ETERNITE
INTERNATIONAL COMPANY LIMITED

(incorporated in Bermuda with limited liability)

Stock Code: 8351

Annual Report 2010

**For identification purpose only*

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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.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. So Chun Kai *(Chairman)*
Mr. Cheng Kwong Sai, Paul
Mr. Cheung Kwok Fan

Independent non-executive Directors

Mr. Chan Kin Wah, Billy
Mr. Ng Heung Yan
Mr. Lei Hong Kuong

COMPANY SECRETARY

Mr. Lee Chan Wah

AUTHORIZED REPRESENTATIVES

Mr. So Chun Kai
Mr. Cheng Kwong Sai, Paul

AUDIT COMMITTEE

Mr. Chan Kin Wah, Billy
Mr. Ng Heung Yan
Mr. Lei Hong Kuong

REMUNERATION COMMITTEE

Mr. Chan Kin Wah, Billy
Mr. Ng Heung Yan
Mr. Lei Hong Kuong

NOMINATION COMMITTEE

Mr. Chan Kin Wah, Billy
Mr. Ng Heung Yan
Mr. Lei Hong Kuong

AUDITOR

Grant Thornton

SOLICITORS

Vincent T.K. Cheung, Yap & Co.

COMPLIANCE ADVISER

Cinda International Capital Limited

PRINCIPAL BANKER

The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited
Chiyu Banking Corporation Limited

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM11 Bermuda

PLACE OF BUSINESS

25th Floor, Shun Feng International Centre
182 Queen's Road East
Wan Chai, Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

STOCK CODE

8351

WEBSITE

www.eternity-jewelry.com

CHAIRMAN'S STATEMENT

Dear Shareholders:

On behalf of the Board of Directors (the "Board") of Eternite International Company Limited, I am pleased to present the first annual report (the "Annual Report") of the Company and its subsidiaries (collectively referred to as the "Group") for the financial year ended 31 March 2010.

The year of 2009 has been definitely meaningful for the development of the Group. The Group was listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 7 October 2009. The successful listing strengthened the financial position of the Group and the encouraging results of placing also enable the Group to implement its business plans. The Group will continue to carry out further development of its business in accordance with the prospectus of the Company dated 29 September 2009.

During the year under review, the Group's overall turnover increased 6.0% for the year ended 31 March 2010 as compared to the corresponding previous year. An important reason for the increase was the continuous efforts of the Group's marketing team to visit the customers on a regular basis, attending tradeshows and visiting exhibitions, as well as through its internet website to promote its products with a view to foster business relationship with its customers, capturing business opportunities with potential customers and obtaining the latest market information and trends of fine jewelry products. The production team has also played an important role in developing new designs and products to suit the different needs of our customers.

In light of the deteriorating situation in existing market, the Group is focusing its efforts to expand the customer base by further exploring business opportunities in Macau and China. Towards this end, the Group will establish its first retail outlets in Macau in the coming quarter. The Group will also further customise its service to satisfy specific needs of the customers while introducing high-end new products with unique designs.

On behalf of the Board, I would like to express my sincere gratitude to each customer, business partners and investor for their support for and trust towards the Group. We would also like to take this opportunity to express our appreciation to the management and staff for their dedicated contributions to the Group during these challenging times. We will continue to explore new business opportunities in the challenging year ahead and strive for the best returns for our shareholders.

So Chun Kai
Chairman and
Executive Director

Hong Kong, 14 June 2010

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, Canada, the Middle East, Australia and South Africa. 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.

Business Review

The Group's performance was fairly strong for the year ended 31 March 2010 compared to the corresponding previous year. Turnover for the principal markets which the Group sells to, i.e. the United States of America and Canada and Australia had recorded an increase of HK$3,761,000 and HK$1,731,000 respectively. The increase was partially offset by a decrease of HK$609,000 and HK$2,264,000, respectively in the Europe and Asia market. Overall turnover increased 6.0% to HK$47,237,000 for the year ended 31 March 2010 as compared to the corresponding previous year.

During the year under review, the Group's marketing team continued to visit the customers on a regular basis to bring them the latest product designs and samples, attending tradeshows and setting up booths in the tradeshows and visiting exhibitions as well as through its internet website to promote its products with a view to fostering business relationships with its customers, capturing business opportunities with potential customers and obtaining the latest market information and trends of fine jewelry products.

Financial Review

Results

For the year ended 31 March 2010, the turnover of the Group increased to approximately HK$47,237,000 as compared to approximately HK$44,575,000 for the corresponding previous year, an increase of approximately 6.0%. The increase in turnover was mainly attributed to an increase in the orders placed by overseas customers in the United States of America and Canada and Australia as a result of the hard work of the Group's marketing team and the gradual recovery in the economy in these markets. In terms of geographical segments, sales to the Group major markets, i.e. the United States of America and Canada, the Middle East and Australia increased by approximately 144.5%, 1.0% and 291.9% respectively. Sales to the Europe and Asia markets decreased by approximately 2.6% and 15.9% respectively comparing to the corresponding previous year.

The gross profit of the Group for the year ended 31 March 2010 increased to approximately HK$19,119,000 as compared to approximately HK$16,373,000 for the corresponding previous year. Gross profit margin increased to 40.5% for the year ended 31 March 2010 from 36.7% for the corresponding previous year. The increase in gross profit and gross profit margin was mainly due to the reversal of write-down of inventories in prior years of HK$2,441,000 (2009: HK$939,000) to net realisable value as these inventories were subsequently sold at prices higher than their carrying amount during the year ended 31 March 2010.

The Group's other income for the year ended 31 March 2010 increased by approximately 213.0% to approximately HK$72,000 as compared to approximately HK$23,000 for the corresponding previous year. The increase was mainly attributed to an increase in sundry income.

Distribution costs of the Group for the year ended 31 March 2010 increased to approximately HK$3,431,000 as compared to approximately HK$2,822,000 for the corresponding previous year, an increase of approximately 21.6%. The increase was mainly attributed to increase in overseas travelling and exhibition expenses due to more activities for promoting the Group's products as well as increase in insurance for the inventories during the business trips and fairs overseas.

The Group's administration expenses for the year ended 31 March 2010 increased by approximately 182.9% to approximately HK$5,732,000 as compared to approximately HK$2,026,000 for the corresponding previous 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 on the GEM of the Stock Exchange.

The Group's profit attributable to the owners of the Company for the year ended 31 March 2010 decreased by approximately 17.9% to approximately HK$7,942,000 as compared to approximately HK$9,678,000 for the corresponding previous year. The decrease was the result of an increase in the administrative expenses.

Liquidity, financial resources and capital structure

	2010	2009
	HK$'000	*HK$'000*
Current assets	**55,104**	29,479
Current liabilities	**6,328**	22,993
Current ratio	**8.7**	1.28

The current ratio of the Group as at 31 March 2010 was 8.7 times compared with 1.28 times as at 31 March 2009 mainly resulting from the net proceeds raised from the placing of the shares of the Company on the GEM of the Stock Exchange on 7 October 2009 (the "Placing").

As at 31 March 2010, the Group has bank and cash balances of approximately HK$26,248,000 (2009: approximately HK$2,006,000). The Group had no secured loans (2009: Nil).

During the year under review, the Group had issued a convertible bond of HK$20,000,000. The proceeds from the convertible bond had been used to repay the advances due to the shareholders. The entire outstanding of the convertible bond had been mandatorily converted into shares of the Company at the conversion price of HK$0.25 per share on the listing date.

As at 31 March 2010, the Group's gearing ratio represented by the total liabilities as a percentage of the Group's total assets amount to approximately 11.2% (2009: 77.9%).

Significant Investment

As at 31 March 2010, there was no significant investment held by the Group (2009: Nil).

Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies

Other than in connection with the Group's Reorganisation in preparation for the listing of the Company's shares on the GEM of the Stock Exchange on 7 October 2009, there were no material acquisition or disposal of subsidiaries and affiliated companies in the course of the year.

Future Plans for Material Investments or Capital Assets and Expected Sources of Funding

Details of the Group's future plans for material investments or capital assets and their expected sources of funding have been stated in the paragraph headed "Business Objectives" and "Reasons for the Placing and the Use of Proceeds" respectively under the section headed "Statement of Business Objectives" in the Company's prospectus dated 29 September 2009 (the "Prospectus").

Contingent Liabilities

As at 31 March 2010 and 2009, the Group and the Company has no significant contingent liabilities.

Lease and Contracted Commitments

Operating Lease Commitments

As at 31 March 2010, the total future minimum lease payments by the Group under non-cancellable operating leases in respect of rented premises payable to related parties are as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Within one year	**487**	200
In the second to fifth years inclusive	**866**	–
	1,353	200

Operating lease payments represent rentals payable by the Group for office premises. The leases run for initial periods of 3 years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. None of the leases include contingent rentals.

Save for the above commitments, as at 31 March 2010 and 2009, neither the Group nor the Company had any other significant commitments.

Events After the Reporting Period

On 7 April 2010, Grow Dragon Limited (the "Vendor"), the Company and Cheong Lee Securities Limited (the "Placing Agent") entered into the placing agreement pursuant to which the Vendor has agreed to place, and the Placing Agent has agreed to procure not less than six placees, on a best effort basis, for the purchase of up to 72,000,000 shares at the placing price of HK$0.28 per placing share. At the same time, the Vendor and the Company entered into the subscription agreement pursuant to which the Vendor has agreed to subscribe for such number of subscription shares which is equivalent to the number of placing shares, being a maximum number of 72,000,000 subscription shares, at the subscription price of HK$0.28 per subscription share.

On 20 April 2010, the Company announced that all the conditions of the subscription agreement had been fulfilled and the subscription was completed, the Company issued and the Vendor subscribed for 72,000,000 new shares at the subscription price. The Company received net proceeds of approximately HK$19.6 million from the issue of the subscription shares.

Foreign Exchange Exposure

The Group carries out its business in Hong Kong and worldwide and most of the transactions are denominated in HK$, United States Dollars ("US$"), Japanese Yen ("JPY"), Canadian Dollars ("CAD"), Australian Dollars ("AUD"), Euro ("EUR"), British Pounds ("GBP"), Taiwan Dollars ("TWD") and Singapore Dollars ("SGD"). Exposures to currency exchange rates arise from the Group's overseas sales and purchases. Accordingly, the Board is of the view that, to certain extent, the Group is exposed to foreign currency exchange risk.

