



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



*For identification purposes only

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

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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 sales for the third quarter ended 30 September 2006 reached approximately RMB47.8 million, representing an approximately 284% increase over the same period in 2005;
- Gross profits amounted to approximately RMB19.6 million for the third quarter ended 30 September 2006, representing an approximately 272% increase over the same period in 2005;
- Net profit amounted to approximately RMB6.5 million for the third quarter ended 30 September 2006 (third quarter ended 30 September 2005: loss attributable to equity shareholders of the Company of approximately RMB1.5 million);
- Net profit amounted to approximately RMB22.2 million for the nine months ended 30 September 2006, representing an approximately 215% increase over the same period in 2005; and
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2006.

RESULTS

The board of the 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 2006 together with the unaudited comparative figures for the corresponding periods in 2005 as follows:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2006 (Unaudited) RMB'000	2005 (Unaudited) RMB'000	2006 (Unaudited) RMB'000	2005 (Unaudited) RMB'000
TURNOVER	3	47,807	12,446	143,749	66,601
COST OF SALES		(28,150)	(7,162)	(81,692)	(38,345)
GROSS PROFIT		19,657	5,284	62,057	28,256
OTHER REVENUE	3	1,825	105	2,978	2,037
SELLING AND DISTRIBUTION EXPENSES		(4,219)	(1,217)	(11,735)	(3,063)
GENERAL AND ADMINISTRATIVE EXPENSES		(10,019)	(5,590)	(30,558)	(15,428)
OTHER OPERATING EXPENSES	4	(344)	(182)	(559)	(2,085)
PROFIT/(LOSS) FROM OPERATIONS		6,900	(1,600)	22,183	9,717
FINANCE COSTS	5	(443)	(240)	(846)	(644)
PROFIT/(LOSS) BEFORE TAX		6,457	(1,840)	21,337	9,073
TAXATION	6	-	330	830	(2,035)
PROFIT/(LOSS) AFTER TAXATION FOR THE PERIOD		6,457	(1,510)	22,167	7,038
PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		6,457	(1,510)	22,167	7,038
DIVIDENDS	7	-	-	-	-
EARNINGS/(LOSS) PER SHARE					
- basic	8(a)	RMB2.7 cents	(RMB0.8 cents)	RMB9.2 cents	RMB3.9 cents
- diluted	8(b)	RMB2.6 cents	(RMB0.8 cents)	RMB8.9 cents	RMB3.7 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 nine months ended 30 September 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		For the nine months ended	
	30 September		30 September	
	2006	2005	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover				
Sales of electrical equipment	17,111	812	66,920	27,496
Sales of expendable parts and accessories	28,295	11,634	72,908	38,940
Consultancy service fee income	2,401	-	3,921	165
	47,807	12,446	143,749	66,601
Other revenue				
Interest income	82	3	353	11
Other income	1,743	102	2,625	2,026
	1,825	105	2,978	2,037
Total revenue	49,632	12,551	146,727	68,638

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	
	2006	2005	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000
Impairment losses/(reversal) of bad and doubtful debts	-	(191)	-	1,726
Exchange loss	391	373	602	359
Profit on disposals of property, plant and equipment	(47)	-	(43)	-
	344	182	559	2,085

5. FINANCE COSTS

	Unaudited			
	For the three months ended		For the nine months ended	
	30 September		30 September	
	2006	2005	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000
Interest on bank loans	443	234	844	634
Finance charges on obligations under finance leases	-	6	2	10
	<u>443</u>	<u>240</u>	<u>846</u>	<u>644</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	
	2006	2005	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000
Current tax				
USA income tax	-	62	(484)	836
Mainland China enterprise income tax	231	57	798	689
	<u>231</u>	<u>119</u>	<u>314</u>	<u>1,525</u>
Deferred tax				
Origination and reversal of temporary differences	(231)	(449)	(1,144)	510
Tax (credit)/expenses	<u>-</u>	<u>(330)</u>	<u>(830)</u>	<u>2,035</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.

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 closed and liquidated by the Group in September 2006 due to an internal restructuring.

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 2006 (2005: Nil).

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2006 (2005: Nil).

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share for the three months and nine months ended 30 September 2006 are based on the profit/(loss) attributable to equity shareholders of the Company of approximately RMB6,457,000 and RMB22,167,000 (three months and nine months ended 30 September 2005: RMB1,510,000 loss and RMB7,038,000 profit) respectively and the weighted average number of 240,000,000 (2005: 180,000,000) ordinary shares in issue during the periods. The weighted average number of shares used to calculate the last period's earnings per share included the proforma ordinary shares issued calculated based on the assumption that the Reorganization had been completed on 1 January 2005.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share for the three and nine months ended 30 September 2006 are based on the profit/(loss) attributable to equity shareholders of the Company of approximately RMB6,457,000 and RMB22,167,000 (three months and nine months ended 30 September 2005: RMB1,510,000 loss and RMB7,038,000 profit) respectively. The weighted average number of ordinary shares for the three and nine months ended 30 September 2006 are 249,083,155 and 248,413,031 (three months and nine months ended 30 September 2005: 189,251,014 and 188,223,123) after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme.



