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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)

ANNOUNCEMENT RELATING TO NON-DISCLOSURE OF CERTAIN INFORMATION IN THE PROSPECTUS DATED 21 NOVEMBER 2005

This announcement is made by the Company for the purpose of informing the Shareholders certain information found not disclosed in the Prospectus.

In December 2005, the Company discovered the following information which should have been included in the Prospectus:–

- i) HHCT, a wholly-owned subsidiary of the Company established in the PRC, entered into an agreement with an independent third party for the acquisition of a piece of bare industrial land for the purpose of construction of a new production plant located at Sector A in Phase I of Xi'an New High Technology Economic Zone (西安高新區創業研發院一期A區) with a total gross site area of 11,174.8 square meters for a consideration of RMB5,205,600 on 26 September 2005. The relevant land use right certificate was issued on 11 November 2005; and
- ii) the board of directors of HHCT approved a resolution to increase its registered capital from RMB10.235 million to RMB50 million on 13 July 2005 without setting any time of implementation but only for the purpose of showing the future financial capability of HHCT to potential vendor of the Land. By an inadvertent internal mistake of HHCT, such increase was applied to and approved by the relevant government authority on 25 July 2005. On 12 August 2005, a new business license based on the increased registered capital was obtained.

After the discovery of the above mistake in December 2005, HHCT corrected the mistake by applying on 6 December 2005 for a reduction of the registered capital and such application was approved by the relevant government authority on 20 March 2006.

The Board considers that neither the above acquisition of the Land nor the inadvertent increase of registered capital of HHCT has any material adverse effect or implication to the financial or trading position of the Group.

The Prospectus had not disclosed the above Omitted Information and the Stock Exchange is looking into the matter and reserves the right to take appropriate action.

* For identification only

INTRODUCTION

This announcement is made by the Company to disclose certain information which should have been included in the Prospectus relating to the listing of the Company's shares on GEM on 28 November 2005.

THE ACQUISITION OF LAND IN XI'AN BY HHCT

HHCT had been trying to find a suitable piece of land for expansion since 2001 but without success. It was stated on page 4 (the "Summary" section) and pages 137 to 138 of the Prospectus (the "Statement of business objectives" section) that it was the intention of the Group to set up a new plant in Xi'an for HHCT. No specific location for such plant had yet been identified. Approximately HK\$4.4 million from the proceeds raised from the Listing was intended to be used to acquire land and buildings for setting up a new plant in Xi'an for HHCT.

However, it was discovered by the Company in December 2005 that:–

- On 26 September 2005, HHCT entered into an agreement with Xi'an High Tech Zone, a third party independent of and not connected with the Company, its subsidiaries and its connected persons (as defined in the GEM Listing Rules), for the acquisition of a piece of bare industrial land for the purpose of construction of a new production plant located at Sector A in Phase I of Xi'an New High Technology Economic Zone (西安高新區創業研發院一期A區) with a total gross site area of 11,174.8 square meters for a consideration of RMB5,205,600.
- On 11 November 2005, the relevant land use right certificate was issued but HHCT was only informed by the relevant authority to collect the certificate by the end of November 2005.

The total consideration for the Land was paid off in August 2005 through the internal resources of HHCT. The listing proceeds of HK\$4.4 million (approximately RMB4.57 million) originally assigned to acquire land and buildings for setting up a new plant for HHCT will be allocated to HHCT as general working capital to restore its funding used for acquiring the Land which was carried out unexpectedly earlier than planned before.

THE INCREASE IN REGISTERED CAPITAL OF HHCT

It is disclosed on pages 61 to 62 of the Prospectus (the "History and development" section), page 162 (notes to the accountants' report) and page 257 (the "Statutory and general information" section) that the registered capital of HHCT was fully contributed in cash on 23 February 2004 with total capital contributions of RMB10.235 million.

However, the Company discovered in December 2005:

- On 13 July 2005, the board of directors of HHCT approved a board resolution to increase its registered capital from RMB10.235 million to RMB50 million without setting any time of implementation but only for the purpose of showing the future financial capability of HHCT to the potential vendor of the Land. By an inadvertent internal mistake of HHCT, such increase in registered capital was applied to and approved by the relevant government authority on 25 July 2005.
- On 12 August 2005, a new business license based on the increased registered capital was issued.

