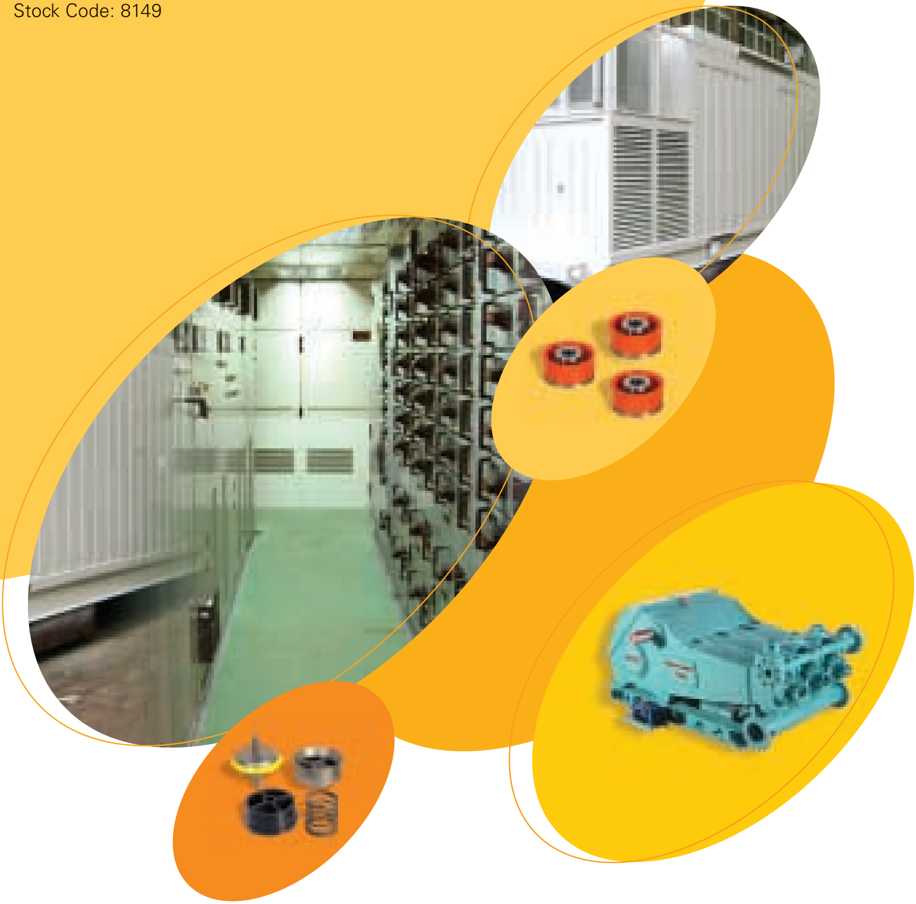
EMER

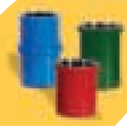
EMER INTERNATIONAL GROUP LIMITED

埃謨國際集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8149





First Quarterly Report 2006

*For identification purposes only

Characteristics of the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

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

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

The 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.

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

This report, for which the directors of EMER International Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to EMER International Group Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report 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 report misleading; and (3) 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 sales for the first quarter ended 31 March 2006 reached approximately RMB20.6 million, representing an approximately 120% increase over the same period for 2005;

- Gross profits amounted to approximately RMB8.7 million for the first quarter ended 31 March 2006, representing approximately 120% increase over the same period for 2005;

- Net loss amounted to approximately RMB4.1 million for the first quarter ended 31 March 2006;

- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2006.

