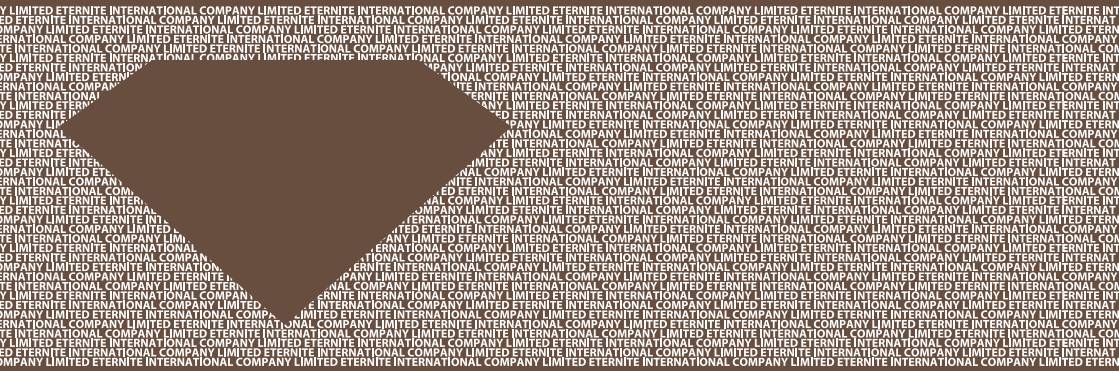


ETERNITE

INTERNATIONAL COMPANY LIMITED
(incorporated in Bermuda with limited liability)

Stock Code: 8351



Interim 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.

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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 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 this report misleading.

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

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the three months and six months ended 30 September 2010

	Notes	Three months ended 30 September		Six months ended 30 September	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Revenue	3	13,385	12,884	22,683	24,030
Cost of sales		(8,952)	(8,145)	(15,034)	(15,048)
Gross profit		4,433	4,739	7,649	8,982
Other income	3	422	38	436	144
Distribution costs		(1,157)	(830)	(2,013)	(1,653)
Administrative expenses		(2,049)	(691)	(5,122)	(1,164)
Operating profit		1,649	3,256	950	6,309
Finance costs	5	(6)	(200)	(6)	(200)
Profit before income tax	6	1,643	3,056	944	6,109
Income tax expense	7	(476)	(504)	(622)	(1,008)
Profit for the period attributable to the owners of the Company		1,167	2,552	322	5,101
Earnings per share					
– Basic (HK cents)	9	0.21	3.04	0.06	6.07
– Diluted (HK cents)		N/A	3.04	N/A	6.07

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)*For the three months and six months ended 30 September 2010*

	Three months ended 30 September		Six months ended 30 September	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit for the period	1,167	2,552	322	5,101
Other comprehensive income for the period	–	–	–	–
Total comprehensive income for the period attributable to the owners of the Company	1,167	2,552	322	5,101

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

	<i>Notes</i>	As at 30 September 2010 (Unaudited) HK\$'000	As at 31 March 2010 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	2,082	1,171
Current assets			
Inventories	11	38,921	18,363
Trade receivables	12	11,174	10,177
Deposits and prepayments		690	316
Bank and cash balances		35,520	26,248
		86,305	55,104
Current liabilities			
Trade payables	13	14,904	4,989
Other payables and accruals		1,060	1,166
Bank borrowings	14	1,200	–
Provision for tax		794	173
		17,958	6,328
Net current assets		68,347	48,776
Net assets		70,429	49,947
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	5,520	4,800
Reserves		64,909	45,147
Total equity		70,429	49,947

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2010

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at 31 March 2010 and 1 April 2010	4,800	31,508	(830)	14,469	49,947
Issue of shares to independent investors	720	19,440	–	–	20,160
Total Comprehensive profit for the period	–	–	–	322	322
Balance as at 30 September 2010	5,520	50,948	(830)	14,791	70,429
Balance as at 31 March 2009 and 1 April 2009	23	–	(13)	6,527	6,537
Total Comprehensive profit for the period	–	–	–	5,101	5,101
Share swap pursuant to group reorganisation	817	–	(817)	–	–
Balance as at 30 September 2009	840	–	(830)	11,628	11,638

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
(UNAUDITED)**

For the six months ended 30 September 2010

	Six months ended 30 September	
	2010 (Unaudited) <i>HK\$'000</i>	2009 (Unaudited) <i>HK\$'000</i>
Net cash (outflow)/inflow from operating activities	(10,989)	28,492
Net cash outflow from investing activities	(1,099)	(16)
Net cash inflow/(outflow) from financing activities	21,360	(20,649)
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,272	7,827
Cash and cash equivalents at beginning of period	26,248	2,006
CASH AND CASH EQUIVALENTS AT END OF PERIOD	35,520	9,833
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	35,520	9,833

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM 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.

