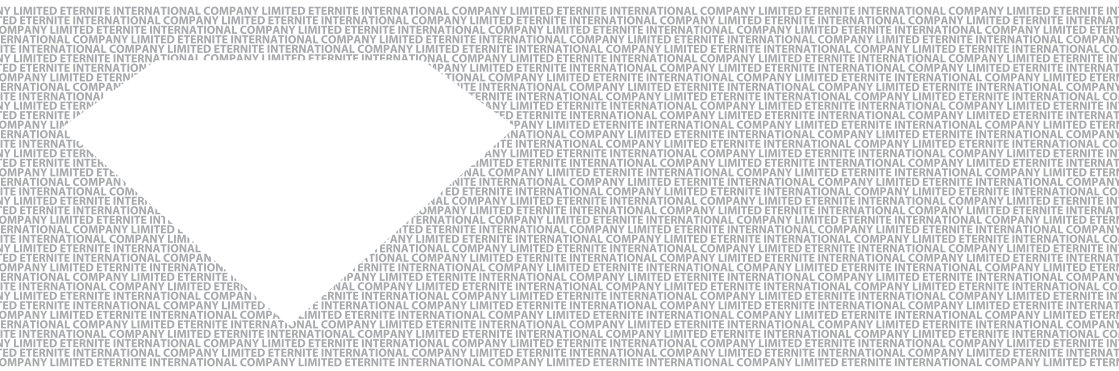


# ETERNITE

INTERNATIONAL COMPANY LIMITED  
*(incorporated in Bermuda with limited liability)*

Stock Code: 8351



## *Third 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.**

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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 nine months ended 31 December 2010 together with the unaudited comparative figures for the corresponding periods in 2009 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

*For the three months and nine months ended 31 December 2010*

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
<b>Revenue</b>	3	<b>20,336</b>	12,032	<b>43,019</b>	36,062
Cost of sales		<b>(15,491)</b>	(7,881)	<b>(30,525)</b>	(22,928)
<b>Gross profit</b>		<b>4,845</b>	4,151	<b>12,494</b>	13,134
Other income	3	33	86	<b>469</b>	294
Distribution costs		<b>(661)</b>	(655)	<b>(2,674)</b>	(2,266)
Administrative expenses		<b>(6,132)</b>	(1,733)	<b>(11,254)</b>	(3,002)
<b>Operating (loss)/profit</b>		<b>(1,915)</b>	1,849	<b>(965)</b>	8,160
Finance costs	4	<b>(6)</b>	200	<b>(11)</b>	–
<b>(Loss)/profit before income tax</b>		<b>(1,921)</b>	2,049	<b>(976)</b>	8,160
Income tax expense	5	<b>(461)</b>	(450)	<b>(1,083)</b>	(1,459)
<b>(Loss)/profit for the period</b>		<b>(2,382)</b>	1,599	<b>(2,059)</b>	6,701
<b>Attributable to:</b>					
<b>Owners of the Company</b>		<b>(2,382)</b>	1,599	<b>(2,059)</b>	6,701
<b>Dividends</b>	6	–	–	–	–
<b>(Loss)/earnings per share</b>					
– Basic (HK Cents)	7	<b>(0.41)</b>	0.77	<b>(0.37)</b>	3.22
– Diluted (HK Cents)		<b>N/A</b>	N/A	<b>N/A</b>	N/A

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

*For the three months and nine months ended 31 December 2010*

	Three months ended 31 December		Nine months ended 31 December	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
(Loss)/profit for the period	(2,382)	1,599	(2,059)	6,701
Other comprehensive income for the period, net of tax	–	–	–	–
<b>Total comprehensive (loss)/income attributable to:</b>				
Owners of the Company	(2,382)	1,599	(2,059)	6,701

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED THIRD QUARTERLY RESULTS

### 1. GENERAL INFORMATION

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 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 design and sales of jewellery products. On 1 April 2010 and 19 May 2010, Invest Trade Limited and Eternity Jewelry (Macau) Company Limited, wholly-owned subsidiaries of the Company, were incorporated in BVI and Macau respectively. The principal activities of Invest Trade Limited and its subsidiaries and Eternity Jewelry (Macau) Company Limited are diamond trading and retailing respectively.