RESULTS

The board (the "Board") of the Directors of EMER International Group Limited is pleased to announce the unaudited results of the Company and its subsidiaries (collectively the "Group") for the three months ended 31 March 2006 together with the comparative unaudited figures for the corresponding period in 2005 as follows:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		For the three months ended	
		31 March 2006 (Unaudited)	31 March 2005 (Unaudited)
	Notes	**RMB'000**	RMB'000
TURNOVER	*3*	**20,566**	9,351
COST OF SALES		**(11,821)**	(5,384)
GROSS PROFIT		**8,745**	3,967
OTHER REVENUE	*3*	**484**	636
SELLING AND DISTRIBUTION EXPENSES		**(2,810)**	(609)
GENERAL AND ADMINISTRATIVE EXPENSES		**(10,872)**	(3,907)
OTHER OPERATING EXPENSES	*4*	**(74)**	(7)
(LOSS)/PROFIT FROM OPERATIONS		**(4,527)**	80
FINANCE COSTS	*5*	**(191)**	(84)
LOSS BEFORE TAX		**(4,718)**	(4)
TAXATION	*6*	**650**	(63)
LOSS AFTER TAXATION		**(4,068)**	(67)
LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**(4,068)**	(67)
DIVIDENDS	*7*	**–**	–
LOSS PER SHARE			
– basic	*8(a)*	**RMB1.69 cents**	RMB0.04 cents
– diluted	*8(b)*	**RMB1.63 cents**	RMB0.04 cents

Notes:

1. **GROUP RESTRUCTURING AND BASIS OF PRESENTATION**

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 (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.

Under a group reorganization scheme (the "Reorganization") to rationalize the structure of the Company and its subsidiaries (the "Group") in the preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 19 October 2005. It was accomplished by acquiring the entire issued share capital of Oxford Asia Investments Limited ("Oxford Asia"), the previous holding company of the Group, in consideration of and in exchange for the allotment and issue of a total of 180,000,000 shares of HK$0.1 each of the share capital of the Company to the shareholders of Oxford Asia. Details of the Reorganization were set out in the Prospectus issued by the Company dated 21 November 2005.

The Group resulting from the Reorganization is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared using the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited results of the Group have been prepared on the basis as if the Company had always been the holding company of the Group.

The unaudited consolidated results for the three months ended 31 March 2006 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 also include all Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the 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. They have been prepared under the historical cost convention. 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 2005.

3. TURNOVER AND OTHER REVENUE

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

	Unaudited For the three months ended 31 March 2006 RMB'000	31 March 2005 RMB'000
Turnover		
Sales of electrical equipment	**1,286**	–
Sales of expendable parts and accessories	**19,280**	9,351
Consultancy service fee income	**–**	–
	20,566	9,351
Other revenue		
Interest income	**152**	5
Other income	**332**	631
	484	636
Total revenue	**21,050**	9,987

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

4. OTHER OPERATING EXPENSES

	Unaudited For the three months ended 31 March 2006 RMB'000	31 March 2005 RMB'000
Exchange loss	**72**	7
Loss on disposals of property, plant and equipment	**2**	–
	74	7

5. FINANCE COSTS

	Unaudited For the three months ended 31 March 2006 RMB'000	31 March 2005 RMB'000
Interest on bank loans	**189**	77
Finance charges on obligations under finance leases	**2**	7
	191	84

6. TAXATION

Taxation in the consolidated income statement represents:

	Unaudited For the three months ended 31 March 2006 RMB'000	31 March 2005 RMB'000
Current tax		
USA income tax	–	–
Mainland China enterprise income tax	–	112
	–	112
Deferred tax		
Origination and reversal of temporary differences	(650)	(49)
Tax (credit)/expenses	(650)	63

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

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

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

No provision of Hong Kong Profits Tax has been made as the Group had no assessable profit in Hong Kong during the three months period ended 31 March 2006 (2005: Nil).

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2006 (2005: Nil).

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share for the three months ended 31 March 2006 is based on the loss attributable to equity shareholders of the Company of approximately RMB4,068,000 (2005: RMB67,000) and the weighted average number of 240,000,000 (2005: 180,000,000) ordinary shares in issue during the three months period ended 31 March 2006. The weighted average number of shares used to calculate the last period's loss per share included the pro-forma ordinary shares issued calculated based on the assumption that the Reorganization had been completed on 1 January 2005.

(b) Diluted loss per share

The calculation of diluted loss per share for the three months ended 31 March 2006 is based on the loss attributable to equity shareholders of the Company of approximately RMB4,068,000 (2005: RMB67,000) and the weighted average number of 249,168,250 (2005: 181,541,836) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme.