For the US$ foreign exchange exposure, the Board believes the exposure is small as the exchange rate of US$ to HK$ is comparatively stable. However, the Group is exposed to JPY, CAD, AUD, EUR, GBP, TWD and SGD exchange exposure and fluctuation of exchange rates of these currencies against HK$ could affect the Group's results of operations.

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure to foreign currency risk. During the year, management of the Group did not consider it necessary to use foreign currency forward contracts to hedge the exposure to foreign exchange risk as most of the assets and liabilities denominated in currencies other than the functional currency of the entities to which they related are short term foreign currency cash flows (due within 9 months).

Treasury Policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Employees and Remuneration Policies

As at 31 March 2010, the Group had 19 (2009: 12) employees, including directors of the Company. Total staff costs (including directors' emoluments) were approximately HK$2,764,000 for the year ended 31 March 2010 as compared to approximately HK$1,750,000 for the year ended 31 March 2009. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and share option scheme.

Outlook

Despite the uncertainty of global economy, the Group is optimistic and sees enormous potential in the market. The Group believes that strengthening and enriching its range of products is crucial to its long-term success. A series of new development plans are being undergone with an aim to realising the synergy effect to the Group.

Going forward in the first half of next fiscal year, the Group will execute its development plans which cover the following aspects:

Product development

- promote new product series manufactured by the microsetting and/or invisible setting techniques;
- produce new product series in gemstones and pearls;
- produce new product designs for potential customers in North Africa; and
- explore the market appetites in Eastern Europe, in particular, Russia.

Expansion of sales network

- strengthen the communication channels with existing customers and existing markets;
- expand the customer base by further exploring business opportunities with potential customers in existing markets;
- enhance the Group's corporate profile, improve product display in existing tradeshows and participate in more new tradeshows, if necessary;
- evaluate the performance in the Mediterranean based on the sales volume and feedback from relevant customers and modify the business plan, if necessary;
- develop business opportunities in North Africa based on information gathered during overseas customers' visit(s) and contacts with the potential customers, produce new product designs which suit the market demand in North Africa and arrange one business trip to promote these products;
- obtain preliminary understanding of the market condition in Eastern Europe based on the information gathered from Hong Kong Trade Development Council ("HKTDC"), the Internet and the Group's business trip to Eastern Europe during January to February 2009;
- update the information regarding trading regulations and market demands in Eastern Europe, in particular, Russia, through enquiry with HKTDC and trade organizations;
- study the market trends in Eastern Europe and establish preliminary contacts with potential customers by arranging further visit(s) to Eastern Europe and invite these potential customers to attend the Hong Kong September Jewelry Show;

- establish the Group's first retail outlet possibly in Macau, including setting up of office, renting and fitting-out of premises and recruitment of staff; and
- prepare media publicity materials targeted at the People's Republic of China ("PRC") tourists and discuss with travel agencies on possible arrangement for visits by PRC tourist package tours.

Human resources deployment and staff training

- train the Group's in-house design team in relation to the new product series in gemstone and pearls;
- recruit additional staff in product design;
- strengthen the Group's procurement and quality control team through provision of training on the latest raw material knowledge and market trends;
- provide and organise training to the sales team on product knowledge, quality control processes, customer services and communication skills; and
- evaluate the performance of the sales team and recruit additional sales persons.

Procurement and contract manufacturing

- further enhance the networking and communication with the Group's suppliers and jewelry subcontractors; and
- identify more suitable suppliers and/or jewelry subcontractors specialised in micro-setting and/or invisible setting techniques.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary of the actual progress of the Group compared with the business objectives set out in the Prospectus for the period from 1 October 2009 to 31 March 2010 (the "Review Period").

	Business objectives for the Review Period	Actual operation progress up to 31 March 2010
Product development	Introduce new product designs manufactured by the micro-setting and/or invisible setting techniques.	Trial products for the new product series manufactured by micro-setting and/or invisible setting techniques were launched. Such products were introduced to the customers during the sales trips and Hong Kong Jewelry Show. The response from the customers was generally good. More designs on the new product series will be developed.
	Explore the market potential and appetites for new gemstone products, made of emeralds, rubies and sapphires and pearl jewelry products.	Studies on the market potential and appetites for new gemstone products, made of emeralds, rubies and sapphires and pearl jewelry products were carried out. New designs for these products were being developed. It is planned that the said new products will be launched in the third quarter of 2010.
	Produce new product designs for potential customers in the Mediterranean.	New products in response to the market demands of the Mediterranean region were produced.
	Explore the market appetites in North Africa.	Studies on the market appetites in North Africa were carried out.
Expansion of sales network	Strengthen the communication channels with existing customers through regularly sending new product information of the Group and making constant contact with customers to understand their needs and preferences.	Regular email contacts and visits were arranged by the sales team to strengthen the networking with existing customers. The directors have also arranged personal meetings with a number of existing important customers in Europe, the Middle East and South East Asia in January and March 2010.
	Expand the customer base by further exploring business opportunities with potential customers in existing markets.	Several sales trips to visit new customers in existing markets such as Europe, North America and Southeast Asia were arranged throughout the period.
	Develop business opportunities in the Mediterranean by (i) producing more product designs which suit the market demand of the Mediterranean based on information gathered during overseas customers' visit(s) and contacts with potential customers; and (ii) arranging two business trips to promote these products.	New products in response to the market demands of the Mediterranean region were produced. Two business trips had been arranged in January and March 2010.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

	Business objectives for the Review Period	Actual operation progress up to 31 March 2010
Expansion of sales network	Explore business opportunities in North Africa, based on information gathered from HKTDC, the Internet and the Group's business trips to North Africa during March to April 2009, arrange a further visit to North Africa to establish preliminary contacts with potential customers and invite these potential customers to attend the Hong Kong March Jewelry Show.	Information gathering on business contacts in North Africa was being obtained. Another visit to North Africa was being planned in August to September 2010.
	Update the Group's website.	The Group's website was updated regularly with the latest product information and latest news regarding the Group's business development.
	Prepare feasibility studies report in relation to the establishment of retail outlets in Macau or elsewhere in the PRC including analysis of the market demand of the selected locations, costs, sales and cashflow forecasts.	Feasibility studies in relation to the establishment of retail outlet in Macau was completed. The first retail outlet in Macau was scheduled to be opened in the third quarter of 2010.
Human resources deployment and staff training	Train the Group's in-house design team in relation to the new products manufactured by micro-setting and/or invisible setting techniques.	Training was provided to the Group's in-house design team in relation to the new products manufactured by micro-setting and/or invisible setting techniques.
	Strengthen the Group's procurement and quality control team through provision of training on the latest raw material knowledge and market trends.	Training was provided to the Group's procurement and quality control team on the latest raw material knowledge and market trends.
	Provide and organise training to the sales team on product knowledge, quality control processes, customer services and communication skills.	Training was provided to the sales team on product knowledge, quality control processes, customer services and communication skills.
Procurement and contract manufacturing	Enhance the networking and communication with the Group's suppliers and jewelry subcontractors.	Regular meetings with the Group's suppliers and jewelry subcontractors were arranged to discuss on the Group's product requirements and upcoming product design trends.
	Conduct site visits to the Group's suppliers and jewelry subcontractors.	Regular site visits to the Group's suppliers and jewelry subcontractors were arranged.
Enhancement of inventory level	Enhance inventory level to offer more varieties of the Group's products and prepare for the opening of retail outlets.	Applying the proceeds from the Placing to source more raw materials and finished goods.

The shares of the Company were listed on the GEM of the Stock Exchange by way of placing of 160,000,000 shares (comprising 80,000,000 new shares (the "New Shares") and 80,000,000 Sale Shares (as defined in the Prospectus)) on 7 October 2009. The net proceeds from the issue of the New Shares, after deducting related expenses, were approximately HK$16.0 million.

During the Review Period, the Group has applied the net proceeds as follows:

	Amount extracted from the Prospectus	**Actual usage**
	HK$'000	*HK$'000*
Product development	3,200	799
Expansion of sales network	3,700	613
Human resources deployment and staff training	3,000	601
Procurement and contract manufacturing	2,000	387
Enhancement of inventory level	2,500	2,499
General working capital	1,600	–
	16,000	4,899

The remaining net proceeds as at 31 March 2010 of approximately HK$11.1 million was placed on short term deposits with a licenced bank in Hong Kong.

DIRECTORS

Executive Directors

Mr. So Chun Kai (蘇鎮楷), aged 46, is one of the Founders, an executive Director and chairman of the Group. He is also a director of other members of the Group. Mr. So was appointed as an executive Director on 18 June 2009 and is responsible for the overall strategic planning, operations, product technical development, processing supervision, procurement and quality control of the Group. Mr. So has over 26 years of experience in the jewelry industry. Started as a trainee in the jewelry industry, Mr. So has acquired in-depth technical knowledge in the manufacturing and production of fine jewelry products and invaluable practical experience in the operations of the jewelry industry. Mr. So's knowledge in production, stone matching, quality control on jewelry products and Mr. So's practical experience in operation contribute to the Group in production and quality control and general business operations. Mr. So established the Group with Mr. Cheung and Mr. Cheng, both executive Directors.

Mr. Cheng Kwong Sai, Paul (鄭廣世), aged 52, is one of the Founders, an executive and managing Director. He is also a director of other members of the Group. Mr. Cheng was appointed as an executive Director on 18 June 2009 and is responsible for the overall sales, marketing and business development of the Group. Mr. Cheng has over 31 years of experience in the customer services field and he has been involved in the sales and marketing of high-end jewelry products for over 10 years. Mr. Cheng has established extensive business and potential client network throughout these years. Mr. Cheng's experience in customer services and sales and marketing is important to the Group in maintenance of the relationship with customers and expansion of the sales network. Mr. Cheng established the Group with Mr. So and Mr. Cheung, both executive Directors.

Mr. Cheung Kwok Fan (張國勳), aged 42, is one of the Founders and an executive Director. Mr. Cheung was appointed as an executive Director on 18 June 2009 and is in charge of the development activities in product design and administration of the Group. He is also a director of other members of the Group. Mr. Cheung is a member of The Hong Kong Institute of Architects, a member of The Royal Australian Institute of Architects, Registered Architect in Hong Kong and an Authorised Person in the list of architects. Mr. Cheung obtained a Bachelor's Degree of Arts in Architectural Studies from The University of Hong Kong in 1989 and a Bachelor's Degree in Architecture from The University of Hong Kong in 1991. He was selected as an awardee of the Ten Outstanding Young Persons Selection organised by Junior Chamber of International Hong Kong in 2005. Mr. Cheung has over 18 years' work experience in the field of architecture. Since the establishment of the Group in 1999, Mr. Cheung participated in the Group on part time basis. However, Mr. Cheung resigned his tenure in an architectural company and participated in the Group on full time basis since May 2009. Mr. Cheung established the Group with Mr. So and Mr. Cheng, both executive Directors.

