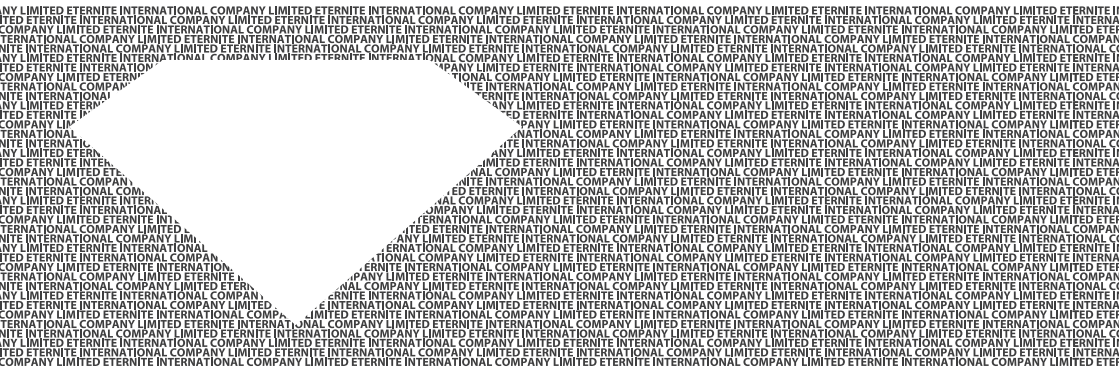


ETERNITE

INTERNATIONAL COMPANY LIMITED

(incorporated in Bermuda with limited liability)

Stock Code: 8351



Third Quarterly Report 2009

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

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This report, for which the directors of Eternite International Company Limited (the “Directors”) 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 Eternite International Company 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.

The board of directors (the “Board”) of Eternite International Company Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 31 December 2009 together with the unaudited comparative figures for the corresponding periods in 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the three months and nine months ended 31 December 2009

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Revenue	2	12,032	11,684	36,062	35,587
Cost of sales		(7,881)	(7,305)	(22,928)	(22,677)
Gross profit		4,151	4,379	13,134	12,910
Other income	2	86	109	294	90
Distribution costs		(655)	(552)	(2,266)	(2,121)
Administrative expenses		(1,733)	(541)	(3,002)	(1,383)
Operating profit		1,849	3,395	8,160	9,496
Finance costs	4	200	–	–	–
Profit before income tax	5	2,049	3,395	8,160	9,496
Income tax expense	6	(450)	(560)	(1,459)	(1,567)
Profit for the period		1,599	2,835	6,701	7,929
Attributable to:					
Owners of the Company		1,599	2,835	6,701	7,929
Dividends	7	–	6,999	–	6,999
Earnings per share					
– Basic (HK Cents)	8	0.77	3.38	3.22	9.44
– Diluted (HK Cents)		N/A	N/A	N/A	N/A

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED THIRD QUARTERLY RESULTS

1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The Group's unaudited condensed consolidated third quarterly financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Listing Rules").

The accounting policies and methods of computation used in the preparation of these third quarterly financial statements are consistent with those used in the accountants' report included in the prospectus of the Company dated 29 September 2009 (the "Prospectus"), except for adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"). The unaudited condensed consolidation third quarterly financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2009.

Pursuant to a group reorganisation (the "Reorganisation") on 23 September 2009 in preparation for the listing of shares of the Company on the GEM of the Stock Exchange and for the purpose of rationalising the Group's structure, the Company became the holding company of the subsidiaries now comprising the Group.

The Reorganisation involved business combinations of entities under common control. The unaudited condensed consolidation third quarterly financial statements and the related notes thereto have been prepared on a combined basis by applying the principles of merger accounting in accordance with the Accounting Guideline No. 5, "Merger Accounting for Common Control Combination" issued by the HKICPA. On this basis, the Company has been treated as the holding company of its subsidiaries for the financial periods presented rather than from the subsequent date of acquisition of the subsidiaries. The unaudited condensed consolidated results of the Group for each of the three months and nine months ended 31 December 2009 and 2008 include the results of the Group with effect from 1 April 2008 or since their respective dates of incorporation, where this is a shorter period.

All significant transactions and balances among the companies comprising the Group have been eliminated on consolidation.

In the opinion of the Board, the presentation of the unaudited condensed consolidation third quarterly financial statements prepared on the above basis presents more fairly the results of the Group as a whole.

The revenue and profit generated by the Group's operating segment are summarised as follows:

	Nine months ended 31 December	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Reportable segment revenue (<i>note</i>)	36,062	35,587
Reportable segment profit	8,157	9,483

Note: All of the segment revenue reported above is from external customers.