	Unaudited	
	For the three months ended	
	31 March 2006 Number of shares	31 March 2005 Number of shares
Weighted average number of ordinary shares used in calculating basic loss per share	**240,000,000**	180,000,000
Effect of dilutive potential shares from the share options scheme	**9,168,250**	1,541,836
Weighted average number of ordinary shares used in calculating diluted loss per share	**249,168,250**	181,541,836

9. MOVEMENT OF RESERVES

	Reserves								
	(Unaudited) Share premium	(Unaudited) Merger reserve	(Unaudited) Exchange fluctuation reserve	(Unaudited) Employee share-based payment reserve	(Unaudited) Capital reserve	(Unaudited) Statutory surplus reserve	(Unaudited) Statutory public welfare fund	(Unaudited) Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2005	–	17,724	–	–	–	1,953	976	27,623	48,276
Employee share-based payment expenses	–	–	–	282	–	–	–	–	282
Loss for the period	–	–	–	–	–	–	–	(67)	(67)
At 31 March 2005	–	17,724	–	282	–	1,953	976	27,556	48,491
At 1 January 2006	8,678	17,724	(158)	1,502	4,138	4,018	1,678	39,745	77,325
Employee share-based payment expenses	–	–	–	325	–	–	–	–	325
Loss for the period	–	–	–	–	–	–	–	(4,068)	(4,068)
At 31 March 2006	8,678	17,724	(158)	1,827	4,138	4,018	1,678	35,677	73,582

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is a product and service provider to worldwide oil and gas drilling industry. The Group generates revenue mainly from 3 areas of business segments, namely i) the design, installation and sales of electrical equipment for electric driven drilling rigs (i.e. rig electric control systems); ii) the manufacturing and provision of expendable parts and accessories for drilling rigs; and iii) the provision of consultancy services to assist overseas oilfield equipment manufacturers and drilling rig engineering companies for the sales and marketing of their products and services in China and other countries.

For the three months ended 31 March 2006, the Group generated approximately RMB21.1 million in total revenue but resulted approximately RMB4.1 million in net loss.

FINANCIAL REVIEW

Turnover and Other Revenue

For the three months ended 31 March 2006, the Group recorded a total revenue of approximately RMB21.1 million, representing an increase of approximately 111% from approximately RMB10 million for the same period 2005. Turnover from the Group's three main business areas reached approximately RMB20.6 million, representing a 120% increase compared with the same period 2005. Other revenue decreased to approximately RMB484,000 which represented a decrease of 24% from the same period 2005.

COST OF SALES AND GROSS PROFIT MARGIN

The Group's cost of sales for the three months ended 31 March 2006 and the same period 2005 amounted to approximately RMB11.8 million and RMB5.4 million respectively, resulting in a consolidated gross profit margin of approximately 42.5% and 42.4% respectively.

OPERATING COSTS AND NET LOSS

For the three months ended 31 March 2006, the Group's selling and distribution expenses amounted to approximately RMB2.8 million, accounting for approximately 13.7% of the Group's turnover, as compared to approximately 6.5% for the same period in 2005. The increase of selling and distribution expenses was mainly due to the increased number of sales-related staff.

For the three months ended 31 March 2006, the Group's general and administrative expenses amounted to approximately RMB10.9 million, representing approximately 53% of the Group's total sales, as compared to that of approximately 42% for the same period in 2005. The general and administrative expenses mainly comprised staff-related expenses of approximately RMB6.9 million including one-off special bonus to executive directors in accordance with service contract of approximately RMB2.3 million and office-related expenses (rental, electricity, office supplies, etc.) of approximately RMB1.7 million. The remaining expenses are related with travelling, entertainment, and professional fee, etc.

For the three months ended 31 March 2006, the Group's other operating expense amounted to approximately RMB74,000 as compared RMB7,000 for the same period 2005.

For the three months ended 31 March 2006, the Group's finance costs amounted to approximately RMB191,000, as compared to approximately RMB84,000 for the same period in 2005. The increase in finance costs was mainly attributable to the Group's bank loan interests.

