ETERNITE
INTERNATIONAL COMPANY LIMITED

(incorporated in Bermuda with limited liability)

Stock Code: 8351

Annual Report 2011

* *For identification purpose only*

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This report, for which the directors of Eternite International Company Limited (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to Eternite International Company Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. So Chun Kai
Ms. Tsang Po Yee Pauline

Non-executive Directors

Mr. Chan Man Fai Joe *(Chairman)*
Mr. Joseph Patrick Chu Yeong Kang
Mr. Yim Kwok Man
Mr. Tam B Ray Billy

Independent non-executive Directors

Mr. Seto Man Fai
Mr. Ho Hin Hung Henry
Mr. Lam Kin Kok

COMPANY SECRETARY

Ms. Tsang Po Yee Pauline

AUTHORIZED REPRESENTATIVE

Ms. Tsang Po Yee Pauline

AUDIT COMMITTEE

Mr. Seto Man Fai
Mr. Ho Hin Hung Henry
Mr. Lam Kin Kok

REMUNERATION COMMITTEE

Mr. Seto Man Fai
Mr. Ho Hin Hung Henry
Mr. Lam Kin Kok

NOMINATION COMMITTEE

Mr. Seto Man Fai
Mr. Ho Hin Hung Henry
Mr. Lam Kin Kok

AUDITOR

BDO Limited

SOLICITORS

K&L Gates

COMPLIANCE ADVISER

Cinda International Capital Limited

PRINCIPAL BANKER

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

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM11 Bermuda

PLACE OF BUSINESS

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

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office

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

Hong Kong branch share registrar and transfer office

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

STOCK CODE

8351

WEBSITE

www.eternity-jewelry.com

	Year ended 31 March			
	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**48,650**	47,237	44,575	43,988
Gross profit	**13,323**	19,119	16,373	15,297
(Loss)/Profit before income tax	**(18,426)**	10,028	11,548	10,686
(Loss)/Profit attributable to the owners of the Company	**(19,362)**	7,942	9,678	8,854
Basic (loss)/earnings per share (HK cents)	**(3.05)**	1.76 (Restated)	3.02	2.77

	As at 31 March			
	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**1,981**	1,171	51	12
Current assets	**118,831**	55,104	29,479	34,195
Current liabilities	**4,496**	6,328	22,993	30,349
Net assets	**116,316**	49,947	6,537	3,858

Notes:

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

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

CHAIRMAN'S STATEMENT

Dear Shareholders:

On behalf of the Board of Directors (the "Board") of Eternite International Company Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the financial year ended 31 March 2011.

Significant changes have taken place within the Group in 2010 where we have undergone corporate restructuring highlighted by an unconditional mandatory General Offer and a change in the Group's Board of Directors in December 2010. The new diversified management team combines personnel from various industry backgrounds including jewelry business, accounting, investment banking, the law and architecture. This diversification in expertise can contribute significantly to the Group's future business development and expansion plans and also help to improve its operational procedures and internal control functions. In order to strengthen the business and to broaden the capital base, the Group conducted an equity fund raising as announced on 9 March 2011, successfully raising an aggregate amount of approximately HK$50 million from the placing of 64.5 million new shares and the subscription of 26 million new shares by existing shareholders which are mainly to be used as general working capital for future business development.

During the year, the Group's existing jewelry wholesale business continues to perform well. Demand from overseas customers mainly in the European and Canadian markets and a drastic sales increase from our Hong Kong trade shows boosted our top line. I wish to pass on my sincere thanks to our marketing and sales team for their continuous effort to keep our existing customer base intact while trying their best to capture new customers. Besides, it is always our intention to strive for innovative product designs and to maintain good customer services both of which are vital to our business. Gross margin, however, has decreased slightly compared to the previous year as a result of the rising commodity prices for diamond and gold in addition to inflationary pressures which have affected labour and other processing costs. The net loss incurred by the Company was primarily attributable to the share options expenses incurred due to the grant of share options to employee, professional and directors during the year and the increase in overhead costs due to the expansion of the business of the Group. The loss on the share options expense was a non-cash item and would not have direct impact on the cash flow of the Group. The increase in overhead costs was mainly due to the one-off setting up of a retail outlet in Macau and it is expected that the new retail outlet in Macau will generate returns for the Group. Despite the challenges described above, we remain positive towards the Group's overall financial position and business prospect.