2. 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.

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.

Adoption of New or Amended HKFRSs

The adoption of these new and revised HKFRSs has had no material effect on the Interim Accounts.

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.

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.

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.

3. 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:

	Three months ended 30 September		Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Revenue				
Sales	13,385	12,884	22,683	24,030
Other income				
Interest income on financial assets stated at amortised cost	2	–	5	–
Exchange gain, net	–	20	–	112
Sundry income	420	18	431	32
	422	38	436	144

4. 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.

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

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Segment revenue	22,683	24,030
Segment profit	1,702	6,237
Unallocated corporate income	5	112
Unallocated corporate expenses	(763)	(240)
Profit before income tax	944	6,109
Reportable segment assets	87,727	38,199
Unallocated	660	58
Group assets	88,387	38,257
Reportable segment liabilities	17,958	26,619
Unallocated	–	–
Group liabilities	17,958	26,619

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

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

	Six months ended 30 September	
	2010 (unaudited) HK\$'000	2009 (unaudited) HK\$'000
Europe	14,576	11,551
Asia	6,021	5,220
The United States of America and Canada	987	3,876
The Middle East	988	2,113
Australia	111	1,270
	22,683	24,030

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 period under review, 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.

5. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Interest on bank borrowings	6	–	6	–
Interest on convertible bond	–	200	–	200

6. PROFIT BEFORE INCOME TAX

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

	Three months ended 30 September		Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Profit before income tax is arrived at after charging:				
Auditors' remuneration	90	3	181	6
Cost of inventories recognised as expense, including	9,790	8,145	15,202	15,048
– Write-down of inventories to net realisable value	1,479	3,391	1,479	3,391
Depreciation	113	5	192	10
Employee benefit expense (including directors' remuneration)				
– Wages, salaries and allowances	956	615	1,694	1,096
– Defined contribution retirement benefit scheme contributions	36	31	66	55
	992	646	1,760	1,151
Exchange loss, net	–	36	377	–
Operating lease rentals in respect of rented premises	260	75	562	150

7. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Current income tax				
– Hong Kong	476	504	622	1,008

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

8. DIVIDENDS

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

9. EARNINGS PER SHARE

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 three months and six months ended 30 September 2010 of HK\$1,167,000 and HK\$322,000 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 544,131,000 ordinary shares in issue during the period.

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

Diluted earnings per share for the three months and six months ended 30 September 2010 and the corresponding periods in 2009 are not disclosed as no dilutive events existed during those periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the period under review, the Group spent approximately HK\$1,104,000 (six months ended 30 September 2009: approximately HK\$17,000) on acquisition of property, plant and equipment.

11. INVENTORIES

	As at 30 September 2010 (Unaudited) HK\$'000	As at 31 March 2010 (Audited) HK\$'000
Raw materials	18,532	7,512
Work in progress	4,288	1,584
Finished goods	16,101	9,267
	38,921	18,363

12. TRADE RECEIVABLES

Ageing analysis of the Group's trade receivables as at the balance sheet dates based on the invoice dates is as follows:

	As at 30 September 2010 (Unaudited) HK\$'000	As at 31 March 2010 (Audited) HK\$'000
Within 30 days	2,254	3,121
31 – 60 days	1,353	2,684
61 – 90 days	497	1,032
91 – 180 days	1,871	1,300
181 – 365 days	4,794	1,898
Over 1 year	405	142
	11,174	10,177

13. TRADE PAYABLES

Ageing analysis of the Group's trade payables as at the balance sheet dates based on the invoice dates is as follows:

	As at 30 September 2010 (Unaudited) HK\$'000	As at 31 March 2010 (Audited) HK\$'000
Within 30 days	2,858	1,160
31 – 60 days	2,831	585
61 – 90 days	3,655	376
91 – 180 days	3,753	1,841
181 – 270 days	1,220	1,027
	14,317	4,989