Independent non-executive Directors

Mr. Chan Kin Wah, Billy (陳健華), aged 47, was appointed as an independent non-executive Director on 21 September 2009. Mr. Chan has over 16 years of experience in accounting, finance and taxation fields. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a CPA member of CPA Australia and a non-practicing member of the Chinese Institute of Certified Public Accountants. He obtained a Bachelor of Administration Degree from the University of Ottawa in Canada in 1985 and a Master of Commerce Degree in Professional Accounting from the University of New South Wales in Australia in 1992. Mr. Chan is currently an executive director of China Star Investment Holdings Limited, a company listed on the Main Board of the Stock Exchange. Mr. Chan is also an independent non-executive director of Ching Hing (Holdings) Limited, a company listed on the Main Board of the Stock Exchange.

Mr. Ng Heung Yan (吳向仁), aged 40, was appointed as an independent non-executive Director on 21 September 2009. He was graduated from Monash University in Australia with a Bachelor's Degree in engineering (industrial and computing) in 1993. Mr. Ng has over 6 years of experience in metal work engineering design and currently works as a design manager in a private engineering company in Hong Kong. Mr. Ng did not hold any directorship in any other listed public company in the last three years.

Mr. Lei Hong Kuong (李雄光), aged 46, was appointed as an independent non-executive Director on 21 September 2009. He has over 16 years of experience in the jewelry industry in Hong Kong and possesses extensive experience in the field of jewelry trading. Mr. Lei did not hold any directorship in any other listed public company in the last three years.

Save as disclosed above, there is no information relating to the Directors that is required to be disclosed under the requirements of Rule 17.50(2) of the GEM Listing Rules.

SENIOR MANAGEMENT

Mr. Lee Chan Wah (李燦華), aged 41, is the company secretary and financial controller of the Company. Mr. Lee obtained a Bachelor's Degree of Business Administration in Finance from Hong Kong Baptist College (now known as Hong Kong Baptist University) in 1992. Mr. Lee has over 19 years of experience in auditing and accounting areas. He is a member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Lee joined the Group on 19 June 2009.

Mr. Ho King Ho (何景豪), aged 25, is the sales supervisor of the Group overseeing the operations of the sales department and fostering the relationship with premium customers. Mr. Ho completed an Associate Degree Programme in Art from Hong Kong Baptist University. He has over 6 years of sales and marketing experience in the jewelry industry. Mr. Ho joined the Group in March 2003, and he has gained management skills and accumulated practical experience in the sales and marketing of jewelry products during such period. His experience in the jewelry industry enables him to promote the Group's products to premium customers.

Mr. Tang Kwok Chung (鄧國忠), aged 35, is the sales supervisor of the Group overseeing the sales operations to new customers and to new markets. He has over 7 years of customer services experience in the jewelry industry. He joined the Group in May 2008, his experience in direct sales and customer services skills enable him to run the department smoothly and promote sales effectively to the Group's potential customers.

Mr. Lee Chi Kin (李志健), aged 34, is the procurement supervisor of the Group overseeing the operations of the procurement department, quality control, assortment and monitoring the production flow. He has over 7 years of production and quality control experience in the jewelry industry. Mr. Lee re-joined the Group in March 2009 and is responsible for raw material stock level control and conducting quality control inspections of both raw materials and finished goods. Moreover, Mr. Lee has to monitor the whole production flow and to ensure that the process is on schedule. He has gained experience with the Group from June 2003 to January 2006 when he first joined the Group as a sales executive.

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present this corporate governance report for the year ended 31 March 2010. This report highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to promoting high standards of corporate governance. The Directors of the Company believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding the shareholders' interests and the Group's assets.

Throughout the period from the date of listing of the shares of the Company on the GEM of the Stock Exchange on 7 October 2009 (the "Listing Date") to 31 March 2010, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.68 of the GEM Listing Rules ('the Code"). During the year ended 31 March 2010, the Company had made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard set out in the Code.

BOARD OF DIRECTORS

At present, the Board of the Company comprises six members as follows:

Executive Directors

Mr. So Chun Kai *(Chairman)*
Mr. Cheng Kwong Sai, Paul
Mr. Cheung Kwok Fan

Independent non-executive Directors

Mr. Chan Kin Wah, Billy
Mr. Ng Heung Yan
Mr. Lei Hong Kuong

Biographical details of the Directors are set out in the section of "Biographical Details of Directors and Senior Management" on pages 13 and 14.

The Board has the responsibility for leadership and control of the Company. They are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board is accountable to shareholders for the strategic development of the Group with the goal of maximizing long-term shareholder value, while balancing broader stakeholder interests.

The Board meets regularly on a quarterly basis. Apart from the regular board meetings of the year, the Board also meets on other occasions when a Board-level decision on a particular matter is required. All Directors are provided with details of agenda items for decisions making with reasonable notice. Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that the Board procedures are complied with and advising the Board on compliance matters. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors of the Company, at the expense of the Company. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting on the relevant resolution.

Generally, the responsibilities of the Board include:

- Formulation of operational strategies and review of its financial performance and results and the internal control systems;

- Policies relating to key business and financial objectives of the Company;

- Material acquisitions, investments, disposal of assets or any significant capital expenditure;

- Appointment, removal or reappointment of Board members and auditors;

- Remuneration of Directors;

- Communication with key stakeholders, including shareholders and regulatory bodies;

- Recommendation to shareholders on final dividend and the declaration of any interim dividends.

Decisions regarding the daily operation and administration of the Company are delegated to the management, lead by the executive Director, Mr. Cheng Kwong Sai, Paul.

Since the Listing Date and up to 31 March 2010, the Board held 3 meetings. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's bye-laws. The attendance rates of Directors at the Board meetings in the year ended 31 March 2010 are detailed in the following table.

	The Board	
Directors	**No. of Meetings Held**	**No. of Meetings Attended**
Executive Directors		
Mr. So Chun Kai[1]	3	3
Mr. Cheng Kwong Sai, Paul[1]	3	3
Mr. Cheung Kwok Fan[1]	3	3
Independent non-executive Directors		
Mr. Chan Kin Wah, Billy[2]	3	3
Mr. Ng Heung Yan[2]	3	3
Mr. Lei Hong Kuong[2]	3	3

Notes:

1. Appointed on 18 June 2009.
2. Appointed on 21 September 2009.

All Directors assume the responsibilities to the shareholders of the Company for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor the Company's overall financial position. The Board updates shareholders on the operations and financial position of the Group through quarterly, half yearly and annual results announcements as well as the publication of timely announcements of other matters as prescribed by the relevant rules and regulations.

The Company has three independent non-executive Directors, at least one of whom has appropriate financial management expertise, in compliance with the GEM Listing Rules. Each of the independent non-executive Director has made an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

According to the Company's bye-laws, newly appointed Directors shall hold office until the next following general meeting and shall be eligible for re-election at that meeting. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

Mr. So Chun Kai plays a leading role and is responsible for effective running of the Board while Mr. Cheng Kwong Sai, Paul is delegated with the authority and responsibility of overall management, business development and implementation of the Group's strategy determined by the Board in achieving its overall commercial objectives.

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.

NON-EXECUTIVE DIRECTORS

Under the Code Provision A.4.1, all the non-executive directors should be appointed for a specific term, subject to re-election. The term of office for non-executive directors is subject to retirement from office by rotation and is eligible for re-election in accordance with the provisions of the Company's bye-laws. At each annual general meeting, one-third of the directors for the time being, (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. As such, the Company considers that such provisions are sufficient to meet the underlying objective of this code provision.

REMUNERATION COMMITTEE

A remuneration committee ("RC") was set up on 21 September 2009 to oversee the remuneration policy and structure for all Directors and senior management. The RC comprises three independent non-executive Directors, namely Mr. Chan Kin Wah, Billy, Mr. Ng Heung Yan and Mr. Lei Hong Kuong and is chaired by Mr. Chan Kin Wah, Billy. The terms of reference of the RC are aligned with the provisions set out in the CG Code. The role of the RC is to recommend to the Board a framework for remunerating the Directors and key executives and to determine specific remuneration packages for them. They are provided with sufficient resources by the Company to discharge its duties.

No meeting has been held by the RC from the Listing Date to 31 March 2010.

NOMINATION COMMITTEE

The Board is empowered under the Company's Bye-laws to appoint any person as a director to fill a casual vacancy on or as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are based on the assessment of their professional qualifications and experience, character and integrity.

The Company has established a nomination committee ("NC") on 21 September 2009 for making recommendations to the Board on appointment of Directors and succession planning for the Directors. The terms of reference of the NC are aligned with the provisions set out in CG Code. The NC comprises three independent non-executive Directors, namely Mr. Chan Kin Wah, Billy, Mr. Ng Heung Yan and Mr. Lei Hong Kuong. Mr. Chan Kin Wah, Billy is the Chairman of the NC.

No meeting has been held by the NC from the Listing Date to 31 March 2010.

AUDITORS' REMUNERATION

For the year ended 31 March 2010, the remuneration in respect of audit services provided by the external auditors of the Group are approximately HK$362,000.

There is no non-audit service provided by the external auditors to the Company and the Group in the financial year ended 31 March 2010 and no non-audit fee has been paid to the auditors during the financial year.

AUDIT COMMITTEE

The Company has established an audit committee ("AC") with written terms of reference that set out the authorities and duties of the AC adopted by the Board. The AC comprises the three independent non-executive Directors and headed by Mr. Chan Kin Wah, Billy who has appropriate professional qualifications and experience in financial matters. The terms of reference of the AC are aligned with the provisions set out in the CG Code. The AC performs, amongst others, the following functions:

- ensure that co-operation is given by the Company's management to the external auditors where applicable;
- review the Group's quarterly, half yearly and annual results announcements and the financial statements prior to their recommendations to the Board for approval;
- review the Group's financial reporting process and internal control system; and
- review of transactions with interested persons.

Since the Listing Date and up to 31 March 2010, the AC held 3 meetings. The attendance rates of AC members at the AC meetings in the year ended 31 March 2010 are detailed in the following table.