Another area of focus is the expansion of our retail network where we have established our first retail outlet in Macau, in August 2010, in order to address the needs and appetite of customers, especially from Mainland China. To expand our presence in the local market, we have also decided to find a more suitable office location where we can accommodate showrooms for customers. This is our first and foremost step to enhance our retail exposure in Hong Kong.

To further increase our brand recognition and to grasp the investment opportunity of the strong market growth in the Asian jewelry market, the Group has been evaluating potential retail expansion proposals. We believe that expansion by way of acquisition is the most effective and efficient manner to obtain penetration of the retail customer market segment, encompassing markets in Hong Kong, China and other Asian regions. On 7 March 2011 and 14 April 2011, the Company has entered into a Memorandum of Understanding and a conditional sales and purchase agreement respectively with a potential vendor in relation to a possible acquisition of certain jewelry and jewelry related business in Asia, Larry (HK) and Larry (Singapore). The above possible acquisition is still subject to necessary shareholders approval. The said further expansion is crucial to enhance our image in the luxury jewelry sector and to strengthen our position in Hong Kong and other Asia regions. We will continue to review our retail network in order to improve the efficiency and investment return for the Group.

On 13 June 2011, the Company entered into a convertible notes placing agreement with Kingston Securities Limited (the "Placing Agent") pursuant to which the Placing Agent agreed to place, on a best effort basis, the Convertible Notes up to a principal amount of HK$261,000,000, which are convertible into 138,829,787 shares at the initial Conversion Price of HK$1.88. The maximum net proceeds from the Placing will amount to approximately HK$253,120,000 which will be used i) to finance future investments and/or future business development; and ii) to finance part of the consideration for the above possible acquisition.

The placing has not yet been completed up to date of this annual report.

The outlook for the diamond market is positive and continuous volatility of gold and diamond prices has re-established investors' and consumers' confidence. Demand has continued to increase where we are seeing a robust recovery in the luxury goods market largely driven by high net-worth individuals in the western market, whilst markets in China and India have shown the highest potential growth. De Beers is expecting the coming 10 years to be the "diamond decade" where there will be a gap between demand and supply of diamonds during the coming 10-15 years as the projected diamond supply backs behind the rising consumption, the future for the diamond market is likely to continue to surpass expectations. Chinese people have developed a great fascination for diamonds and they have become the world's second-largest consumers of the precious stone. Growth in diamond prices has been reflected through the Rapaport reports, which indicated a significant increase of 30% in 2010. If the trend continues, demand for diamond jewelry is expected to grow by 20% this coming year.

In addition, the future of the industry is not about cutting more diamond carats but to use the carats already out there to create value. Despite this apparently positive outlook regarding growth, the jewelry business still has to be closely monitored at all times as it is a luxury-driven market. Hence we aim to strike a fair balance between aggressive moves and risk mitigation through taking the appropriate strategic direction.

On behalf of the Board, I would like to express my sincere gratitude to all of our customers, shareholders and stakeholders for their continued support and trust. Our appreciation is also extended to our management and staff for their continued contributions to the Company. Our management team believes that the Group's business model could be further expanded to establish a fully integrated value chain. We intend to identify potential acquisition targets to develop the downstream retail sector and also explore the feasibility of upstream business development, particularly in areas of diamond sourcing and trading. As the leader of the Group, I resolve to continue to work diligently with the Board in taking the Company forward to a new era.

Chan Man Fai Joe
Chairman and Non-executive Director

Hong Kong, 20 June 2011

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

Business Review

The Group's overall sales performance remains relatively stable. Overall turnover increased from HK$47.2 million to HK$48.7 million for the year ended 31 March 2011 over the previous year. However, gross margin has decreased from 40.5% to 27.4% as a result of rising diamond prices, other raw material and processing costs and also the sale of obsolete inventories with a lower profit margin.