The Group's reportable segment profit can be reconciled to the profit before income tax as presented in the third quarterly Financial Statements as follows:

	Nine months ended 31 December	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Reportable segment profit	8,157	9,483
Depreciation	(16)	(10)
Unallocated other income	237	70
Unallocated other expenses	(218)	(47)
Profit before income tax	8,160	9,496

4. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Interest on convertible bond (<i>note</i>)	(200)	–	–	–

Note: The Convertible Bond holder agreed to waive the interest in arrear of approximately HK\$200,000 on the listing date.

5. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging the following:

	Three months ended 31 December		Nine months ended 31 December	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Profit before income tax is arrived at after charging:				
Auditors' remuneration	3	3	9	9
Cost of inventories recognised as expense, including	7,880	7,305	22,928	22,677
– Write-down of inventories to net realisable value	3,243	5,219	3,243	5,219
Depreciation	7	4	16	10
Employee benefit expense (including directors' remuneration)				
– Wages, salaries and allowances	424	298	1,231	904
– Defined contribution retirement benefit scheme contributions	30	20	86	61
	454	318	1,317	965
Exchange loss, net	–	–	64	–
Operating lease rentals in respect of rented premises	75	76	225	221

6. INCOME TAX EXPENSE

	Three months ended 31 December		Nine months ended 31 December	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Current income tax				
– Hong Kong	450	560	1,459	1,567

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the three months and nine months ended 31 December 2009 and 2008.

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands (the "BVI"), the Company and its subsidiary, Full Join Limited are not subject to any income tax in Bermuda and the BVI respectively.

No deferred tax has been provided as the Group did not have any material temporary differences which gave rise to a deferred tax asset or liability for the periods.

7. DIVIDENDS

	Three months ended 31 December		Nine months ended 31 December	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Interim dividend declared	–	6,999	–	6,999

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2009.

The dividend for the three months and nine months ended 31 December 2008 represented those declared in October 2008 by Eternity Jewelry Company Limited, a subsidiary of the Company, to its then shareholders prior to the Reorganisation. This declared dividend will be reflected as an appropriation of retained profits for the year ended 31 March 2009.

8. EARNINGS PER SHARE

The calculations of basic earnings per share for the three months and nine months ended 31 December 2009 are based on the unaudited consolidated profit of HK\$1,599,000 and HK\$6,701,000 attributable to owners of the Company for the three months and nine months ended 31 December 2009 respectively (three months and nine months ended 31 December 2008: HK\$2,835,000 and HK\$7,929,000 respectively) and the pro forma weighted average number of 207,840,000 shares in issue (pro forma weighted average number of shares in issue for the three months and nine months ended 31 December 2008: 84,000,000 shares) on the assumption that they have been in issue throughout the periods.

Diluted earnings per share for the three months and nine months ended 31 December 2009 and the corresponding periods in 2008 are not disclosed as no dilutive events existed during those periods.

9. RESERVES

	Share premium (Unaudited) <i>HK\$'000</i>	Merger reserve (Unaudited) <i>HK\$'000</i>	Retained profits (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
At 1 April 2009	–	(13)	6,527	6,514
Transactions with owners				
– Shares swap pursuant to the Reorganisation	–	(817)	–	(817)
– Issued of shares to public	33,026	–	–	33,026
– Capitalisation on issue of shares	(2,360)	–	–	(2,360)
Profit for the period	–	–	6,701	6,701
Other comprehensive income	–	–	–	–
Total comprehensive income for the period	–	–	6,701	6,701
At 31 December 2009	30,666	(830)	13,228	43,064
At 1 April 2008	–	–	3,848	3,848
Profit for the period	–	–	7,929	7,929
Other comprehensive income	–	–	–	–
Total comprehensive income for the period	–	–	7,929	7,929
At 31 December 2008	–	–	11,777	11,777

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in the design and sale of a broad range of fine jewelry products. The customers of the Group are mainly jewelry wholesalers and retailers in Europe, Asia, the United States of America (USA), the Middle East and Australia. The Group's jewelry products include rings, earrings, bracelets, bangles, brooches, necklaces and pendants with a wide range of designs, settings and styles, and the products offered by the Group comprise jewelry made of diamonds, gemstones, pearls and precious metals.

For the nine months ended 31 December 2009, the turnover of the Group increased to approximately HK\$36,062,000 compared to approximately HK\$35,587,000 for the corresponding period last year, an increase of approximately 1.3%. The increase in turnover was mainly attributed to an increase in the orders placed by overseas customers as a result of the hard work of the Group's marketing team.