	Audit Committee	
Directors	**No. of Meetings Held**	**No. of Meetings Attended**
Mr. Chan Kin Wah, Billy (Chairman of AC)	3	3
Mr. Ng Heung Yan	3	3
Mr. Lei Hong Kuong	3	3

INTERNAL CONTROLS

The AC reviews the adequacy of the Company's internal financial controls, operational and compliance controls, and risk management policies and systems established by the management of the Company (collectively "internal controls").

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard the interests of the Company's shareholders and the Group's assets, and to manage risks. The Board also acknowledges that no cost effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

INTERNAL AUDIT

The Company does not have in place an independent internal audit function as the board is of the view that the appointment is not imminent under current circumstances, taking into account the current operate structure and scope of the Group's operations.

The Group's external auditors, Grand Thornton, contribute an independent perspective on relevant internal controls arising from their audit and report findings to the AC.

INVESTOR RELATIONS AND SHAREHOLDERS RIGHTS

The Company proactively promotes investor relations. Communication with shareholders is always given high priority. Extensive information about the Group's activities is provided in the annual report, interim report and quarterly report. The Company's website provides regularly updated information to shareholders. Enquiries on matters relating to the business of the Group are welcomed, and are dealt with in an informative and timely manner.

The Company encourages all shareholders to attend the annual general meetings to stay informed of the Group's strategy and goals. It provides an opportunity for direct communications between the Board and its shareholders. Shareholders have statutory rights to call for special general meetings by serving appropriate written requests to the Company. The chairman of the meeting explains the detailed procedures for conducting a poll and then answers any questions from shareholders. The poll results are published on the websites of the Company and the Stock Exchange.

DIRECTORS RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are ultimately responsible for the preparation of the financial statements for each financial year which gives a true and fair view. In preparing the financial statements, appropriate accounting policies and standard are selected and applied consistently.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 30 and 81 of this annual report.

CONCLUSION

The Company believes that good corporate governance is significant in maintaining investor confidence and attracting investment. The management will devote considerate effort to strengthen and improve the standards of the corporate governance of the Group.

The Board of Directors (the "Board") is pleased to present the annual report and the audited consolidated financial statements of Eternite International Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2010.

Reorganisation

The Company was incorporated in Bermuda with limited liability on 11 June 2009. Pursuant to a group reorganisation on 23 September 2009 (the "Reorganisation") in preparation for the listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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 on 23 September 2009. Details of the Reorganisation are set out in the prospectus of the Company dated 29 September 2009 (the "Prospectus").

The Company's shares have been listed on the GEM of the Stock Exchange since 7 October 2009.

Principal Activities

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 15 to the consolidated financial statements. There were no significant changes in nature of Group's principal activities during the year.

Results and Appropriations

The Group's profit for the year ended 31 March 2010 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 32 to 81 of this annual report.

The Board does not recommend the payment of any dividend for the year ended 31 March 2010.

Summary of Financial Information

	Year ended 31 March		
	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Turnover	**47,237**	44,575	43,988
Gross profit	**19,119**	16,373	15,297
Profit before income tax	**10,028**	11,548	10,686
Profit attributable to the owners of the Company	**7,942**	9,678	8,854
Basic earnings per share (HK cents)	**2.00**	3.02	2.77

	As at 31 March		
	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Non-current assets	**1,171**	51	12
Current assets	**55,104**	29,479	34,195
Current liabilities	**6,328**	22,993	30,349
Net assets	**49,947**	6,537	3,858

Notes:

1. The results for the years ended 31 March 2008 and 2009 were extracted from the Prospectus of the Company dated 29 September 2009. The earnings per share for the two years were computed based on 320,000,000 ordinary shares that would have been in issue throughout the two years on the assumption that the Reorganisation has been completed as at 1 April 2007.

2. Non-current assets, current assets, current liabilities and net assets of the Group as at 31 March 2008 and 2009 were extracted from the Prospectus of the Company dated 29 September 2009.

Major Customers and Suppliers

The approximate percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	15%
– five largest suppliers combined	51%
Sales	
– the largest customer	7%
– five largest customers combined	19%

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

Share Capital

Details of movements during the year in the share capital of the Company are set out in note 20 to the consolidated financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 21 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 March 2010, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK$3,162,000, as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account with a balance of approximately HK$31,508,000 as at 31 March 2010 may be distributed in the form of fully paid bonus shares.

Directors

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. So Chun Kai (Chairman)	– appointed on 18 June 2009
Mr. Cheng Kwong Sai, Paul	– appointed on 18 June 2009
Mr. Cheung Kwok Fan	– appointed on 18 June 2009

Independent non-executive Directors

Mr. Chan Kin Wah, Billy	– appointed on 21 September 2009
Mr. Ng Heung Yan	– appointed on 21 September 2009
Mr. Lei Hong Kuong	– appointed on 21 September 2009

In accordance with bye-law 84 of the Company's bye-laws, Mr. So Chun Kai shall retire by rotation and, being eligible, shall offer himself for re-election at the forthcoming annual general meeting.

In accordance with bye-law 83(2) of the Company's bye-laws, Mr. Chan Kin Wah, Billy, Mr. Ng Heung Yan and Mr. Lei Hong Kuong will retire at the forthcoming annual general meeting, but, being eligible, will offer themselves for re-election.

Board of Directors and Senior Management

Biographical information of the Directors and senior management of the Group are set out on pages 13 to 14 of this annual report.

Directors' Service Agreement

Each of the three executive Directors, namely Mr. So Chun Kai, Mr. Cheng Kwong Sai, Paul and Mr. Cheung Kwok Fan, has entered into a service agreement with the Company for an initial fixed term of two years commencing from 21 September 2009 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. The three executive Directors are entitled to a basic salary per annum which is subject to an annual increment at the discretion of the Board provided that it shall not exceed 10% per annum of the amount of such salary paid during the previous twelve-month period. In addition, each of the executive Director is also entitled to a discretionary bonus of such amount based on the Group's performance and his individual performance and to be paid at such time at the discretion of the Board. The three executive Directors shall not vote and shall not be counted in the quorum in respect of any resolution of the Directors regarding the amount of the increment or discretionary bonus payable to them. The appointment of the executive Director is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's bye-laws.

Each of the three independent non-executive Directors namely, Mr. Chan Kin Wah, Billy, Mr. Ng Heung Yan and Mr. Lei Hong Kuong, has entered into a service agreement with the Company for a term of two years commencing on 21 September 2009 with an annual salary of HK$120,000 or pro-rate amount for any incomplete year. The appointment of the independent non-executive Director is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's bye-laws.

Save as disclosed above, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service agreement with the Company or any of its subsidiaries which is not determinable within one year without the payment of compensation, other than statutory compensation.

Emolument Policy

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Company has adopted a share option scheme as incentive to directors and eligible employees, details of the scheme are set out in the section headed "Share Option Scheme" below.

Remuneration of Directors and Five Individuals with Highest Emoluments

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in note 13 to the consolidated financial statements.

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporations

As at 31 March 2010, 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 any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("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 as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified 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 March 2010, 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.

Substantial Shareholders' Interests in Shares

As at 31 March 2010, other than the interests of certain directors and chief executive of the Company as disclosed under the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the company or any associated corporation" above, the interests or short positions of person in the shares, underlying shares and debentures 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 were as follows:

Long positions in shares of the Company

Name of shareholder	Capacity of interests	Number of issued ordinary shares held	Approximate percentage of shareholding in the Company
King Honor Limited	Beneficial owner	80,000,000	16.66%
Prime New Limited	Beneficial owner	80,000,000	16.66%
Grow Dragon Limited	Beneficial owner	80,000,000	16.66%
Billion Right Limited *(Note 1)*	Beneficial owner	80,000,000	16.66%
Ms. Wang Chao, Julia *(Note 2)*	Interest of controlled corporation	80,000,000	16.66%

Notes:

1. Billion Right Limited, a company incorporated in the British Virgin Islands on 20 May 2009 and an investment holding company, is wholly and beneficially owned by Ms. Wang Chao, Julia. Each of Billion Right Limited and Ms. Wang Chao, Julia is regarded as a substantial shareholder of the Company.

2. Ms. Wang Chao, Julia is deemed to be interested in the 80,000,000 shares held by Billion Right Limited under the SFO.

Save as disclosed above, as at 31 March 2010, 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 Shares 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.

Directors' Interests in Contracts

Save as disclosed in note 25 to the consolidated financial statements, no Director had a material interest in, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Purchase, Sale and Redemption of the Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

Directors' Interest in a Competing Business

As at the date of this annual 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.

Bank Borrowings

The Group has no bank borrowings as at 31 March 2010 (2009: Nil).

Retirement Schemes

Particulars of the retirement schemes of the Group are set out in note 2.15 to the consolidated financial statements.

Confirmation of Independence

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent parties. The Company considers all of the independent non-executive Directors are independent.

Code of Conduct Regarding Directors' Securities Transactions

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 year ended 31 March 2010.

Share Option Scheme

The Company has conditionally adopted the Share Option Scheme on 21 September 2009 under which certain selected classes of participants (including, among others, fulltime employees) may be granted options to subscribe for the Shares. The principal terms of the Share Option Scheme are summarised in the paragraph headed "Share Option Scheme" in Appendix V to the Prospectus.

During the year ended 31 March 2010, no share option was granted, exercised or lapsed under the share option scheme adopted on 21 September 2009.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Corporate Governance

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 from the date of listing of the shares of the Company on the GEM of the Stock Exchange on 7 October 2009 to 31 March 2010. The Group's compliance with the code provisions is set out in the Corporate Governance Report from pages 15 to 21 of this annual report.

Events after the Reporting Date

Details of the significant events after the reporting date of the Group are set out in note 28 to the consolidated financial statements.

Interests of the Compliance Adviser

As notified by the compliance adviser of the Company, Cinda International Capital Limited (the "Compliance Adviser"), as at 31 March 2010, except for the agreement entered into between the Company and the Compliance Adviser dated 28 September 2009, neither the Compliance Adviser or its directors employees or associates had any interest in relation to the Group.

Auditors

Grant Thornton has acted as auditors of the Company for the year ended 31 March 2010.

Grant Thornton shall retire in the forthcoming annual general meeting and, being eligible, will offer themselves for reappointment. A resolution for the re-appointment of Grant Thornton as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
So Chun Kai
Chairman and
Executive Director

Hong Kong, 14 June 2010

Grant Thornton
均富

Member of Grant Thornton International Ltd.