For the wholesale sector, the Group's marketing team has strived hard to maintain existing clients and to explore other new markets in Eastern and Northern Europe and we are hoping to enhance our retail presence globally. Our production and design teams have also played an important role in developing unique high-end designs. We had also attended exhibitions and trade shows in order to strengthen our competitiveness within the industry and to obtain the latest market information in overall jewelry business trends.

As for the retail sector, we are still in the process of exploring the market through the establishment of our Macau retail outlet. This outlet offers more diversified product lines such as carats, gold and loose diamond products to better fulfill the needs of both local customers as well as those visiting from China.

Financial Review

Revenue

For the year ended 31 March 2011, the turnover of the Group has slightly increased to approximately HK$48,650,000 compared to approximately HK$47,237,000 for the last year, an increase of approximately 3.0%. 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 inventories with lower profit margin in order to improve inventory turnover and sustain the liquidity of the Group.

In terms of geographical segments, sales to the Group major market, i.e. Europe increased by approximately 39.8%. Sales to Asia, the United States of America and Canada, the Middle East and Australia markets decreased by approximately 4.8%, 32.7%, 74.0% and 95.2% respectively compared to the last year.

Gross profit

The gross profit of the Group for the year ended 31 March 2011 has decreased to approximately HK$13,323,000 compared to approximately HK$19,119,000 for the previous year, a decrease of approximately 30.3%. Gross profit margin for the year ended 31 March 2011 has also decreased to 27.4% compared to approximately 40.5% for the last year. The decrease in gross profit margin was mainly due to the large quantities orders placed by the existing customers and the sale of obsolete inventories with lower profit margin.

Other income

The other income of the Group for the year ended 31 March 2011 has increased to approximately HK$486,000 or 575.0% compared to the last year.

Distribution costs

Distribution expenses of the Group for the year ended 31 March 2011 have slightly increased to HK$3,882,000 or 13.1% compared to the last year. The increase was mainly due to additional staff cost of the retail shop in Macau during the year.

Administrative expenses

The administrative expenses of the Group for the year ended 31 March 2011 have increased sharply to HK$28,337,000 or 394.4% compared to the 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 year;
- Professional fees incurred in relation to several transactions (e.g. General Offer) during the year;
- 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;
- Equity-settled share-based payment expenses of HK$16,050,000 (2010: Nil) incurred due to the grant of share option to the directors, employees and professionals during the year, these expenses are non-cash flow items; and
- Provision of impairment loss on trade receivables of HK$1,207,000 (2010: Nil) during the year.

Loss attributable to owners of the Company

Loss attributable to owners of the Company was HK$19,362,000 for the year ended 31 March 2011 compared to profit of HK$7,942,000 for the last year. The main reasons were due to overhead costs incurred in business expansion of the Company and one-off non-cash item of the equity-settled share-based payment expenses as mentioned in administrative expenses above.

Liquidity and financial resources

	2011	2010
	HK$'000	*HK$'000*
Current assets	**118,831**	55,104
Current liabilities	**4,496**	6,328
Current ratio	**26.4**	8.7

The current ratio of the Group as at 31 March 2011 was increased to 26.4 times compared with 8.7 times as at 31 March 2010 mainly resulting from the net proceeds of approximately HK$19.6 million and HK$35.1 million raising from the completion of placing of the shares of the Company on 4 April 2010 and 31 March 2011 respectively.

As at 31 March 2011, the Group has bank and cash balances of approximately HK$64,705,000 (2010: approximately HK$26,248,000) without any outstanding bank borrowing and loan.

As at 31 March 2011, the Group's gearing ratio represented by the total liabilities as a percentage of the Group's total assets amount to approximately 3.7% (2010:11.2%)

Capital Structure

Details of the movements in share capital of the Company are set out in Note 21 to the financial statements.

Significant Investment

As at 31 March 2011 and 2010, there was no significant investment held by the Group.

Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies

Other than in connection with a possible acquisition of certain jewelry and jewelry related business in Asia that the Company has entered into a Memorandum of Understanding and a conditional agreement with a potential vendor on 7 March 2011 and 14 April 2011 respectively (please also refer to the details in the events after the reporting date description), there were no material acquisition or disposal of subsidiaries and affiliated companies in the course of the year.