The above information was not disclosed in the Prospectus, of which the latest practicable date was set for 14 November 2005. After the discovery of the mistake, HHCT corrected the mistake by applying on 6 December 2005 for a reduction of the registered capital and such application was approved by the relevant government authority on 20 March 2006.

REASONS FOR NON-DISCLOSURE OF THE OMITTED INFORMATION AND REMEDIAL ACTIONS TAKEN BY THE COMPANY

The Company is of the view that the failure to disclosure of the Omitted Information in the Prospectus was, to a significant extent, related to inefficient implementation of the internal control policies and reporting procedures of the Company. In order to strengthen the internal control and reporting systems of the Company, various steps have been already taken, which included the appointment of Mr. Zhang Jinyao (張晉堯先生) in December 2005 for the position of vice president who has been placed with, in addition to other routine operational duties, the responsibility for reviewing the current internal control system of the Company and implementing measures to strengthen the systems. Mr. Zhang Jinyao had previously worked as the vice chairman of a company listed in the PRC and has many years of operating experience in the listed company environment. Since his appointment, the Company has established and implemented a series of internal control measures and reporting procedure guidelines to further strengthen the communications between the management of the Company's subsidiaries and the Board. These measures and guidelines mainly include i) clearly define and communicate the approval limits of each general manager of each subsidiary of the Company; ii) require two general managers' signing approval for all bank accounts of each Company's subsidiary; and iii) obtain prior written approval from the Board for payment over certain limit by subsidiaries of the Company.

POTENTIAL IMPACT ON THE PROSPECTUS

The Company discovered the Omitted Information in December 2005 and considered the implications of the non-disclosure in the Prospectus. Apart from taking remedial actions as mentioned above, the Company decided to fully address the Omitted Information in the annual report of the Company for the financial year ended 31 December 2005 which was to be published by the end of March 2006. As such, the Omitted Information was not announced immediately after the discovery of the Omitted Information in December 2005.

The Company has currently identified the following areas in the Prospectus that should have been affected as a result of the non-disclosure of the Omitted Information:-

i) Subsequent events disclosure in the accountants' report of the Company

The acquisition of an interest in the Land and the increase in registered capital of HHCT should have been required to be disclosed as subsequent events in the accountants' report of the Company as set out in Appendix 1 to the Prospectus. The omission by the Company to disclose the information to the reporting accountant of the Company had led to the non-disclosure of subsequent events in the accountants' report.

ii) GEM Listing Rules - Appendix 1A (49)

Given that part of the proceeds raised in the Listing would be used for acquisition of the Land, details of the acquired land (including the address and name of vendor, consideration, etc) should have been disclosed in the Prospectus.

iii) GEM Listing Rules - Appendix 1A (51)

The sales and purchase agreement relating to the Land should have been disclosed as one of the material contracts under the "Statutory and general information" section of the Prospectus.

GENERAL

The Board considers that neither the above acquisition of the Land nor the inadvertent increase of registered capital of HHCT has any material adverse effect or implication to the financial or trading position of the Group.

The Prospectus had not disclosed the above Omitted Information and the Stock Exchange is looking into the matter and reserves the right to take appropriate action.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Board”	board of the Directors
“Company”	EMER International Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM (stock code: 8149)
“Director(s)”	director(s) of the Company
“Executive Director(s)”	executive Director(s) including Mr. Zhang Menggui, Mr. Jiang Bing Hua, Mr. Chen Yunqiang and Mr. Zhang Hongru
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HHCT”	海爾海斯(西安)控制技術有限公司 (Haier Haisi (Xi’an) Control Technologies, Ltd.), an indirect wholly-owned subsidiary of the Company established in the PRC
“Land”	a piece of land located at Sector A in Phase I of Xi’an New High Technology Economic Zone in Xi’an, the PRC (西安高新區創業研發院一期A區)
“Listing”	the listing of the shares of the Company on GEM on 28 November 2005
“Omitted Information”	information relating to the inadvertent increase in registered capital and acquisition of the Land by HHCT as mentioned in this announcement
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administration Region of the PRC and Taiwan

“Prospectus”	prospectus of the Company dated 21 November 2005
“Shareholders”	holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC

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

Hong Kong, 27 March 2006

This announcement, 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: (i) the information contained in this announcement 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 announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

As at the date of this announcement, 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. Bian Junjiang (independent non-executive director), Mr. Chan Ngai Sang, Kenny (independent non-executive director) and Mr. Guan Zhichuan (independent non-executive director).

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