

**EMER INTERNATIONAL GROUP LTD:  
SOMETHING OUGHT TO BE DONE ABOUT SITUATIONS,  
SUCH AS THIS ONE**

There, really, ought to be rule, or at least a guideline, proscribing, or strongly frowning upon, loans from publicly listed companies to family members and/or friends of directors, or to companies, under the control of directors.

The logic is so fundamental that it hardly bears interpolation or extrapolation because, if a family member/friend of a director of a publicly listed company has trouble in obtaining a loan from traditional banking/financing sources, for what reason should the publicly listed company have to bear the brunt of cash advances, especially those that are unsecured and interest-free, advances that, clearly, traditional lending organisations have determined that the prospective borrower is not qualified under normal lending rules.

Take, for instance, the matter of publicly listed EMER International Group Ltd () (Code: 8149, The Growth Enterprise Market [the GEM] of The Stock Exchange of Hongkong Ltd).

When EMER International went public on November 21, 2005, it was stated, at Page 187 of the Placing Prospectus, that Mr Jiang Bing Yang () had been, throughout the track-record period, ended May 31, 2005, a constant borrower of money from the Company.

The following is a reproduction of Note 20 on that Page:

**Due from an Officer**

<i>Jian Bing Yang</i>	<i>As At December 31</i>		<i>As At May 31</i>
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>All Figures Are Denominated In Renminbi'000*</i>		
<i>Balance at the Beginning of the Year/Period</i>	<i>(190)</i>	<i>436</i>	<i>132</i>
<i>Balance at the End of the Year/Period</i>	<i>436</i>	<i>132</i>	<i>150</i>
<i>Maximum Debit Balance, during the Year/Period</i>	<i>436</i>	<i>436</i>	<i>150</i>

\* \$HK1.00 = 1.04 renminbi

*'Mr. Jian Bing Yang, the deputy general manager of TSC (Qingdao) [Manufacture Company Ltd ], is a brother of a director, Mr. Jiang Bing Hua ().*

*'The amount represented fund advance and was unsecured, non-interest bearing and without*

*pre-determined repayment terms. The outstanding balance was fully settled subsequent to 31st May, 2005.'*

Mr Jiang Bing Hua is the Co-Chairman of EMER International and is one of the largest single shareholders, owning, beneficially, 30.89 percent of the Issued and Fully Paid-Up Share Capital of the Company.

Now, it could be held that the amounts of money, advanced to Mr Jiang Bing Yang from EMER International, were small sums, even insignificant sums of money.

That being the case, for what reason did this gentleman not go to a bank/financial institution to obtain the insignificant amount of the loan(s)?

Also, as will become apparent, later on in this financial analysis, Mr Jiang Bing Hua, the Co-Chairman of EMER International, had been the de facto 'bank' of this Company, throughout the track-record period.

His lending of not insignificant sums of money to his company was, without question, a matter of necessity, not of his design or his munificence.

In addition, in the 2005 Annual Report of EMER International, it is stated that Mr Jiang Bing Yang had been dipping, once again, into the funds of this Company.

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