9. MOVEMENT OF RESERVES

	Reserves								Total
	(Unaudited) Share premium RMB'000	(Unaudited) Merger reserve RMB'000	(Unaudited) Exchange fluctuation reserve RMB'000	(Unaudited) Employee share-based payment reserve RMB'000	(Unaudited) Capital reserve RMB'000	(Unaudited) Statutory surplus reserve RMB'000	(Unaudited) Statutory public welfare fund RMB'000	(Unaudited) Retained profits RMB'000	
At 1 January 2005	-	17,724	-	-	-	1,953	976	27,623	48,276
Employee share-based payment expenses	-	-	-	1,119	-	-	-	-	1,119
Profit for the period	-	-	-	-	-	-	-	7,038	7,038
Transfer from retained profit	-	-	-	-	4,138	-	-	(4,138)	-
At 30 September 2005	-	17,724	-	1,119	4,138	1,953	976	30,523	56,433
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



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the three months ended 30 September 2006, the Group generated approximately RMB49.6 million in total revenue and a net profit of approximately RMB6.5 million. As a result, the Group realized a total revenue of approximately RMB146.7 million for the nine months ended 30 September 2006 and a net profit of approximately RMB22.2 million.

FINANCIAL REVIEW

Turnover and Other Revenue

For the three months ended 30 September 2006, the Group recorded a total sales of approximately RMB47.8 million, representing an increase of approximately 284% over the sales in the same period in 2005. Other revenue was approximately RMB1,825,000 for the three months ended 30 September 2006.

COST OF SALES AND GROSS PROFIT MARGIN

The Group's cost of sales for the three and nine months ended 30 September 2006 and the same periods in 2005 amounted to approximately RMB28.1 million, RMB81.6 million, RMB7.1 million and RMB38.3 million respectively, resulting in a consolidated gross profit margin of approximately 41.1%, 43.1%, 42.4% and 42.4% respectively.

OPERATING COSTS AND NET PROFIT/(LOSS)

For the three and nine months ended 30 September 2006, the Group's selling and distribution expenses amounted to approximately RMB4.2 million and RMB11.7 million respectively, accounting for approximately 8.8% and 8.1% respectively of the Group's turnover, as compared to approximately 9.7% and 4.5% for the same periods in 2005. The increase of selling and distribution expenses was mainly due to the increased number of sales-related staff and more marketing activities.

For the three and nine months ended 30 September 2006, the Group's general and administrative expenses amounted to approximately RMB10 million and RMB30.5 million respectively, representing approximately 20.9% and 21.2% of the Group's turnover, as compared to those of approximately 44.9% and 23.1% for the same periods in 2005.

For the three and nine months ended 30 September 2006, the Group's other operating expense amounted to approximately RMB344,000 and RMB559,000 respectively while approximately RMB182,000 and RMB2 million occurred for the same periods in 2005 respectively. For the three and nine months ended 30 September 2006, the Group's finance costs amounted to approximately RMB443,000 and RMB846,000 respectively while approximately RMB240,000 and RMB644,000 occurred for the same periods in 2005 respectively.

For the three months and nine months ended 30 September 2006, the Group realized a net profit of approximately RMB6.4 million and RMB22.1 million respectively.

BUSINESS REVIEW

For the three months ended 30 September 2006, the Group's expendable business grew rapidly over the same period in 2005 due to a strong demand. The Group successfully secured more orders from international customers for mud pumps. The growth of drilling rig control system was even more remarkable, the Group realized a sales of approximately RMB17.1 million in electrical drilling equipment, representing an increase of approximately 20 times over the same period in 2005 due to new demand and upgrading demand from oil drilling industry. The consultancy business realized an income of approximately RMB2.4 million for the three months ended 30 September 2006.

LIQUIDITY, FINANCIAL RESOURCES AND CHARGE OF ASSETS

As at 30 September 2006, the Group maintained current assets of approximately RMB162 million in which approximately RMB26.8 million was cash and bank balances while current liabilities were approximately RMB75.2 million. As at 30 September 2006, the Group carried short-term bank borrowings of approximately RMB18.9 million, which were secured by the Group's inventory assets in its USA warehouse, leasehold land use right and buildings located in Qingdao and Xian as well as machineries located in Qingdao.

GEARING RATIO

As at 30 September 2006, the Group maintained a gearing ratio, based on total liabilities over total assets, of approximately 37.5% (31 December 2005: approximately 27.1%).

CONTINGENT LIABILITY

As at 30 September 2006, the contingent liability of discounted bills amounted to RMB6,500,000 (31 December 2005: RMB2,300,000). Save as disclosed above, the Directors are not aware of any other contingent liability.

SIGNIFICANT INVESTMENTS AND DISPOSAL

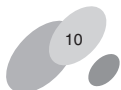
埃謨(北京) was closed and liquidated in September 2006 due to an internal restructuring. Save as disclosed above, there were no material investments, acquisitions and disposals of subsidiaries by the Group during the three months period ended 30 September 2006.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company since the Company's shares were listed on GEM on 28 November 2005.