14. BANK BORROWINGS

	As at 30 September 2010 HK\$'000 (Unaudited)	As at 31 March 2010 HK\$'000 (Audited)
Secured bank loan	1,200	–

15. SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
At 1 April 2010 and 30 September 2010, ordinary shares of HK\$0.01 each	10,000,000,000	100,000
Issued and fully paid:		
At 1 April 2010, ordinary shares of HK\$0.01 each	480,000,000	4,800
Issue of shares to independent investors (<i>note</i>)	72,000,000	720
At 30 September 2010, ordinary share of HK\$0.01 each	552,000,000	5,520

Note:

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.

16. LEASE AND CONTRACTED COMMITMENTS

The Group leases office premises and a retail outlet under operating lease arrangement. Leases for office premises and a retail outlet are negotiated for the term in 3 years.

At the financial position date, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:–

	As at 30 September 2010 (Unaudited) HK\$'000	As at 31 March 2010 (Audited) HK\$'000
Within one year	2,647	487
In the second to fifth years inclusive	2,512	866
	5,159	1,353

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

The global economies are currently showing signs of gradually emerging from the financial crisis, the Directors expect that the recovery is likely to be slow and the world economy will still be subject to many elements of uncertainty. Facing such uncertain environment, the Group has continued its efforts in expanding geographical coverage and exploring sales opportunities with potential customers in existing and new markets. The Group has launched more new product series in gemstones and pearls in August 2010. For the six months ended 30 September 2010, the Group has focused its efforts in setting up the first retail outlet in Macau. To boost the Group's retail business, the Group placed advertisements through magazines and LED Television at Gongbei.

For the six months ended 30 September 2010, the turnover of the Group decreased to approximately HK\$22,683,000 compared to approximately HK\$24,030,000 for the corresponding period last year, a decrease of approximately 5.6%. 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 August 2010. The decrease in turnover was also attributed to a decrease in the orders placed by overseas customers in the Middle East and Australia and the United States of America and Canada. In terms of geographical segments, sales to the Group major markets, i.e. Europe and Asia markets increased by approximately 26.2% and 15.3% respectively as a result of the hard work of the Group's marketing team. Sales to the Middle East, Australia and the United States of America and Canada markets decreased by approximately 53.2%, 91.3% and 74.5% respectively comparing to the corresponding period last year.

The gross profit of the Group for the six months ended 30 September 2010 decreased to approximately HK\$7,649,000 compared to approximately HK\$8,982,000 for the corresponding period last year, a decrease of approximately 14.8%. Gross profit margin for the six months ended 30 September 2010 and 2009 was approximately 33.7% and 37.4% respectively. The decrease in gross profit was in line with the decrease in turnover.

The Group's other income for the six months ended 30 September 2010 increased by approximately 202.8% to approximately HK\$436,000 compared to approximately HK\$144,000 for the corresponding period last year. The increase was mainly attributed to a gain on disposal of moulds which were no longer in use in September 2010.

Distribution expenses of the Group for the six months ended 30 September 2010 increased to approximately HK\$2,013,000 compared to approximately HK\$1,653,000 for the corresponding period last year, an increase of approximately 21.8%. The increase was mainly attributed to increases in the overseas travelling expenses, commission paid, salaries and insurance by approximately 24.9%, 116.0%, 19.1% and 51.3% respectively for promoting the Group's products.

The Group's administration expenses for the six months ended 30 September 2010 increased by approximately 340.0% to approximately HK\$5,122,000 compared to approximately HK\$1,164,000 for the corresponding period last year. The increase was mainly attributed to an increase in expenses incurred in setting up Macau retail outlets, salaries due to increase in head count and expenses incurred in listing the Company's shares on the GEM of the Stock Exchange.

Profit attributable to owners of the Company was HK\$322,000 (six months ended 30 September 2009: profit attributable to owners of the Company of HK\$5,101,000). The deterioration in results was mainly attributed to the increase in the administrative expenses.

Liquidity, financial resources and capital structure

During the period under review, the Group generally financed its operation with internally generated cash flows, the proceeds from placing of existing shares and subscription for new shares, the proceeds from listing on GEM and bank borrowings.