### 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The accounting policies used in the preparation of the unaudited consolidated results are consistent with those adopted in preparing the annual audited financial statements for the year ended 31 March 2010.

In the current period, the Group has adopted the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) that are relevant to its operations and effective for its accounting year beginning on 1 April 2010. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

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

**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 31 December		Nine months ended 31 December	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>Revenue</b>				
Sales	20,336	12,032	43,019	36,062
<b>Other income</b>				
Interest income	3	2	8	2
Exchange gain, net	–	58	–	235
Sundry income	30	26	461	57
	33	86	469	294

**4. FINANCE COSTS**

	Three months ended 31 December		Nine months ended 31 December	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Interest on convertible bond (note)	–	(200)	–	–
Interest on bank borrowing	6	–	11	–
	6	(200)	11	–

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

**5. INCOME TAX EXPENSE**

	Three months ended 31 December		Nine months ended 31 December	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Current income tax – Hong Kong	461	450	1,083	1,459

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the three months and nine months ended 31 December 2010 and 2009.

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands (the "BVI"), the Company and its subsidiaries, Full Join Limited and Invest Trade Group 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 nine months ended 31 December 2010 (2009: Nil).

#### **7. LOSS/EARNINGS PER SHARE**

The calculations of basic loss per share for the three months and nine months ended 31 December 2010 are based on the unaudited consolidated loss of HK\$2,382,000 and HK\$2,059,000 attributable to owners of the Company for the three months and nine months ended 31 December 2010 respectively (three months and nine months ended 31 December 2009: unaudited consolidated profit of HK\$1,599,000 and HK\$6,701,000 respectively) and the pro forma weighted average number of shares in issue for the three months and nine months ended 31 December 2009: 207,840,000 shares) on the assumption that they have been in issue for the three months and nine months ended 31 December 2010 respectively.

In respect of diluted loss per share amounts prepared, no adjustment has been made to the basic loss per share amounts prepared as the impact of the share options outstanding had an anti-dilutive effect on the basis loss per share in respect of the three months and the nine months ended 31 December 2010.

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

**8. RESERVES**

	Share premium (Unaudited) <i>HK\$'000</i>	Share option reserve (Unaudited) <i>HK\$'000</i>	Merger reserve (Unaudited) <i>HK\$'000</i>	Retained profits (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
At 1 April 2010	31,508	–	(830)	14,469	45,147
– Issue of shares to independent investors	19,440	–	–	–	19,440
– Equity settled share-based payment	–	200	–	–	200
– Share options granted to employee and consultant	–	2,400	–	–	2,400
– Exercise of share options	9,371	(1,474)	–	–	8,097
– Cancellation of share options	–	(926)	–	926	–
Total comprehensive loss for the period	–	–	–	(2,059)	(2,059)
<b>At 31 December 2010</b>	<b>60,519</b>	<b>200</b>	<b>(830)</b>	<b>13,336</b>	<b>73,225</b>
At 1 April 2009	–	–	(13)	6,527	6,514
Transactions with owners					
– Shares swap pursuant to the Reorganisation	–	–	(817)	–	(817)
– Issued of shares to public	33,026	–	–	–	33,026
– Capitalisation on issue of shares	(2,360)	–	–	–	(2,360)
Total comprehensive income for the period	–	–	–	6,701	6,701
<b>At 31 December 2009</b>	<b>30,666</b>	<b>–</b>	<b>(830)</b>	<b>13,228</b>	<b>43,064</b>



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review and corporate development

Despite the slow recovery of global demand, the Group has successfully received large orders from major customers during the year and was able to sustain turnover growth. The Group has also continued its effort to explore new geographical regions and to maintain business rapport with its existing customers.

The retail outlet in Macau has been established since August 2010 and the Group has been striving hard to address the needs and appetite of the customers, mostly from the Mainland China.

The Group had conducted a General Offer commencing on 22 November 2010 and was closed on 13 December 2010 (please refer to the details contained in the Circular dated 21 November 2010). Following the General Offer, the Group had undergone a period of corporate restructuring and there had been a change of the Group's Board of Directors with effect from 16 December 2010.

