Supply Agreements be and are hereby approved, confirmed and ratified, and **THAT** the directors of the Company be and are hereby authorised to do such acts and execute such other documents with or without amendments and affix the common seal of the Company thereto (if required) as they may consider necessary, desirable or expedient to give effect to or otherwise in connection with or in relation to the Supply Agreements.”
2. **“THAT** the three agreements (the “Design Agreements”) entered into on 27 November 2007 between TSC Manufacturing and Supply, LLC, a wholly-owned subsidiary of the Company, as the supplier; and Yantai Raffles Shipyard Limited, as the purchaser, in relation to the provision of three sets of structural design drawings for three cantilever and drilling turnkey packages, copies of which have been produced at the Meeting marked “D” to “F” respectively and signed by the chairman of the Meeting for identification purpose, be and are hereby approved, confirmed and ratified, and **THAT** all the transactions contemplated under the Design Agreements be and are hereby approved,

* *For identification purposes only*

NOTICE OF EGM

confirmed and ratified, and **THAT** the directors of the Company be and are hereby authorised to do such acts and execute such other documents with or without amendments and affix the common seal of the Company thereto (if required) as they may consider necessary, desirable or expedient to give effect to or otherwise in connection with or in relation to the Design Agreements.”

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

Hong Kong, 12 December 2007

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares of the Company may appoint more than one proxy to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares of the Company in respect of which each such proxy is so appointed. A proxy need not be a member of the Company, but must attend the Meeting in person to represent you.
2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the principal place of business of the Company in Hong Kong at Unit 1612, 16th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for the holding of the Meeting or any adjourned meeting.
3. Completion and delivery of the form of proxy will not preclude a member of the Company from attending and voting in person at the Meeting if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. Where there are joint holders of any shares of the Company, any one of such persons may vote at the Meeting, either in person or by proxy, in respect of such shares of the Company as if he was solely entitled thereto; but if more than one of such joint holders be present at the Meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.