To the members of Eternite International Company Limited
永恒國際股份有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Eternite International Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 81, which comprise the consolidated and company statements of financial position as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

14 June 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	5	**47,237**	44,575
Cost of sales		**(28,118)**	(28,202)
Gross profit		**19,119**	16,373
Other income	5	**72**	23
Distribution costs		**(3,431)**	(2,822)
Administrative expenses		**(5,732)**	(2,026)
Profit before income tax	7	**10,028**	11,548
Income tax expense	8	**(2,086)**	(1,870)
Profit for the year attributable to the owners of the Company		**7,942**	9,678
		HK cents	*HK cents*
Earnings per share for profit attributable to the owners of the Company during the year	11		
– Basic		**2.00**	3.02
– Diluted		**1.81**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	2010 *HK$'000*	2009 *HK$'000*
Profit for the year	**7,942**	9,678
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year attributable to the owners of the Company	**7,942**	9,678

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**1,171**	51
Current assets			
Inventories	16	**18,363**	17,791
Trade receivables	17	**10,177**	8,812
Deposits and prepayments		**316**	870
Bank and cash balances		**26,248**	2,006
		55,104	29,479
Current liabilities			
Trade payables	18	**4,989**	1,289
Other payables and accruals		**1,166**	455
Amount due to shareholders	19	**–**	20,649
Provision for tax		**173**	600
		6,328	22,993
Net current assets		**48,776**	6,486
Net assets		**49,947**	6,537
EQUITY			
Equity attributable to the owners of the Company			
Share capital	20	**4,800**	23
Reserves	21	**45,147**	6,514
Total equity		**49,947**	6,537

So Chun Kai
Director

Cheng Kwong Sai, Paul
Director

STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

	Notes	2010 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Interests in subsidiaries	15	**6,529**
Current assets		
Amount due from a subsidiary	15	**33,291**
Current liabilities		
Accruals		**350**
Net current assets		**32,941**
Net assets		**39,470**
EQUITY		
Share capital	20	**4,800**
Reserves	21	**34,670**
Total equity		**39,470**

So Chun Kai
Director

Cheng Kwong Sai, Paul
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	Notes	**2010** **HK$'000**	2009 HK$'000
Cash flows from operating activities			
Profit before income tax		**10,028**	11,548
Adjustments for:			
Interest income	5	**(2)**	(3)
Gain on disposals of property, plant and equipment	5	**(5)**	–
Depreciation	7	**69**	14
Reversal of write-down of inventories	7	**(2,441)**	(939)
Operating profit before working capital changes		**7,649**	10,620
Decrease in inventories		**1,869**	4,702
(Increase)/decrease in trade receivables		**(1,365)**	2,773
Decrease/(increase) in deposits and prepayments		**554**	(656)
Increase/(decrease) in trade payables		**3,700**	(14,774)
Increase/(decrease) in other payables and accruals		**711**	(102)
Cash generated from operations		**13,118**	2,563
Income tax paid		**(2,513)**	(3,102)
Net cash generated from/(used in) operating activities		**10,605**	(539)
Cash flows from investing activities			
Purchases of property, plant and equipment	14	**(1,189)**	(53)
Proceeds from disposals of property, plant and equipment		**5**	–
Interest received		**2**	3
Net cash used in investing activities		**(1,182)**	(50)
Cash flows from financing activities			
(Repayments to)/advances from the shareholders		**(20,649)**	8,761
Dividends paid	9	**–**	(6,999)
Proceeds from issue of convertible bond	22	**20,000**	–
Proceeds from issue of shares	20(v)	**20,000**	–
Share issue expenses		**(4,532)**	–
Net cash generated from financing activities		**14,819**	1,762
Net increase in cash and cash equivalents		**24,242**	1,173
Cash and cash equivalents as at the beginning of the year		**2,006**	833
Cash and cash equivalents as at the end of the year		**26,248**	2,006
Analysis of balances of cash and cash equivalents			
Bank and cash balances		**26,248**	2,006

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	Share capital HK$'000	Share premium HK$'000	Convertible bond equity reserve HK$'000	Merger reserve HK$'000 (note 21(i))	Retained profits HK$'000	Total HK$'000
Balance as at 1 April 2008	10	–	–	–	3,848	3,858
Interim dividend paid during the year *(note 9)*	–	–	–	–	(6,999)	(6,999)
Shares swap pursuant to group reorganisation	13	–	–	(13)	–	–
Transactions with owners	13	–	–	(13)	(6,999)	(6,999)
Profit for the year	–	–	–	–	9,678	9,678
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	9,678	9,678
Balance as at 31 March 2009 and 1 April 2009	23	–	–	(13)	6,527	6,537
Shares swap pursuant to Reorganisation *(note 20(iii))*	817	–	–	(817)	–	–
Issue of shares upon listing *(note 20(v))*	800	19,200	–	–	–	20,000
Issue of shares upon capitalisation *(note 20(ii)(c))*	2,360	(2,360)	–	–	–	–
Issue of convertible bond *(note 22)*	–	–	719	–	–	719
Issue of shares upon conversion of convertible bond *(note 20(iv))*	800	19,200	(719)	–	–	19,281
Share issue expenses	–	(4,532)	–	–	–	(4,532)
Transactions with owners	4,777	31,508	–	(817)	–	35,468
Profit for the year	–	–	–	–	7,942	7,942
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	7,942	7,942
Balance as at 31 March 2010	**4,800**	**31,508**	**–**	**(830)**	**14,469**	**49,947**

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION

Eternite International Company Limited (the "Company") was incorporated in Bermuda with limited liability on 11 June 2009. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company and its subsidiaries (collectively referred to as the "Group") is located at 25th Floor, Shun Feng International Centre, 182 Queen's Road East, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 15 to the financial statements.

Pursuant to a group reorganisation on 23 September 2009 (the "Reorganisation") in preparation for the listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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 on 23 September 2009. Details of the Reorganisation are set out in the prospectus of the Company dated 29 September 2009.

The Company's shares have been listed on the GEM of the Stock Exchange since 7 October 2009.

The Reorganisation involved business combinations of entities under common control before and immediately after the Reorganisation. Consequently, immediately after the Reorganisation, there was a continuation of the risks and benefits to the controlling parties that existed prior to the Reorganisation. The Group is regarded and accounted for as a continuing group resulting from the Reorganisation since all of the entities which took part in the Reorganisation were under common control in a manner similar to pooling of interests. Accordingly, the financial statements have been prepared on a combined basis by applying the principles of merger accounting. The financial statements has been presented as if the current group structure had been in existence throughout the years ended 31 March 2009 and 2010 or from the respective dates of incorporation of the companies comprising the Group, where there is a shorter period.

Comparative amounts for the Company's statement of financial position have not been presented as the Company was incorporated on 11 June 2009.

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

The financial statements for the year ended 31 March 2010 were approved for issue by the board of directors on 14 June 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 32 to 81 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impact on the Group's financial statements, if any, are disclosed in note 3.

The financial statements have been prepared under historical cost convention. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In consolidated financial statements, acquisition of subsidiaries (other than those combining entities under common control as a consequence of the Reorganisation) is accounted for by applying the purchase method. This involves the estimation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Depreciation is provided to write off the cost less their residual values, if any, over their estimated useful lives, using the straight-line method, at the following rates per annum:

Furniture and fixtures	25%
Office equipment	25%
Leasehold improvements	20% or the lease term, whichever is shorter
Moulds	30%

The assets' estimated useful lives, depreciation methods and estimated residual values, if any, are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Property, plant and equipment (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2.5 Impairment of non-financial assets

Property, plant and equipment and interests in subsidiaries are subject to impairment testing. All assets are tested for impairment whenever there are indications that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Impairment loss is charged pro rata to the assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.6 Financial assets

The Group's financial assets mainly include trade receivables, deposits and bank and cash balances. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial assets (Continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Impairment of financial assets

At each reporting date, loans and receivables are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial assets (Continued)

Impairment of financial assets (Continued)

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the year in which the impairment occurs.

If, in subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the year in which the reversal occurs.

Impairment losses are written off against the corresponding assets directly. Where the recovery of receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of receivables is remote, the amount considered irrecoverable is written off against receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.7 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using first-in, first-out method, and in the case of work in progress and finished goods, comprises the cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

When the inventories are sold, the carrying amount of those inventories is recognised as an expense in the year in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the year in which the reversal occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and form an integral part of the Group's cash management.

2.9 Financial liabilities

The Group's financial liabilities include convertible bond, trade and other payables, accruals and amount due to shareholders.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policies for borrowing costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Trade and other payables, accruals and amount due to shareholders

These are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Convertible bond

Convertible bond that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible bond issued by the Group that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as equity component of convertible bond.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the bond.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial liabilities (Continued)

Convertible bond (continued)

When the bond is converted, the equity component of convertible bond and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the equity component of convertible bond equity reserve is released directly to retained profits.

2.10 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.11 Revenue recognition

Revenue comprises the fair value of the consideration received and receivables for the sale of goods and the use by others of the Group's assets yielding interest, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) Sales of goods

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

(ii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.12 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Foreign currency translation (Continued)

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into the HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

2.13 Operating leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the right to use the assets held under operating leases, payments made under the leases are charged to profit or loss using the straight-line method over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payment made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Accounting for income taxes (Continued)

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.15 Retirement benefit costs and short-term employee benefits

Defined contribution plan

Retirement benefits to employees are provided through a defined contribution plan.

The Group contributes to a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all employees in Hong Kong. Contributions are made based on 5% of the employees' basic salaries, with a cap of monthly salaries of HK$20,000 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Provision and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.17 Share-based compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees, directors, professionals, customers, suppliers, agents and consultants of the Company and its subsidiaries.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2.19 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines.

The Group has identified the design and sale of jewellery products as its reportable segment. The measurement policies the Group used for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except income tax and corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Segment reporting (Continued)

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

No assymetrical allocations have been applied to reportable segments.

3. ADOPTION OF NEW AND AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "New HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2009:

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Amendments)	Cost of An Investment in a Subsidiary, Jointly Controlled Entity or an Associate
HKFRS 2 (Amendments)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
Various	Annual Improvements to HKFRSs 2008

Other than as noted below, the adoption of the New HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income". Comparatives have been restated to conform with the revised standards. The Group has applied changes to its accounting policies on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated statement of financial position as at 1 April 2008 and accordingly this statement is not presented.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

HKAS 27 (Amendments) Cost of an investment in a subsidiary, jointly controlled entity or an associate

The amendment requires the investor to recognise dividends from a subsidiary, jointly controlled entity or an associate in profit or loss irrespective the distributions are out of the investee's pre-acquisition or post-acquisition reserves. In prior years, the Company recognised dividends out of pre-acquisition reserves as a recovery of its investment in the subsidiaries, jointly controlled entities or associates (i.e. a reduction of the cost of investment). Only dividends out of post-acquisition reserves were recognised as income in profit or loss.