CAPITAL COMMITMENT

The Group has authorized a total budget of RMB16 million for constructing a new plant including machineries in Xian.



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 2006, no related hedges were made by the Group. The Group will seek ways to hedge currency exchange risk in future.

EMPLOYEES AND REMUNERATION POLICY

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

PROSPECTS AND STRATEGIES

The management of the Group expects that the demand for drilling equipment and expendables shall continue to be strong in the years to come, especially in offshore drilling equipment. The Group's production base in China and international sales and distributors network make the Group in a very competitive position for continuing growth in future. The Group will continue to focus on its core business of serving oil and gas drilling industry worldwide. In addition, the Group will 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.

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

As at 30 September 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 GEM Listing Rules, were as follows:



Long positions in ordinary shares of the Company:

Name of Director	Personal interests	Number of issued ordinary shares of HK\$0.10 each in the Company			Total	Approximate percentage of the Company's issued share capital
		Family interests	Corporate interests	Other interests		
Mr. Zhang Menggui	74,143,000	-	-	-	74,143,000	30.89%
Mr. Jiang Bing Hua	74,143,000	-	-	-	74,143,000	30.89%
Mr. 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 outstanding options which have been granted and remaining unexercised under the Pre-IPO Share Option Scheme (the "Pre-IPO Scheme") as at 30 September 2006 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 28.11.2005	Exercised during the period	Lapsed during the period	Outstanding as at 30.9.2006
Directors:							
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
				<u>11,700,000</u>	<u>-</u>	<u>-</u>	<u>11,700,000</u>
Employees	19.10.2005	29.11.2005 to 28.11.2015	0.286	3,510,000	-	-	3,510,000
Total				<u>15,210,000</u>			<u>15,210,000</u>

Notes:

1. All dates are shown day, month, year.
2. The vesting period of the options is 5 years and starts from the date of grant and become vested at stepped semi-annual increments of 10% of the total options granted for a period of 5 years from the date of grant.
3. These grants are exercisable, starting from the first anniversary of the listing date at stepped semi-annual increments of 10% of the total options granted, for a period not later than 10 years from the date of grant.

Save as disclosed above, as at 30 September 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 30 September 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
Ms. Chen Fengying (Note 1)	Interest of spouse	74,143,000 shares and 3,600,000 share options	32.39%
Ms. Zhang Jiuli (Note 2)	Interest of spouse	74,143,000 shares and 3,600,000 share options	32.39%
Ms. 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	15,334,000 shares	6.39%



Notes:

1. *These interests represent the same block of shares and share options shown against the name of Mr. Zhang Menggui in the previous section "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES". Since Ms. Chen Fengying is the spouse of Mr. Zhang Menggui, she is deemed to be interested in the shares and share options held by him under Part XV of the SFO.*
2. *These interests represent the same block of shares and share options shown against the name of Mr. Jiang Bing Hua in the previous section "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES". Since Ms. Zhang Jiuli is the spouse of Mr. Jiang Bing Hua, she is deemed to be interested in the shares and share options held by him under Part XV of the SFO.*
3. *These interests represent the same block of shares and share options shown against the name of Mr. Zhang Hongru in the previous section "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES". Since Ms. Gao Haiping is the spouse of Mr. Zhang Hongru, she is deemed to be interested in the shares and share options held by him under Part XV of the SFO.*
4. *These shares represent the same block of shares shown against the name of Mr. Zhang Hongru in the previous section "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES". Since Osbeck Investments Limited is wholly owned by Mr. Zhang Hongru, he is deemed to be interested in the shares held by Osbeck Investments Limited under Part XV of the SFO.*
5. *Asian Infrastructure Limited is a professional investor who held 12,000,000 shares upon the listing of the Company on GEM in November 2005. As at 30 September 2006, the number of shares held by Asian Infrastructure Limited was 15,334,000 shares under Part XV of the SFO.*

Save as disclosed above, as at 30 September 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 nine months period ended 30 September 2006.

INTERESTS OF COMPLIANCE ADVISER

The compliance adviser agreement dated 21 November 2005 between the Company and MasterLink Securities (Hong Kong) Corporation Limited ("MasterLink") for the appointment of MasterLink as the compliance adviser of the Company under the GEM Listing Rules was terminated on 21 July 2006. With effect from 18 October 2006, Quam Capital Limited ("Quam") was appointed as the compliance adviser of the Company pursuant to Rule 6A.19 of the GEM Listing Rules. Quam shall receive a fee for acting as the Company's compliance adviser for the period from 18 October 2006 to 31 December 2007.

None of MasterLink, its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any shareholding interest in the securities of the Company or any member of the Group nor have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for the securities of the Company or any member of the Group as at 21 July 2006.

None of Quam, its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any shareholding interest in the securities of the Company or any member of the Group nor have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for the securities of the Company or any member of the Group as at 30 September 2006 and 18 October 2006, being the date Quam commenced acting as the Company's compliance adviser.

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 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 nine months ended 30 September 2006 or at any time during such period.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the nine months ended 30 September 2006.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the nine months ended 30 September 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, 9 November 2006

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