For the three months ended 31 March 2006, the Group incurred net loss of approximately RMB4.1 million, as compared to approximately RMB67,000 for the same period in 2005.

BUSINESS REVIEW

For the three months ended 31 March 2006, the Group's expendable business grew dramatically as compared to the same period 2005. In response to the demands of customers, the Group expanded the scope of its oil field product supply into drilling pipes, solid control parts and other equipment. The Group successfully completed the assembling of its first TSC-branded 1220 horse power mud pump.

On drilling rig control system side, the Group obtained contracts for direct exportation to the Middle East and had completed production and assembling of 5 sets of control systems during the three months period ended 31 March 2006.

INVESTMENTS AND DISPOSALS

As of 28 December 2005, the registered capital of Haier Haisi (Xi'an) Control Technologies, Ltd. (海爾海斯(西安)控制技術有限公司) ("HHCT"), a wholly-owned subsidiary of the Company established in the PRC, had been fully paid-up to RMB15,008,652, based on the capital verification report dated 10 January 2006 issued by 陝西海華有限責任會計師事務所 (Shaanxi Hai Hua Certified Public Accountants (Ltd)).

However on 5 March 2006, the shareholder of HHCT rectified to revise the amount of its registered capital to RMB17,000,000. On 20 March 2006, the Administrative Committee of the Xi'an Hi-tech Industrial Development Zone issued an approval to HHCT approving the reduction of HHCT's registered capital from RMB50,000,000 to RMB17,000,000 and the reduction of HHCT's total investment from RMB50,000,000 to RMB29,800,000.

On 11 November 2005, HHCT succeeded in obtaining a land use right for 50 years on a piece of land for industrial usage of 11,174.8 square meters located in 西安高新區創業研發院一期A區 (District A, Phase 1, Industry Development and Research Institute, Xi'an Hi-tech Zone). HHCT has filed application for postponing the start of construction in September 2006. The Company estimates that the construction would be completed by September 2007.

Save as disclosed above, there were no material investments, acquisitions and disposals of subsidiaries by the Group during the three months period ended 31 March 2006.

PROSPECT AND STRATEGY

The management of the Group expects that the demand for drilling equipment and expendables shall continue to be strong in the years to come. The Group's production base in China and international sales and distributors network make the Group in a very competitive position for future growth.

The Group will continue to focus on its core business of serving oil and gas drilling industry worldwide, and develop in accordance with the business plans as stated in the Prospectus dated 21 November 2005.

The Group expects to launch its own brand-named mud pump with 1220 horse power made by the Group's Qingdao factory in North America. In addition, the Group will launch in a large scale of new valves and valve seats as well as modules in North America and China.

The Group will look forward to potential investment opportunities that provide synergy in order to expand the Group's product lines quickly and penetrate into booming offshore drilling equipment sector.

APPOINTMENT OF NON-EXECUTIVE DIRECTOR

During the three months period ended 31 March 2006, the Company has appointed Mr. Jiang Longshen, a veteran in offshore oil industry in China and former executive director and vice president of CNOOC Limited (a company listed on the Main Board of the Stock Exchange), as non-executive Director effective on 1 May 2006.

The Board would like to welcome Mr. Jiang to join the Board of Directors.

INTERIM DIVIDEND

The Board do not recommend the payment of an interim dividend for the three months ended 31 March 2006 (2005: Nil).

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

As at 31 March 2006, 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 Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"), were as follows:

Long positions in ordinary shares of the Company:

	Number of issued ordinary shares of HK$0.10 each in the Company					Approximate percentage of the Company's issued
Name of Director	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**share capital**
Zhang Menggui	74,143,000	–	–	–	74,143,000	30.89%
Jiang Bing Hua	74,143,000	–	–	–	74,143,000	30.89%
Zhang Hongru *(Note)*	4,900,000	–	13,524,000	–	18,424,000	7.68%

Note: Mr. Zhang Hongru personally holds 4,900,000 shares and indirectly holds 13,524,000 shares through Osbeck Investments Limited which is an investment holding company wholly owned by him. He is deemed to be interested in the shares held by Osbeck Investments Limited under Part XV of the SFO.