As at 30 September 2010, the Group had net current assets of approximately HK\$68,347,000 (31 March 2010: approximately HK\$48,776,000), including cash and bank balances of approximately HK\$35,520,000 (31 March 2010: approximately HK\$26,248,000).

As at 30 September 2010, the Group had outstanding bank borrowings of approximately HK\$1,200,000, which are all secured bank borrowings (31 March 2010: Nil). As at 30 September 2010, the Group's gearing ratio of the Group, which is calculated as the ratio of total secured bank loans due after one year to shareholders' funds, was nil (31 March 2010: Nil).

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for those disclosed in this report, there were no significant investment held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 September 2010 and there is no plan for material investments or capital assets as at the date of this report.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2010.

CHARGES ON GROUP ASSETS

As at 30 September 2010, time deposits of approximately HK\$1,200,000 (31 March 2010: Nil) were pledged to bank to secure banking facilities of the Group.

FOREIGN EXCHANGE EXPOSURE

The Group carries out its business in Hong Kong and worldwide and most of the transactions are denominated in Hong Kong Dollars (“HK\$”), United States Dollars (“US\$”), Japanese Yen (“JPY”), Taiwan Dollars (“TWD”), Australian Dollars (“AUD”), Euro (“EUR”) and British Pound Sterling (“GBP”). 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, TWD, AUD, EUR and GBP exchange exposure and fluctuation of exchange rates of these currencies against HK\$ could affect the Group’s results of operations. During the period under review, no hedging transaction or arrangement was made.

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.

- Develop business opportunities in the Eastern Europe, in particular, Russia, based on information gathered from overseas customers' visit(s) and contacts with the potential customers, produce new product designs which suit the market demand in Eastern Europe and arrange business trips to promote these products
- Study the market trends in the Pan-pacific Region and establish preliminary contacts with potential customers based on information gathered from HKTDC, the Internet and overseas customers' visit(s) to the Pan-pacific Region, explore opportunities by participating in trade shows in the Pan-pacific Region, and invite potential customers to attend the Hong Kong March Jewelry Show
- Conduct feasibility studies on the establishment of branches in the Group's major markets
- Evaluate and update the Group's website
- Evaluate the performance of the first retail outlet and modify the business plan, if necessary
- Prepare for the establishment of the Group's second retail outlet in the PRC, possibly in Guangdong province, Xi'an or Shanghai including obtaining all necessary licences, identifying suitable premises, rent negotiation and preparing staff recruitment plan

Human resources deployment and staff training

- Train the Group's in-house design team in relation staff training to the high-end new products with unique designs
- Participate jewelry design competitions so as to enhance the experience of the in-house design team
- Strengthen the Group's procurement and quality control team through provision of training on the latest raw material knowledge and market trends
- Recruit additional staff with experience in raw material sorting
- Provide and organise trainings to the sales team on product knowledge, quality control processes, customer services and communication skills
- Evaluate the performance of the sales team
- Enhance after-sales customer services

Procurement and contract manufacturing

- Further enhance the networking and communication manufacturing with the Group's suppliers and jewelry subcontractors
- Evaluate the performance of new suppliers and jewelry subcontractors

The business objectives stated in the Prospectus

Actual operation progress for the Period ended 30 September 2010

Expand the customer base by further exploring business opportunities with potential customers in existing markets

Appointments with new customers in existing markets including Europe and North America were arranged for all sales trips during the period. Feedbacks from new customers in Austria and Canada were positive

Enhance the Group's corporate profile, improve product display in existing tradeshows and participate in more new tradeshows, if necessary

The booth design and display of the exhibition booth of the September 10 Hong Kong Jewelry Show was enhanced. Information about new tradeshows in Germany and UK were being studied

Evaluate the performance in the Mediterranean based on the sales volume and feedback from relevant customers and modify the business plan, if necessary

The feedback from customers in the Mediterranean reflected that the designs are suitable for the market. Nevertheless, in view of the current economic situation in the area, it will require more time to increase the sales volume. It is anticipated that with the picking up of the economy in the coming future, the Mediterranean could contribute more to the sales of the Company

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

Sales trip to area near North Africa, in particular Gibraltar, is being planned in November 10 to test the market appetite in the region. Appointments with potential customers were made

