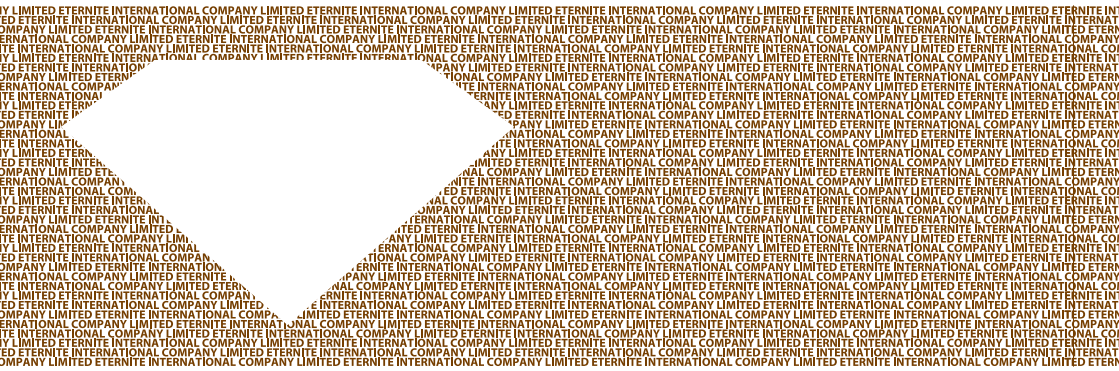


# ETERNITE

INTERNATIONAL COMPANY LIMITED

*(incorporated in Bermuda with limited liability)*

Stock Code: 8351



## *First Quarterly Report 2010*

*\* For identification purpose only*

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors (the “Directors”) of Eternite International Company Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in this report misleading.*

The board of directors (the “Board”) of Eternite International Company Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 30 June 2010 together with the comparative unaudited figures for the corresponding periods in 2009 as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)**

	<i>Notes</i>	<b>For the three months ended 30 June</b>	
		<b>2010 (Unaudited) HK\$'000</b>	<b>2009 (Unaudited) HK\$'000</b>
<b>Revenue</b>	2	<b>9,297</b>	11,146
Cost of sales		<b>(6,081)</b>	(6,903)
<b>Gross profit</b>		<b>3,216</b>	4,243
Other income	2	<b>14</b>	171
Distribution costs		<b>(857)</b>	(787)
Administrative expenses		<b>(3,160)</b>	(571)
<b>(Loss)/profit before income tax</b>	4	<b>(787)</b>	3,056
Income tax expense	5	<b>(146)</b>	(504)
<b>(Loss)/profit for the period</b>		<b>(933)</b>	2,552
<b>(Loss)/profit attributable to owners of the Company</b>		<b>(933)</b>	2,552
<b>(Loss)/earnings per share</b>	7		
– Basic (HK Cents)		<b>(0.17)</b>	0.8
– Diluted (HK Cents)		<b>N/A</b>	N/A

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
(LOSS)/INCOME (UNAUDITED)**

	For the three months ended 30 June	
	2010 (Unaudited) <i>HK\$'000</i>	2009 (Unaudited) <i>HK\$'000</i>
(Loss)/profit for the period	(933)	2,552
Other comprehensive income for the period, net of tax	–	–
<b>Total comprehensive (loss)/income attributable to owners of the Company</b>	<b>(933)</b>	<b>2,552</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY RESULTS

### 1. GENERAL INFORMATION

Eternite International Company Limited (the “Company”) was incorporate 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 Company’s shares have been listed on the GEM of the Stock Exchange since 7 October 2009.

The Company’s principal activity has not changed during the period and consisted of investment holding. The principal activity of its subsidiaries is engaged in sales of diamonds and design and sales of jewellery products. On 1 April 2010, Invest Trade Limited, a wholly-owned subsidiary of the Company, was incorporated in BVI. The principal activity of Invest Trade Limited and its subsidiaries is sales of diamonds.

### BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements 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”). They have been prepared under historical cost convention.

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in annual financial statements for the year ended 31 March 2010.

In the current period, 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.

The unaudited condensed consolidated financial statements have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

**2. 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 periods are as follows:

	<b>For the three months ended 30 June</b>	
	<b>2010 (Unaudited) HK\$'000</b>	<b>2009 (Unaudited) HK\$'000</b>
<b>Revenue</b>		
Sales	9,297	11,146
<b>Other income</b>		
Interest income on financial assets stated at amortised cost	3	–
Exchange gain, net	–	157
Sundry income	11	14
	<b>14</b>	<b>171</b>

**3. SEGMENT INFORMATION**

On adoption of HKFRS 8 Operating segments, the Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive Directors for their decisions about resources allocation to the Group's business components and review of these components' performance. There are two business components in the internal reporting to the executive Directors, which is the design and sale of jewelry products and sales of diamonds.