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Company's accounting policy on impairment of non-financial assets.

The new accounting policy has been applied prospectively as required by these amendments to HKAS 27 and therefore no comparatives have been restated.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

HKFRS 3 Business combinations (Revised 2008)

The standard is applicable in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard still requires the use of the purchase method (now renamed as the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interest) in the acquiree. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

HKFRS 9 Financial instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors of the Company are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

HKAS 27 Consolidated and separate financial statements (Revised 2008)

The revised standard is effective for accounting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The directors of the Company do not expect the standard to have a material effect on the Group's financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes judgement, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Inventory valuation

Inventory is valued at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. The Group reviews its inventory levels in order to identify slow-moving merchandise and use markdowns to clear merchandise. Inventory value is reduced when the decision to markdown below cost is made.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(ii) Impairment of receivables

The Group's management reviews receivables on a regular basis to determine if any provision for impairment is necessary. The policy for the impairment of receivables of the Group is based on, where appropriate, the evaluation of collectibility and ageing analysis of the receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these outstandings, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment may be required.

(iii) Income taxes

The Group is subject to income taxes in Hong Kong. Significant judgement is required in determining the provision for income taxes and the timing of payment of the related tax. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

(iv) Valuation of convertible bond

The directors use their judgement in selecting an appropriate valuation technique for the Group's convertible bond which are not quoted in an active market. The fair value of the liability and equity components of the convertible bond is estimated by an independent firm of valuers based on their techniques. The fair value of these components varies with different variables of certain subjective assumptions. Any change in these variables so adopted may materially affect the estimation of the fair value of these components.

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents total invoiced value of goods sold in the course of the Group's principal activities, net of returns and trade discounts. Revenue and other income recognised during the year are as follows:

	2010	2009
	HK$'000	*HK$'000*
Revenue		
Sales	**47,237**	44,575
Other income		
Interest income on financial assets stated at amortised cost	**2**	3
Gain on disposals of property, plant and equipment	**5**	–
Sundry income	**65**	20
	72	23

6. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM") for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. Under HKAS 14, the directors of the Company considered that there was only one business segment, being the design and sale of jewelry products. The application of HKFRS 8 has not resulted in a redesignation of the Group's operating segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment revenue, profit or loss and assets.

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the executive directors, being the CODM of the Group. There is only one business component in the internal reporting to the executive directors.

6. SEGMENT INFORMATION (Continued)

The total presented for the Group's operating segment reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2010	2009
	HK$'000	*HK$'000*
Segment revenue	**47,237**	44,575
Segment profit	**12,554**	11,555
Unallocated corporate income	**5**	–
Unallocated corporate expenses	**(2,531)**	(7)
Profit before income tax	**10,028**	11,548
Reportable segment assets	**55,554**	28,854
Unallocated	**721**	676
Group assets	**56,275**	29,530
Reportable segment liabilities	**5,978**	2,344
Unallocated	**350**	20,649
Group liabilities	**6,328**	22,993

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

6. SEGMENT INFORMATION (Continued)

The Group's revenue from external customers is divided into the following geographical areas:

	2010 HK$'000	2009 HK$'000
Europe	**22,815**	23,424
Asia	**11,934**	14,198
The United States of America and Canada	**6,363**	2,602
The Middle East	**3,797**	3,758
Australia	**2,324**	593
South Africa	**4**	–
	47,237	44,575

The geographical location of customers is based on the location at which the goods were delivered.

Based on the physical location of the asset, all non-current assets are located in Hong Kong.

During the year, there was no revenue from external customers attributed to Bermuda (domicile) and no non-current assets were located in Bermuda (2009: Nil). The country of domicile is the country where the Company was incorporated.

7. PROFIT BEFORE INCOME TAX

	2010 HK$'000	2009 HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Auditors' remuneration	**362**	12
Cost of inventories recognised as expense, including	**28,118**	28,202
– Reversal of write-down of inventories to net realisable value	**(2,441)**	(939)
Depreciation	**69**	14
Employee benefit expense *(note 12)*	**2,764**	1,750
Exchange loss, net	**165**	48
Operating lease rentals in respect of rented premises	**343**	305

8. INCOME TAX EXPENSE

	2010	2009
	HK$'000	*HK$'000*
Current income tax – Hong Kong		
– Tax for the year	**2,077**	1,895
– Under/(over)-provision in respect of prior years	**9**	(25)
	2,086	1,870

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in Bermuda and the BVI during the year (2009: Nil).

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year.

Reconciliation between tax expense and accounting profit at applicable tax rate is as follows:

	2010	2009
	HK$'000	*HK$'000*
Profit before income tax	**10,028**	11,548
Tax on profit before income tax, calculated at applicable rate of 16.5% (2009: 16.5%)	**1,654**	1,905
Tax effect of non-deductible expenses	**459**	4
Under/(over)-provision in prior years	**9**	(25)
Others	**(36)**	(14)
Income tax expense	**2,086**	1,870

No deferred tax has been provided as the Group did not have any significant temporary differences which gave rise to a deferred tax asset or liability as at 31 March 2010 (2009: Nil).

9. DIVIDENDS

The board of directors did not recommend any payment of dividend during the year.

Dividends for the year ended 31 March 2009 were declared by the Company's subsidiary, namely Eternity Jewelry Company Limited ("Eternity Jewelry") to its then shareholders prior to the Reorganisation. The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful.

	2010	2009
	HK$'000	*HK$'000*
Interim dividends	**–**	6,999

10. PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Of the consolidated profit attributable to the owners of the Company of HK$7,942,000 (2009: HK$9,678,000), a loss of HK$2,527,000 (2009: Nil) has been dealt with in the financial statements of the Company.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company of HK$7,942,000 (2009: HK$9,678,000) and on the weighted average number of 396,712,000 (2009: 320,000,000) ordinary shares in issue during the year.

The weighted average number of 320,000,000 ordinary shares used to calculate the basic earnings per share for the year ended 31 March 2009, as if the shares are in issue since 1 April 2008, comprising:

(i) 30,000 ordinary shares (after adjusting for subdivision) of the Company allotted and issued at nil paid on18 June 2009 (notes 20(i) and 20(ii)(a));

(ii) 236,000,000 ordinary shares of the Company issued, pursuant to the capitalisation issue (note 20(ii)(c)); and

(iii) 83,970,000 ordinary shares of the Company issued as consideration for the acquisition of subsidiaries pursuant to the Reorganisation (note 20(iii)).

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 March 2010 includes the weighted average of 76,712,000 shares after the listing of the Company's shares on the GEM of the Stock Exchange on 7 October 2009 (note 20(v)) and the conversion of convertible bond on 7 October 2009 (note 20(iv)) in addition to the aforementioned 320,000,000 ordinary shares, as if these shares are in issue since 1 April 2009.

11. EARNINGS PER SHARE (Continued)

The calculation of diluted earnings per share is based on the adjusted profit attributable to the owners of the Company of HK$7,942,000 and the weighted average number of ordinary shares of 438,356,000 outstanding during the year, after adjusting for the effects of all dilutive potential ordinary shares.

The adjusted profit attributable to the owners of the Company is calculated based on the profit attributable to the owners of the Company for the year ended 31 March 2010 of HK$7,942,000 as used in the calculation of basic earnings per share plus interest payable of HK$Nil on the convertible bond.

The weighted average number of shares used in the calculation of diluted earnings per share is calculated based on the weighted average of 396,712,000 ordinary shares in issue during the year as used in the calculation of basic earnings per share plus the weighted average of 41,644,000 ordinary shares deemed to be issued at no consideration as if all the Company's convertible bond had been converted.

Diluted earnings per share for the year ended 31 March 2009 was not presented as there was no potential ordinary share.

12. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	2010	2009
	HK$'000	*HK$'000*
Wages, salaries and allowances	**2,645**	1,667
Defined contribution retirement benefit scheme contributions	**119**	83
	2,764	1,750

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of the emoluments paid and payable to the directors of the Company are as follows:

	Fees	Salaries and allowances	Defined contribution retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2010				
Executive directors				
Mr. Cheng Kwong Sai, Paul	**–**	**234**	**12**	**246**
Mr. So Chun Kai	**–**	**234**	**12**	**246**
Mr. Cheung Kwok Fan	**–**	**217**	**11**	**228**
Independent non-executive directors				
Mr. Chan Kin Wah, Billy	**60**	**–**	**–**	**60**
Mr. Lei Hong Kuong	**60**	**–**	**–**	**60**
Mr. Ng Heung Yan	**60**	**–**	**–**	**60**
	180	**685**	**35**	**900**
Year ended 31 March 2009				
Executive directors				
Mr. Cheng Kwong Sai, Paul	–	204	12	216
Mr. So Chun Kai	–	204	12	216
Mr. Cheung Kwok Fan	–	–	–	–
Independent non-executive directors				
Mr. Chan Kin Wah, Billy	–	–	–	–
Mr. Lei Hong Kuong	–	–	–	–
Mr. Ng Heung Yan	–	–	–	–
	–	408	24	432

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

All independent non-executive directors above were appointed on 21 September 2009.

There were no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

No emoluments were paid by the Group to any directors as an inducement to join, or upon joining the Group, or as compensation for loss of office during the year (2009: Nil).

(b) Five highest paid individuals

The five highest paid individuals whose emoluments were the highest in the Group for the year included 3 (2009: 2) directors whose emoluments are reflected in the analysis as shown in note 13(a). The emoluments of the remaining 2 (2009: 3) highest paid individuals for the year which fell within the band of Nil – HK$1 million, are as follows:

	2010	2009
	HK$'000	*HK$'000*
Basic salaries, bonuses and other allowances	**426**	567
Defined contribution retirement benefit scheme contributions	**20**	26
	446	593

14. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Furniture and fixtures	Office equipment	Leasehold improvements	Moulds	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 April 2008					
Cost	4	12	–	–	16
Accumulated depreciation	(1)	(3)	–	–	(4)
Net book amount	3	9	–	–	12
Year ended 31 March 2009					
Opening net book amount	3	9	–	–	12
Additions	40	13	–	–	53
Depreciation	(10)	(4)	–	–	(14)
Closing net book amount	33	18	–	–	51
As at 31 March 2009 and 1 April 2009					
Cost	44	25	–	–	69
Accumulated depreciation	(11)	(7)	–	–	(18)
Net book amount	33	18	–	–	51
Year ended 31 March 2010					
Opening net book amount	33	18	–	–	51
Additions	182	142	404	461	1,189
Depreciation	(22)	(16)	(20)	(11)	(69)
Closing net book amount	**193**	**144**	**384**	**450**	**1,171**
As at 31 March 2010					
Cost	226	167	404	461	1,258
Accumulated depreciation	(33)	(23)	(20)	(11)	(87)
Net book amount	**193**	**144**	**384**	**450**	**1,171**

15. INTERESTS IN SUBSIDIARIES/AMOUNT DUE FROM A SUBSIDIARY – COMPANY

	2010
	HK$'000
Unlisted shares, at cost	**6,529**
Amount due from a subsidiary	**33,291**

Amount due from a subsidiary is unsecured, interest-free and repayable on demand.