## FINANCIAL REVIEW

### Revenue

For the nine months ended 31 December 2010, the turnover of the Group has increased to approximately HK\$43,019,000 compared to approximately HK\$36,062,000 for the corresponding period last year, an increase of approximately 19.3%. The increase in turnover was mainly attributed to the following reasons:

- Increase in orders placed by overseas customers especially from Europe due to the recovery of the global economy where demand bounces back and customers regain their spending appetites;
- Large quantities orders placed by some of our existing overseas customers with lower profit margins; and
- Sale of obsolete stocks with low profit margin in order to improve inventory turnover and sustain the liquidity of the Group.

**Gross profit**

The gross profit of the Group for the nine months ended 31 December 2010 has decreased to approximately HK\$12,494,000 compared to approximately HK\$13,134,000 for the corresponding period last year, a decrease of approximately 5%. Gross profit margin for the nine months ended 31 December 2010 has also decreased to 29.0% compared to approximately 36.4% for the corresponding period last year. The decrease in gross profit margin was mainly due to the above mentioned reasons including the large quantities orders placed by the existing customers and the sale of obsolete stocks with low profit margin.

**Other income**

The other income of the Group for the nine months ended 31 December 2010 has increased to approximately HK\$469,000 or 59.5% compared to the corresponding period last year. The said increase was mainly due to a gain on disposal of moulds, which were no longer in use for the current period, amounting to HK\$385,000.

**Distribution costs**

Distribution expenses of the Group for the nine months ended 31 December 2010 have increased to HK\$2,674,000 or 18.0% compared to the corresponding period last year. The increase was mainly due to additional travelling and exhibition expenses for promoting the Group's products during the period.

**Administrative expenses**

The administrative expenses of the Group for the nine months ended 31 December 2010 have increased sharply to HK\$11,254,000 or 274.9% compared to the corresponding period last year. The increase was mainly due to the following reasons:

- Costs of setting up the retail outlet in Macau and its preliminary operating loss incurred during the period;
- Professional fees incurred in relation to General Offer during the period;
- Salaries (including directors' emoluments) increment due to increase in headcounts of the Group for the Hong Kong office and the newly established Macau's retail outlet;
- Share option expenses of HK\$2,600,000 incurred due to the grant of share option to the employees and professionals during the period.

**Loss attributable to owners of the Company**

Loss attributable to owners of the Company was HK\$2,059,000 for the nine months ended 31 December 2010 compared to profit of HK\$6,701,000 for the corresponding period last year. The main reasons were an increase in distribution costs and administrative expenses as mentioned above.

**BUSINESS PROSPECT**

During the remaining of the financial year, the Group will continue its efforts in expanding its customer base in Europe and exploring sales opportunities in new markets such as Eastern Europe.

In order to enhance the Group's corporate profile and brand awareness, the marketing team will participate in more tradeshow and exhibitions to broaden the customer base. The Group will also arrange more frequent visits to existing customers in order to promote new products and designs. In addition, the Group will re-design its website which will be more user-friendly and to provide more up-to-date product information.

To stay ahead of the market, the Group will continue to provide intensive training to both in-house designers and sales team. In addition, the Group will continue to launch new products to the market.

Apart from the wholesale business, the Group's retail business in Macau will be one of our key growth drivers in the coming years. The Group will strive to develop this market and to provide products with more varieties to satisfy customers from both local market and Mainland China. In order to take advantage of the increasing demand from Mainland China customers, the Group's retail outlet has launched more gold jewelry products since January 2011.

On the back of a buoyant jewelry retail market in Hong Kong and China, the Directors consider that developing stronger retail presence in the region is crucial to the Group's long-term success and is therefore evaluating a number of investment opportunities with a view to further expanding the Group's retail business and to enhance its market recognition. Equally importantly, the Group is also considering to expand its business vertically by way of acquiring diamond and/or gold resources so as to secure a steady, lower cost and quality supply.

## 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.

The following table discloses movements in the Company’s share options during the period.