The Directors consider the adoption of HKFRS 8 has not changed the identified operating segment for the Group compared to the annual financial statements for the year ended 31 March 2010.

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the executive Directors. The executive Directors assess segment profit or loss using a measure of operating profit. The measurement policies the Group uses for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements, except that certain items are not included in arriving at the operating results of the operating segments (expenses relating to share-based payments, income tax expenses and corporate income and expenses).

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

	<b>For the three months ended 30 June</b>	
	<b>2010 (Unaudited) HK\$'000</b>	2009 (Unaudited) HK\$'000
Reportable segment revenue ( <i>note</i> )	9,297	11,146
Reportable segment (loss)/profit	(22)	2,934

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

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

	<b>For the three months ended 30 June</b>	
	<b>2010 (Unaudited) HK\$'000</b>	2009 (Unaudited) HK\$'000
Reportable segment (loss)/profit	(22)	2,934
Depreciation	(80)	(5)
Unallocated other income	3	159
Unallocated other expenses	(688)	(32)
(Loss)/profit before income tax	(787)	3,056

**4. (LOSS)/PROFIT BEFORE INCOME TAX**

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

	<b>For the three months ended 30 June</b>	
	<b>2010 (Unaudited) HK\$'000</b>	2009 (Unaudited) HK\$'000
(Loss)/profit before income tax is arrived at after charging:		
Auditors' remuneration	91	3
Cost of inventories recognised as expense, including	26,422	19,439
– Write-down of inventories to net realisable value	2,312	1,233
Depreciation	80	5
Employee benefit expense (including directors' remuneration)	574	325
Exchange loss, net	673	28
Operating lease rentals in respect of rented premises	302	75

**5. INCOME TAX EXPENSE**

	<b>For the three months ended 30 June</b>	
	<b>2010 (Unaudited) HK\$'000</b>	2009 (Unaudited) HK\$'000
Current income tax		
– Hong Kong	146	504

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the three months ended 30 June 2010 and 2009.

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

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



**6. DIVIDENDS**

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2010 and 2009.

**7. (LOSS)/EARNINGS PER SHARE**

The adjusted loss attributable to the owners of the Company is calculated based on the loss attributable to the owners of the Company for the three months ended 30 June 2010 of HK\$933,000 as used in the calculation of basic earnings per share.

The weighted average number of shares used in the calculation of basic earnings per share is calculated based on the weighted average of 536,176,000 ordinary shares in issue during the period.

Diluted earnings per share for the three months ended 30 June 2009 and 2010 were not presented as there was no potential ordinary share.

**8. RESERVES**

	Share premium (Unaudited) HK\$'000	Merger reserve (Unaudited) HK\$'000	Retained (loss)/profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2010	31,508	(830)	14,469	45,147
Transactions with owners				
– Issued of shares to public	19,440	–	–	19,440
Loss for the period	–	–	(933)	(933)
Other comprehensive loss	–	–	–	–
Total comprehensive loss for the period	–	–	(933)	(933)
At 30 June 2010	50,948	(830)	13,536	63,654
At 1 April 2009	–	(13)	6,527	6,514
Profit for the period	–	–	2,552	2,552
Other Comprehensive income	–	–	–	–
Total comprehensive income for the period	–	–	2,552	2,552
At 30 June 2009	–	(13)	9,079	9,066

**BUSINESS REVIEW AND PROSPECTS**

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

For the three months ended 30 June 2010, the turnover of the Group decreased to approximately HK\$9,297,000 compared to approximately HK\$11,146,000 for the corresponding period last year, a decrease of approximately 16.6%. The decrease in turnover was mainly attributed to longer production time required to deliver the larger quantity of products ordered by our existing customers in the Jewelry trade shows in June 2010.

The gross profit of the Group for the three months ended 30 June 2010 decreased to approximately HK\$3,216,000 compared to approximately HK\$4,243,000 for the corresponding period last year, a decrease of approximately 24.2%. Gross profit margin for the three months ended 30 June 2010 and 2009 was approximately 34.6% and 38.1% respectively. The decrease in gross profit was in line with the decrease in turnover.