The gross profit of the Group for the nine months ended 31 December 2009 increased to approximately HK\$13,134,000 compared to approximately HK\$12,910,000 for the corresponding period last year, an increase of approximately 1.7%. Gross profit margin for the nine months ended 31 December 2009 and 2008 was approximately 36.4% and 36.3% respectively. The increase in gross profit was in line with the increase in turnover.

The Group's other income for the nine months ended 31 December 2009 increased by approximately 226.7% to approximately HK\$294,000 compared to approximately HK\$90,000 for the corresponding period last year. The increase was mainly attributed to the gain in exchange difference.

Distribution expenses of the Group for the nine months ended 31 December 2009 increased to approximately HK\$2,266,000 compared to approximately HK\$2,121,000 for the corresponding period last year, an increase of approximately 6.8%. The increase was mainly attributed to increases in the overseas travelling expenses, commission paid and exhibition expenses by approximately 23.5%, 411.6% and 3.4% respectively for promoting the Group's products. The increase was partially offset by a decrease in insurance expenses by approximately 61.5% due mainly to some of the insurances which were incurred in the corresponding period last year will be incurred in the last quarter of the financial year ended 31 March 2010.

The Group's administration expenses for the nine months ended 31 December 2009 increased by approximately 117.1% to approximately HK\$3,002,000 compared to approximately HK\$1,383,000 for the corresponding period last year. The increase was mainly attributed to an increase in salaries due to increase in head count and expenses incurred in listing the Company's shares in the Stock Exchange.

The Group's profit attributable to owners of the Company for the nine months ended 31 December 2009 decreased by approximately 15.5% to approximately HK\$6,701,000 compared to approximately HK\$7,929,000 for the corresponding period last year. The decrease was the result of an increase in the administrative expenses.

to the Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to in Rules 5.46 of the GEM Listing Rules, were as follows:

Long positions in shares of the Company

Name of Director	Capacity of interests	Number of issued ordinary shares held	Approximate percentage of shareholding in the Company
Mr. So Chun Kai ("Mr. So") (Note 1)	Interest of controlled corporation	80,000,000	16.66%
Mr. Cheng Kwong Sai, Paul ("Mr. Cheng") (Note 2)	Interest of controlled corporation	80,000,000	16.66%
Mr. Cheung Kwok Fan ("Mr. Cheung") (Note 3)	Interest of controlled corporation	80,000,000	16.66%

Notes:

1. Mr. So is the beneficial owner of 100% of the issued share capital of King Honor Limited. Mr. So is deemed to be interested in the 80,000,000 shares held by King Honor Limited under the SFO.
2. Mr. Cheng is the beneficial owner of 100% of the issued share capital of Prime New Limited. Mr. Cheng is deemed to be interested in the 80,000,000 shares held by Prime New Limited under the SFO.
3. Mr. Cheung is the beneficial owner of 100% of the issued share capital of Grow Dragon Limited. Mr. Cheung is deemed to be interested in the 80,000,000 shares held by Grow Dragon Limited under the SFO.

Save as disclosed above, as at 31 December 2009, none of the directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (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 or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules.

Save as disclosed above, as at 31 December 2009, the directors of the Company were not aware of any other person (other than the directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company 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 is, 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 other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTOR'S RIGHTS TO ACQUIRE SHARE OR DEBENTURES

Apart from as disclosed under the heading "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the reporting period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any other body corporate.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the nine months ended 31 December 2009.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Cinda International Capital Limited (the "Compliance Adviser"), as at 31 December 2009, except for the agreement entered into between the Company and the Compliance Advisor dated 28 September 2009, neither the Compliance Adviser or its directors, employees or associates had any interest in relation to the Group.

DIRECTOR'S INTERESTS IN COMPETING INTERESTS

As at the date of this third quarterly report, none of the directors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause a significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions by directors during the nine months ended 31 December 2009.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review.

AUDIT COMMITTEE

The Company set up an audit committee (the “Committee”) on 21 September 2009, with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises three independent non-executive directors of the Company, namely Mr. Chan Kin Wah, Billy, Mr. Ng Heung Yan and Mr. Lei Hong Kuong. The unaudited consolidated results of the Group for the nine months ended 31 December 2009 have not been audited by the Company’s auditors, but have been reviewed by the Committee, who is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

By Order of the Board
Eternite International Company Limited
So Chun Kai
Chairman

Hong Kong, 8 February 2010

As at the date of this report, the Company’s executive directors are Mr. So Chun Kai, Mr. Cheng Kwong Sai, Paul and Mr. Cheung Kwok Fan, and the Company’s independent non-executive directors are Mr. Chan Kin Wah, Billy, Mr. Ng Heung Yan and Mr. Lei Hong Kuong.