Date of grant	Category of eligible persons	Exercise price	Exercise period	Outstanding as 1 April 2010	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 31 December 2010
14 April 2010	Consultants	HK\$0.280	9 April 2010 to 8 April 2011	-	24,000,000 (note 1)	-	-	-	24,000,000
9 July 2010	Employees	HK\$0.285	9 July 2010 to 8 July 2011	-	23,700,000 (note 2)	6,450,000	-	17,250,000	-
	Consultants	HK\$0.285	9 July 2010 to 8 July 2011	-	24,300,000 (note 2)	23,000,000	-	1,300,000	-
				-	72,000,000	29,450,000	-	18,550,000	24,000,000

*Note 1:* On 7 April 2010, the Company entered into a service agreement (the “Service Agreement”) with Galaxy Capital Limited (“Galaxy Capital”). Pursuant to the Service Agreement, the Company issued the share option to Galaxy Capital in exchange of the professional service provided by Galaxy Capital. Galaxy Capital was an independent party at the time of entering into the Service Agreement and became the concert party of the Offerors under the General Offer commencing on 22 November 2010. The Offer was closed on 13 December 2010 (please refer to details of the circular, dated 21 November 2010, issued by the Company).

*Note 2:* The share options were sold to the Offerors at HK\$0.215 per share and cancelled thereafter in accordance with the term of Offer Options in the Circular dated 21 November 2010. (please refer to details of the circular, dated 21 November 2010, issued by the Company).

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

As at 31 December 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	7,500,000	1.29%
Mr. Cheng Kwong Sai, Paul ("Mr. Cheng") (Note 2)	Interest of controlled corporation	7,500,000	1.29%
Tsang Po Yee, Pauline ("Ms Tsang") (Note 3)	Interest of controlled corporation	160,000,000	27.52%

#### Notes:

- 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 7,500,000 shares held by King Honor Limited under the SFO.
- 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 7,500,000 shares held by Prime New Limited under the SFO.
- Ms. Tsang beneficially owns 15% of shareholding interests in Fullink Management Limited, which in turn owns 160,000,000 shares of the Company (the "Shares"), representing approximately 27.52% of the entire issued share capital of the Company. Ms. Tsang is deemed to be interested in the 160,000,000 shares held by Fullink Management Limited under the SFO.

Save as disclosed above, as at 31 December 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 December 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
Fullink Management Limited ( <i>note 1</i> )	Beneficial owner	160,000,000	27.52%
Galaxy Asset Management (H.K.) Ltd ( <i>note 2</i> )	Investment advisor	163,860,000	28.21%
Chan Ping Yee	Beneficial owner	40,000,000	6.88%

*Note:*

1. Fullink Management Limited is beneficially owned as to 40% by Mr. Tsang, Michael Man-heem and as to 15% by each of Ms. Tsang Po Yee, Pauline (the executive director of the Company), Ms. Tsang, Becky Po Kei, Ms. Tsang, Po De Wendy and Ms. Tsang, Marina Po Hing respectively.
2. This includes 89,150,000 shares held by Galaxy China Deep Value Fund ("GCDV"), 65,380,000 shares held by Galaxy China Special Situations Fund SPC, for and on behalf of its segregated portfolio, Galaxy China Special Situations Segregated Portfolio 1 ("GCSSF") and 9,330,000 shares held by Galaxy China Special Situations Fund SPC, for and on behalf of Galaxy China Hidden Value Fund Segregated Portfolio ("GCHV"). Galaxy Asset Management (H.K.) Limited is the investment advisor to GCDV, GCSSF, and GCHV.

Save as disclosed above, as at 31 December 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 nine months ended 31 December 2010.

#### **INTERESTS OF THE COMPLIANCE ADVISER**

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

#### **DIRECTOR'S INTERESTS IN COMPETING INTERESTS**

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

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

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions by directors during the nine months ended 31 December 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 Company has set up an audit committee (the “Committee”) on 21 September 2009, with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises three independent non-executive directors of the Company, namely Mr. Chan Kin Wah, Billy, Mr. Ng Heung Yan and Mr. Lei Hong Kuong. The unaudited consolidated results of the Group for the nine months ended 31 December 2010 have not been audited by the Company’s auditors, but have been reviewed by the Committee, which 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**  
**Chan Man Fai, Joe**  
*Chairman*

Hong Kong, 9 February 2011

*As at the date of this report, the Board comprises Mr. So Chun Kai and Ms. Tsang Po Yee, Pauline as executive directors, Mr. Chan Man Fai, Joe as chairman and non-executive director, Mr. Joseph Patrick Chu Yeong Kang, Mr. Yim Kwok Man and Mr. Tam B Ray Billy as non-executive directors, and Mr. Chan Kin Wah, Billy, Mr. Ng Heung Yan and Mr. Lei Hong Kuong as independent non-executive directors.*