The Group's other income for the three months ended 30 June 2010 decreased by approximately 91.5% to approximately HK\$14,000 compared to approximately HK\$171,000 for the corresponding period last year. The decline was mainly brought about by a reversal from net exchange gain for the three months ended 2009 to net exchange loss for the three months ended 2010, which were approximately HK\$673,000 and HK\$28,000 respectively.

Distribution expenses of the Group for the three months ended 30 June 2010 increased to approximately HK\$857,000 compared to approximately HK\$787,000 for the corresponding period last year, an increase of approximately 8.8%. The increase was mainly attributed to increases in the overseas travelling expenses, insurance and declaration expenses by approximately 12.0%, 276.2% and 62.2% respectively for promoting the Group's products. The increase was partially offset by a decrease in commission paid expenses by approximately 54.8%.

The Group's administration expenses for the three months ended 30 June 2010 increased by approximately 453.1% to approximately HK\$3,160,000 compared to approximately HK\$571,000 for the corresponding period last year. The increase was mainly attributed to an increase in salaries due to increase in head count and expenses incurred in listing the Company's shares on the GEM of the Stock Exchange.

Loss attributable to owners of the Company was HK\$933,000 (three months ended 30 June 2009: profit attributable to owners of the Company of HK\$2,552,000). The deterioration in results was mainly attributed to the increase in the administrative expenses.

For the remaining period of the financial year, the Group's marketing team will continue 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.

While the global economies are showing signs of gradually emerging from the financial crisis, the recovery is likely to be slow and the world economy will still be subject to many elements of uncertainty. Barring any unforeseen circumstances, the Group expects its overall operating environment to improve continually in the foreseeable future.

On 1 April 2010, Invest Trade Limited, a wholly-owned subsidiary of the Company, was incorporated in BVI. The principal activity of Invest Trade Limited is engaged in investment holding.

On 12 April 2010, Eternity Diamonds Trading Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. The principal activity of Eternity Diamonds Trading Limited is sales of Diamonds.

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 places, 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.

Eternity Jewelry (Macau) Company Limited, a company incorporated in Macau on 19 May 2010 with limited liability and an indirect wholly-owned subsidiary of the Company. The principal activity of Eternity Jewelry (Macau) Company Limited is sales of Jewelry products.

## **SHARE OPTIONS**

The Company has conditionally adopted the share option scheme on 21 September 2009 under which certain selected classes of participants (including, among others, full-time 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 three months 30 June 2010, no share option was granted, exercised or lapsed under the share option scheme adopted on 21 September 2009.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 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”) ( <i>Note 1</i> )	Interest of controlled corporation	80,000,000	14.49%
Mr. Cheng Kwong Sai, Paul (“Mr. Cheng”) ( <i>Note 2</i> )	Interest of controlled corporation	80,000,000	14.49%
Mr. Cheung Kwok Fan (“Mr. Cheung”) ( <i>Note 3</i> )	Interest of controlled corporation	80,000,000	14.49%

*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 30 June 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 30 June 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 5% 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	14.49%
Prime New Limited	Beneficial owner	80,000,000	14.49%
Grow Dragon Limited	Beneficial owner	80,000,000	14.49%
Billion Right Limited (Note 1)	Beneficial owner	80,000,000	14.49%
Ms. Wang Chao, Julia (Note 2)	Interest of controlled corporation	80,000,000	14.49%
Deutsche Bank Aktiengesellschaft	Beneficial owner	29,490,000	5.34%
Galaxy Asset Management (H.K.) Limited	Beneficial owner	53,000,000	9.60%

*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 30 June 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 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

#### **DIRECTOR'S RIGHTS TO ACQUIRE SHARE OR DEBENTURES**

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

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

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the three months ended 30 June 2010.



**INTERESTS OF THE COMPLIANCE ADVISER**

As notified by the compliance adviser of the Company, Cinda International Capital Limited (the “Compliance Adviser”), as at 30 June 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.

**DIRECTOR’S INTERESTS IN COMPETING INTERESTS**

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

**CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions by directors during the three months ended 30 June 2010.

**CORPORATE GOVERNANCE PRACTICES**

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

## AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. Chan Kin Wah, Billy, Mr. Ng Heung Yan and Mr. Lei Hong Kuong. The unaudited consolidated results of the Group for the three months ended 30 June 2010 have not been audited by the Company's auditors, but have been reviewed by the Committee, who is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 9 August 2010

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