Interest in underlying shares of the Company:

Details of the share options granted to the Directors under the Pre-IPO Share Option Scheme (the "Pre-IPO Scheme") were as follows:

Name of Director	Date of grant (Notes 1 & 2)	Exercisable period (Notes 1, 2 & 3)	Exercise price per share HK$	Number of share options: Outstanding at 28.11.2005	Exercised during the period	Lapsed during the period	Outstanding at 31.3.2006
Mr. Zhang Menggui	19.10.2005	29.11.2005 to 28.11.2015	0.286	3,600,000	–	–	3,600,000
Mr. Jiang Bing Hua	19.10.2005	29.11.2005 to 28.11.2015	0.286	3,600,000	–	–	3,600,000
Mr. Chen Yunqiang	19.10.2005	29.11.2005 to 28.11.2015	0.286	2,340,000	–	–	2,340,000
Mr. Zhang Hongru	19.10.2005	29.11.2005 to 28.11.2015	0.286	2,160,000	–	–	2,160,000
Total				11,700,000	–	–	11,700,000

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 rested 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.

Save as disclosed above, as at 31 March 2006, none of the Directors or chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 March 2006, 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
Chen Fengying *(Note 1)*	Interest of spouse	74,143,000 shares and 3,600,000 share options	32.39%
Zhang Jiuli *(Note 2)*	Interest of spouse	74,143,000 shares and 3,600,000 share options	32.39%
Gao Haiping *(Note 3)*	Interest of spouse	18,424,000 shares and 2,160,000 share options	8.58%
Osbeck Investments Limited *(Note 4)*	Beneficially owned	13,524,000 shares	5.64%
Asian Infrastructure Limited *(Note 5)*	Beneficially owned	14,500,000 shares	6.00%

Notes:

1. These interests represent the same block of shares and share options shown against the name of Mr. Zhang Menggui in the previous section "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES". Since 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 shown against the name of Mr. Jiang Bing Hua in the previous section "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES". Since 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. These interests represent the same block of shares and share options shown against the name of Mr. Zhang Hongru in the previous section "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES". Since 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.

4. These shares represent the same block of shares shown against the name of Mr. Zhang Hongru in the previous section "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES". Since Osbeck Investments Limited is wholly owned by Mr. Zhang Hongru, he is deemed to be interested in the shares held by Osbeck Investments Limited under Part XV of the SFO.

5. Asian Infrastructure Limited is a professional investor who became interested in these shares upon the listing of the Company on GEM in November 2005.

Save as disclosed above, as at 31 March 2006, there was no person (other than the Directors and chief executives of the Company whose interests are set out under the paragraph headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES" above), had an interest or short position in the shares or underlying shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any businesses that competes or may compete, either directly or indirectly, with the business of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the three months period ended 31 March 2006.

INTERESTS OF COMPLIANCE ADVISOR

Pursuant to a compliance advisor agreement dated 21 November 2005 made between the Company and MasterLink Securities (Hong Kong) Corporation Limited ("MasterLink"), MasterLink has been appointed as the compliance advisor to the Company as required under the GEM Listing Rules at a fee for the period from 28 November 2005 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 second full financial year commencing after 28 November 2005 or until the agreement is terminated pursuant to its terms and conditions.

None of MasterLink, its Directors, employees nor their respective associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in any class of securities of the Company or any other member of the Group (including options or rights to subscribe for such securities) as at 31 March 2006.

AUDIT COMMITTEE

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

The audit committee comprises three members, namely Mr. Chan Ngai Sang, Kenny (being the chairman of the audit committee), Mr. Bian Junjiang and Mr. Guan Zhichuan. All of them are independent non-executive Directors. The audit committee of the Company has reviewed the unaudited results of the Group for the three months ended 31 March 2006 and are of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director had a direct and indirect material interest, subsisted during or at the end of the three months ended 31 March 2006 or at any time during such period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the three months ended 31 March 2006, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

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

Hong Kong, 10 May 2006

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