The business objectives stated in the Prospectus

Actual operation progress for the Period ended 30 September 2010

Obtain preliminary understanding of the market condition in Eastern Europe based on the information gathered from HKTDC, the Internet and the Group's business trip to Eastern Europe during January to February 2009

Study on the market condition in Eastern Europe was carried out

Update the information regarding trading regulations and market demands in Eastern Europe, in particular, Russia, through enquiry with HKTDC and trade Organisations

Trading regulations and market demands in Eastern Europe, in particular, Russia, were studied and updated. Participating trade shows in Russia and Eastern Europe is considered not to the best benefits of the Company at the time being due to the time required to clear the customs before and after the shows. Instead, we are sourcing new customers, especially wholesalers, who would sell products to Eastern Europe. During the period, a few of such customers were identified

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

Research through internet and HKTDC on potential customers in Eastern Europe was carried out. Invitations to attend the Hong Kong September Jewelry Show were sent to these customers

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

The Group's first retail outlet in Macau was opened in August 10

	The business objectives stated in the Prospectus	Actual operation progress for the Period ended 30 September 2010
	Prepare media publicity materials targeted at PRC tourists and discuss with travel agencies on possible arrangement for visits by PRC tourist package tours	Media publicity targeted at PRC tourists such as advertisements at the LED TV at Gongbei and advertisements in magazines were launched. Discussion with travel agencies for visits by PRC tourist package tours were undergoing
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	Training for the Group's in-house design team in relation to the new product series in gemstone and pearls was arranged
	Recruit additional staff in product design	Additional staff in product design was recruited
	Strengthen the Group's procurement and quality control team through provision of training on the latest raw material knowledge and market trends	Training on the latest raw material knowledge and market trends for the Group's procurement and quality control team was arranged
	Provide and organise training to the sales team on product knowledge, quality control processes, customer services and communication skills	Training to the sales team on product knowledge, quality control processes, customer services and communication skills was organised
	Evaluate the performance of the sales team and recruit additional salespersons	Additional salesperson was recruited

	The business objectives stated in the Prospectus	Actual operation progress for the Period ended 30 September 2010
Procurement and contract manufacturing	Further enhance the networking and communication with the Group's suppliers and jewelry subcontractors	Meetings with and visits to the suppliers and subcontractors were arranged
	Identify more suitable suppliers and/or jewelry subcontractors specialised in micro-setting and/or invisible setting techniques	New subcontractors suitable for manufacturing products with micro-setting and/or invisible setting techniques were identified

USE OF PROCEEDS GENERATED FROM LISTING ON GEM

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

	Amount extracted from the Prospectus HK\$'000	Actual usage HK\$'000
Product development	3,200	1,399
Expansion of sales net work	3,700	1,193
Human resources deployment and staff training	3,000	1,196
Procurement and contract manufacturing	2,000	787
Enhancement of inventory level	2,500	2,500
General working capital	1,600	–
	16,000	7,075

The remaining net proceeds as at 30 September 2010 of approximately HK\$8.9 million was deposited to bank and will be used as intended and as stated in the Prospectus.

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.

Details of the Company’s share options granted under the Scheme are as follows:

Date of grant	Category of eligible persons	Exercise price	Exercise period	Outstanding at 1 April 2010	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 30 September 2010
9 July 2010	Employees	HK\$0.285	9 July 2010 to 8 July 2011	-	23,700,000	-	-	-	23,700,000
	Consultants	HK\$0.285	9 July 2010 to 8 July 2011	-	24,300,000	-	-	-	24,300,000
				-	48,000,000	-	-	-	48,000,000

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 September 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 standard of dealings by directors as referred to in Rules 5.46 to 5.67 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	14.49%
Mr. Cheng Kwong Sai, Paul ("Mr. Cheng") (Note 2)	Interest of controlled corporation	80,000,000	14.49%
Mr. Cheung Kwok Fan ("Mr. Cheung") (Note 3)	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 September 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 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 September 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	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%
Galaxy Asset Management (H.K.) Ltd	Investment Manager	75,810,000	13.73%

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 September 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 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 SHARES

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed shares during the six months ended 30 September 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 September 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 interests in relation to the Group.

DIRECTOR’S INTERESTS IN COMPETING INTERESTS

As at the date of this 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 six months ended 30 September 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 six months ended 30 September 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
Executive Director

Hong Kong, 12 November 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.