The directors consider that the carrying amount of the amount due from a subsidiary approximates its fair value at the reporting date because this amount has a short maturity period on its inception, such that the time value of money impact is not significant.

Particulars of the subsidiaries as at 31 March 2010 are as follows:

Name of company	Place of incorporation and type of legal entity	Particulars of issued and fully paid up capital	Percentage of issued capital held by the Company	Principal activities
Directly owned				
Full Join Limited ("Full Join")	BVI, limited liability company	3,000 ordinary shares of United States Dollars ("US$") 1 each	100%	Investment holding
Indirectly owned				
Eternity Jewelry	Hong Kong, limited liability company	9,999 ordinary shares of HK$1 each	100%	Design and sale of jewelry products

16. INVENTORIES – GROUP

	2010	2009
	HK$'000	*HK$'000*
Raw materials	**7,512**	7,247
Work in progress	**1,584**	1,153
Finished goods	**9,267**	9,391
	18,363	17,791

In 2010, the Group reversed an amount of HK$2,441,000 (2009: HK$939,000) on the inventories, which were written down in prior years. The write-down subsequently became not necessary in 2010 as these inventories were sold at prices higher than their carrying amounts.

17. TRADE RECEIVABLES – GROUP

The Group allows a credit period from 30 to 270 days (2009: 30 to 270 days) to its customers for the year. Based on the invoice date, ageing analysis of trade receivables is as follows:

	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**3,121**	1,242
31 – 60 days	**2,684**	266
61 – 90 days	**1,032**	1,480
91 – 180 days	**1,300**	3,096
181 – 365 days	**1,898**	2,424
Over 1 year	**142**	304
	10,177	8,812

17. TRADE RECEIVABLES – GROUP (Continued)

Based on the due date, ageing analysis of trade receivables that are not impaired is as follows:

	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	9,783	7,809
1 – 30 days past due	92	270
31 – 90 days past due	71	429
91 – 365 days past due	231	266
Over 1 year past due	–	38
	394	1,003
	10,177	8,812

All trade receivables are subject to credit risk exposure. At the reporting date, trade receivables were individually determined to be impaired. However, the Group does not identify specific concentrations of credit risk with regards to trade receivables, as the amounts recognised resemble a large number of receivables from various customers. Impairment on trade receivables is made when certain debts are identified to be irrecoverable.

Trade receivables that were neither past due nor impaired related to diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of independent customers that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral over these balances.

The directors consider that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

18. TRADE PAYABLES – GROUP

The Group normally settles the outstandings due to trade payables within 30 to 270 days' (2009: 30 to 270 days') credit term. Based on the invoice date, ageing analysis of trade payables is as follows:

	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**1,160**	382
31 – 60 days	**585**	302
61 – 90 days	**376**	40
91 – 180 days	**1,841**	404
181 – 270 days	**1,027**	161
	4,989	1,289

All amounts are short term and hence the carrying values of trade payables are considered to be a reasonable approximation of fair value.

19. AMOUNT DUE TO SHAREHOLDERS – GROUP

Amount due was unsecured, interest-free and fully repaid during the year.

20. SHARE CAPITAL

Company

	Notes	**Number of shares**	**HK$'000**
Authorised:			
Upon incorporation	(i)	1,000,000	100
Subdivision of 1 ordinary share of HK$0.1 each into 10 ordinary shares of HK$0.01 each	(ii)(a)	9,000,000	–
Increase in authorised ordinary shares	(ii)(b)	9,990,000,000	99,900
As at 31 March 2010, ordinary shares of HK$0.01 each		**10,000,000,000**	**100,000**

20. SHARE CAPITAL (Continued)

Company (Continued)

	Notes	Number of shares	HK$'000
Issued and fully paid:			
Issue of shares upon incorporation	(i)	3,000	–
Subdivision of 1 ordinary share of HK$0.1 each into 10 ordinary shares of HK$0.01 each	(ii)(a)	27,000	–
Issue of shares upon Reorganisation	(iii)	83,970,000	840
Issue of shares upon listing	(v)	80,000,000	800
Issue of shares upon capitalisation issue	(ii)(c)	236,000,000	2,360
Issue of shares upon conversion of convertible bond	(iv)	80,000,000	800
As at 31 March 2010, ordinary shares of HK$0.01 each		**480,000,000**	**4,800**

Notes:

(i) On 11 June 2009, the Company was incorporated in Bermuda with an authorised share capital of HK$100,000 divided into 1,000,000 ordinary shares of HK$0.1 each. 3,000 ordinary shares were evenly allotted and issued nil paid to three private companies which are separately owned by Mr. Cheng Kwong Sai, Paul, Mr. Cheung Kwok Fan and Mr. So Chun Kai on 18 June 2009.

(ii) Pursuant to the written resolutions of all the shareholders of the Company passed on 21 September 2009, the followings were approved:

(a) each issued and unissued share of HK$0.1 in the capital of the Company was subdivided into 10 shares. Accordingly, the authorised share capital of the Company was increased from 1,000,000 shares to 10,000,000 shares by the creation of an additional 9,000,000 shares and the issued and fully paid share capital of the Company was increased from 3,000 shares to 30,000 shares by the creation of an additional 27,000 shares.

(b) the authorised share capital of the Company was increased from HK$100,000 divided into 10,000,000 shares to HK$100,000,000 divided into 10,000,000,000 shares by the creation of an additional 9,990,000,000 shares.

(c) conditional on the share premium of the Company being credited as a result of the issue of shares on 7 October 2009, the directors were authorised to capitalise the amount of HK$2,360,000 from the amount standing to the credit of the share premium of the Company to pay up in full at par 236,000,000 shares for allotment.

20. SHARE CAPITAL (Continued)

Company (Continued)

Notes: (Continued)

(iii) On 23 September 2009, pursuant to the agreement for sale and purchase of the entire issued share capital of Full Join, the aforesaid three private companies transferred 1,000 shares each in Full Join to the Company and in consideration of and in exchange for which, the Company allotted and issued 83,970,000 shares evenly, credited as fully paid, to these three private companies and the Company credited as fully paid at par the existing 30,000 nil-paid shares.

(iv) On 7 October 2009, 80,000,000 ordinary shares were issued, at the conversion price of HK$0.25 per share to the bond holder upon the conversion of convertible bond (note 22). As a result, there was an increase in share capital and share premium of HK$800,000 and HK$19,200,000 respectively.

(v) On 7 October 2009, the Company's shares have been listed on the GEM of the Stock Exchange and 80,000,000 ordinary shares of HK$0.01 each were issued at HK$0.25 each.

Group

The Group's share capital balance as at 31 March 2009 represented the issued and paid up share capital of Full Join.

21. RESERVES

Group

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

Company

	Share premium	Convertible bond equity reserve	Contributed surplus	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance as at 11 June 2009 (date of incorporation)	–	–	–	–	–
Issue of convertible bond *(note 22)*	–	719	–	–	719
Shares swap pursuant to Reorganisation *(note 20 (iii))*	–	–	5,689	–	5,689
Issue of shares upon listing *(note 20(v))*	19,200	–	–	–	19,200
Issue of shares upon capitalisation *(note 20(ii)(c))*	(2,360)	–	–	–	(2,360)
Issue of shares upon conversion of convertible bond *(note 20(iv))*	19,200	(719)	–	–	18,481
Share issue expenses	(4,532)	–	–	–	(4,532)
Transactions with owners	31,508	–	5,689	–	37,197
Loss for the year	–	–	–	(2,527)	(2,527)
Other comprehensive income	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	(2,527)	(2,527)
Balance as at 31 March 2010	**31,508**	**–**	**5,689**	**(2,527)**	**34,670**

21. RESERVES (Continued)

Notes:

(i) Merger reserve

For the year ended 31 March 2009, merger reserve of the Group represented the difference between the nominal value of the ordinary shares issued by Full Join and the share capital of Eternity Jewelry.

For the year ended 31 March 2010, merger reserve of the Group represented the sum of difference between the nominal value of the ordinary shares issued (a) by the Company and the share capital of Full Join; and (b) by Full Join and the share capital of Eternity Jewelry acquired through the shares swap pursuant to the Reorganisation.

(ii) Contributed surplus

Contributed surplus of the Company represented the difference between the net assets value of the subsidiary acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the Reorganisation.

22. CONVERTIBLE BOND – GROUP AND COMPANY

Full Join and the Company entered into the subscription agreement in July 2009 as supplemented by a supplemental deed dated 3 September 2009 with an independent third party and a convertible bond in the aggregate principal amount of HK$20 million was issued. The convertible bond bore interest at the rate of 4% per annum and payable semi-annually in arrears. The entire outstanding amount of the convertible bond shall be mandatorily converted into shares of the Company at the conversion price of HK$0.25 upon the listing successfully. Otherwise, the convertible bond shall be repaid on the third anniversary of the date of its issue.

The fair value of the liability component of the convertible bond was calculated using a market interest rate for an equivalent non-convertible bond (i.e. 5.4% per annum). The residual amount, representing the value of the equity conversion component, was included in convertible bond equity reserve.

22. CONVERTIBLE BOND – GROUP AND COMPANY (Continued)

The carrying amount of the convertible bond before the conversion is analysed as follows:

	2010
	HK$'000
Fair value of convertible bond	20,000
Equity component	719
Liability component on initial recognition	19,281
Interest expense	–
Carrying amount of convertible bond before conversion	19,281

Interest expense is calculated using the effective interest rate method by applying the effective interest rate of 5.4% per annum to the liability component.

On 7 October 2009, the convertible bond was converted into 80,000,000 shares of the Company at the conversion price of HK$0.25 per share. Accordingly, amounts of HK$800,000 and HK$19,200,000 were credited to the share capital and share premium respectively.

23. SHARE-BASED COMPENSATION

The Company conditionally adopted a share option scheme (the "SO Scheme") on 21 September 2009 (the "Adoption Date") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the SO Scheme include any persons being employees, directors, professionals, customers, suppliers, agents and consultants of the Company and its subsidiaries. The SO Scheme will remain in force for 10 years from the Adoption Date.

The maximum number of shares issuable under share options to each eligible participant in the SO Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options to any eligible participant in excess of this limit is subject to shareholders' approval in a general meeting. The total number of shares which may be issued upon exercise of all share options to be granted must not represent more than 10% of the nominal amount of all the issued shares of the Company (the "10% Limit") as at the date on which trading in the shares of the Company on the Stock Exchange first commenced. The Company may seek approval from its shareholders in a general meeting to refresh the 10% Limit at any time in accordance with the Listing Rules.

23. SHARE-BASED COMPENSATION (Continued)

The maximum number of unexercised share options currently permitted to be granted under the SO Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue from time to time.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, are subject to the approval of the independent non-executive directors (excluding any independent non-executive director who is a proposed grantee of the share options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within a 12-month period, are subject to the shareholders' approval in a general meeting in accordance with the Listing Rules.

The grant of share options is effective upon payment of a remittance of HK$1 in total by the grantee. The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the share options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant of the share options; and (iii) the nominal value of the Company's shares.

As at 31 March 2010 and up to the date of approval of these financial statements, no share options have been granted under the SO Scheme.

24. OPERATING LEASE COMMITMENTS

Group

As at 31 March 2010, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**487**	200
In the second to fifth years inclusive	**866**	–
	1,353	200

Operating lease payments represent rentals payable by the Group for office premises. The leases run for initial periods of 3 years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. None of the leases include contingent rentals.

24. OPERATING LEASE COMMITMENTS (Continued)

Company

The Company does not have any significant operating lease commitments.

25. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with related parties:

	2010	2009
	HK$'000	*HK$'000*
Rental expenses paid to the directors and their spouses	**81**	–

These transactions were conducted in the ordinary course of business. In the opinion of the directors, the expenses were fair and reasonable in the market at the prescribed year.

(ii) Key management personnel compensation

The key management personnel of the Group are the directors of the Company. Details of the remuneration paid to them during the year are set out in note 13 to the financial statement.

26. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial instrument risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance by closely monitoring the individual exposure. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purpose during the year.

26. FINANCIAL RISK MANAGEMENT (Continued)

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to a variety of risks which resulted from both its operating and investing activities. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below:

26.1 Categories of financial assets and liabilities

The carrying amounts of the financial assets and liabilities as recognised at the reporting date are categorised as follows. See notes 2.6 and 2.9 for explanations about how the categorisation of financial instruments affects their subsequent measurements.

	Group		Company
	2010	2009	**2010**
	HK$'000	*HK$'000*	***HK$'000***
Financial assets			
Loans and receivables:			
Trade receivables	**10,177**	8,812	**–**
Deposits	**91**	69	**–**
Amount due from a subsidiary	**–**	–	**33,291**
Bank and cash balances	**26,248**	2,006	**–**
	36,516	10,887	**33,291**

	Group		Company
	2010	2009	**2010**
	HK$'000	*HK$'000*	***HK$'000***
Financial liabilities			
Financial liabilities measured at amortised cost:			
Trade payables	**4,989**	1,289	**–**
Other payables and accruals	**1,166**	455	**350**
Amount due to shareholders	**–**	20,649	**–**
	6,155	22,393	**350**

26. FINANCIAL RISK MANAGEMENT (Continued)

26.2 Market risk

(i) *Foreign currency risk*

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group carries out its business in Hong Kong and worldwide and most of the transactions are denominated in HK$, US$, Japanese Yen ("JPY"), Canadian Dollars ("CAD"), Australian Dollars ("AUD"), Euro ("EUR"), British Pounds ("GBP"), Taiwan Dollars ("TWD") and Singapore Dollars ("SGD"). Exposures to currency exchange rates arise from the Group's overseas sales and purchases.

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure to foreign currency risk. During the year, management of the Group did not consider it necessary to use foreign currency forward contracts to hedge the exposure to foreign exchange risk as most of the assets and liabilities denominated in currencies other than the functional currency of the entities to which they related are short term foreign currency cash flows (due within 9 months).

Foreign currency denominated financial assets and liabilities, translated into HK$ at the closing rates, are as follows:

	US$	JPY	CAD	AUD	EUR	GBP	TWD	SGD
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2010								
Trade receivables	4,993	21	645	76	3,951	1	–	–
Bank and cash balances	1,418	5	1	29	936	124	18	2
Trade payables	(4,560)	–	–	–	–	–	–	–
Gross exposure arising from financial assets and liabilities	1,851	26	646	105	4,887	125	18	2
As at 31 March 2009								
Trade receivables	6,345	279	–	18	1,312	109	–	–
Bank and cash balances	584	–	–	10	105	9	–	–
Trade payables	(693)	–	–	–	–	–	–	–
Gross exposure arising from financial assets and liabilities	6,236	279	–	28	1,417	118	–	–

26. FINANCIAL RISK MANAGEMENT (Continued)

26.2 Market risk (Continued)

(i) Foreign currency risk (Continued)

The following table illustrates the sensitivity of the Group's profit after income tax for the year and retained profits in regards to 5% for US$, JPY, CAD, AUD, EUR, GBP, TWD and SGD for the years ended 31 March 2009 and 2010 appreciation in the Group entities' functional currencies against the respective foreign currencies. The above percentages are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the assumed percentage changes in foreign currency rates taking place at the beginning of the year and held constant throughout the year.

	US$	JPY	CAD	AUD	EUR	GBP	TWD	SGD
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2010								
Profit for the year and retained profits	**93**	**1**	**32**	**5**	**244**	**6**	**1**	**–**
As at 31 March 2009								
Profit for the year and retained profits	312	14	–	1	71	6	–	–

A same percentage change in the Group entities' functional currencies against the respective foreign currencies would have the same magnitude on the Group's profit for the year and retained profits but of opposite effect.

These are the same method and assumption used in preparing the sensitivity analysis included in the financial statements for the year ended 31 March 2009.

The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

26. FINANCIAL RISK MANAGEMENT (Continued)

26.2 Market risk (Continued)

(ii) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Other than deposits held in banks, the Group does not have significant interest-bearing financial assets. Cash at banks earn interest at floating rates of 0.01% per annum based on the daily bank deposits rates during the year. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

The Group continually assesses and monitors the exposure to interest rate risk. During the year, management did not consider it necessary to use interest rate swaps to hedge their exposure to interest rate risk as the interest rate risk exposure is not significant.

The policies to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

26.3 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations. The carrying amounts of bank and cash balances, trade receivables and deposits represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment by the directors. Payment record of customers is closely monitored. Monthly reports of customer payment history are produced and reviewed by the directors. When overdue balances and significant trade receivables are highlighted, the directors determine the appropriate recovery actions. It is not the Group's policy to request collateral from its customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which the customers operate also has an influence on credit risk but to a lesser extent.

26. FINANCIAL RISK MANAGEMENT (Continued)

26.3 Credit risk (Continued)

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history and the Group assesses the credit worthiness and financial strength of its customers as well as considering prior dealing history with the customers. Generally customers are granted credit terms ranging from 30 to 270 days. Ageing analysis of trade receivables that are not impaired is set out in note 17. Management makes periodic collective assessment as well as individual assessment on the recoverability of trade receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any trade disputes with the debtors.

All the Group's cash and cash equivalents are held in the banks in Hong Kong. The credit risk on liquid funds is limited because the counterparties are the banks with good credit-rating.

The directors consider the Group does not have a significant concentration of credit risk. The top 5 customers accounted for less than 20% (2009: 34%) of total sales during the year.

The credit policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 17.

26.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities.

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The liquidity risk of the Group is managed by the cash and cash equivalents generated from operating cash flow and short term loans when necessary. The Group has net current assets of HK$6,486,000 and HK$48,776,000 and has cash and cash equivalents of HK$2,006,000 and HK$26,248,000 as at 31 March 2009 and 2010 respectively. In the opinion of the directors, the Group's exposure to liquidity risk is limited.

26. FINANCIAL RISK MANAGEMENT (Continued)

26.4 Liquidity risk (Continued)

The following table details the remaining contractual maturities at each of the reporting dates of the financial liabilities, which are based on the earliest date the Group may be required to pay:

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	More than 1 year but less than 2 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Group				
As at 31 March 2010				
Trade payables	**4,989**	**4,989**	**4,989**	**–**
Other payables and accruals	**1,166**	**1,166**	**1,166**	**–**
	6,155	**6,155**	**6,155**	**–**
Group				
As at 31 March 2009				
Trade payables	1,289	1,289	1,289	–
Other payables and accruals	455	455	455	–
Amounts due to shareholders	20,649	20,649	20,649	–
	22,393	22,393	22,393	–
Company				
As at 31 March 2010				
Other payables and accruals	**350**	**350**	**350**	**–**

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risk.

27. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(a) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for equity holders;

(b) to support the Group's sustainable growth; and

(c) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. In order to maintain or adjust the capital structure, the Group may adjust the amount of the dividends paid to equity holders, return capital to equity holders or issue new shares. Management regards total equity as capital, for capital management purpose. The amount of capital as at 31 March 2009 and 2010 amounted to HK$6,537,000 and HK$49,947,000 respectively, which management considers as optimal having considered the projected capital expenditures and the forecast strategic investment opportunities. The Group's overall capital management strategy remains unchanged during the year.

28. EVENTS AFTER THE REPORTING DATE

On 7 April 2010, Grow Dragon Limited (the "Vendor"), the Company and Cheong Lee Securities Limited (the "Placing Agent") entered into the placing agreement pursuant to which the Vendor has agreed to place, and the Placing Agent has agreed to procure not less than six placees, on a best effort basis, for the purchase of up to 72,000,000 shares at the placing price of HK$0.28 per placing share. At the same time, the Vendor and the Company entered into the subscription agreement pursuant to which the Vendor has agreed to subscribe for such number of subscription shares which is equivalent to the number of placing shares, being a maximum number of 72,000,000 subscription shares, at the subscription price of HK$0.28 per subscription share.

On 20 April 2010, the Company announced that all the conditions of the subscription agreement had been fulfilled and the subscription was completed, the Company issued and the Vendor subscribed for 72,000,000 new shares at the subscription price. The Company received net proceeds of approximately HK$19.6 million from the issue of the subscription shares.