Pledge of Assets

As at 31 March 2011 and 2010, the Group did not have any pledges on its assets.

Contingent Liabilities

As at 31 March 2011 and 2010, the Group has no significant contingent liabilities.

Lease and Contracted Commitments

Operating Lease Commitments

As at 31 March 2011, the total future minimum lease payments by the Group under non-cancellable operating leases are as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within one year	**3,679**	487
In the second to fifth years inclusive	**6,118**	866
	9,797	1,353

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

Save for the above commitments, as at 31 March 2011 and 2010, neither the Group nor the Company had any other significant commitments.

Events after the reporting date

(i) On 14 April 2011, the Company entered into a conditional agreement with a third party to acquire the entire equity interests in Sharp Wonder Holdings Limited ("Sharp Wonder") at a consideration of HK$400,000,000 (subject to adjustment). The consideration is to be satisfied as to HK$250,000,000 in cash and as to HK$150,000,000 (subject to adjustment) by the issue of the promissory note by the Company to the vendor. Sharp Wonder and its subsidiaries are engaged in the business of jewelry retailing in Hong Kong and Singapore, details of which are set out in the Company's announcement dated 26 April 2011. As at the date of the approval of the financial statements, the acquisition has not been completed.

(ii) On 29 April 2011, the Company completed the subscription by which 26,000,000 new ordinary shares were issued at the subscription price of HK$0.553 per share. The Company received net proceeds of approximately HK$14.22 million from the issue of the subscription shares accordingly.

(iii) On 12 June 2011, the Company entered into a placing agreement with the placing agent whereby the Company agreed to appoint the placing agent to procure independent placees to subscribe in cash at 100% of the principal amount, for the convertible notes up to a principal amount of HK$261,000,000. The initial conversion price of the convertible notes is HK$1.88 per convertible share. The maturity date is 3 years from the first issue date. As at the date of the approval of the financial statements, the placing has not been completed.

Foreign Exchange Exposure

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

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

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

Treasury Policies

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

Employees and Remuneration Policies

As at 31 March 2011, the Group had 31 (2010: 19) employees, including directors of the Company. Total staff costs (including directors' emoluments) were approximately HK$19,282,000, in which including share-based payment expenses of HK$14,335,000 (2010: Nil), for the year ended 31 March 2011 as compared to approximately HK$2,764,000 for the year ended 31 March 2010. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and share option scheme.

Outlook

Although the global economy has shown signs of recovery, the Group will remain cautious in ensuring that focused business plans will be implemented which are beneficial to the Group and most importantly to the shareholders. The Group will continue to devote efforts and resources particularly into staff training and improving product designs while identifying future business opportunities where our revenue streams could be further extended.

Below are highlights of our development plans for the first half of the next fiscal year which the Group will strive to execute and achieve success.

Product development

– As our Group has already established a well-known reputation for its micro setting and invisible setting techniques, we will continue to seek other suppliers who can help to upgrade our products and introduce more advanced production methods to enhance efficiency.
– We will allocate some of our resources in developing a more modern and fashionable and more affordable jewelry line mainly for younger customers.
– We will continue to introduce new product series in both gemstones and pearls.

Procurement and contract manufacturing

– We will continue to establish and maintain close rapport with our existing suppliers and jewelry subcontractors.
– We will proactively engage with new suppliers and our business counterparts so as to offer us the opportunity for the most competitive costs and to produce more diversified products through their advanced technology.

Human resources deployment and staff training

– We will recruit more experienced jewelry designers to provide training and support for our existing designers and to create more innovative design ideas.
– We will strengthen the Group's procurement and quality control team and provide training encompassing the latest product knowledge and market trends.
– In view of the expansion of the retail sector, it is also essential to provide training to the retail sales staff covering product knowledge, customer services and communication skills. More sales and marketing staff will be recruited for both the wholesale and retail business.

Expansion of wholesale network

– We will enhance the Group's corporate profile by upgrading the display areas in tradeshows we currently take part in and participating in more tradeshows offering greater potential, if necessary.
– We will recruit senior jewelry sales professionals where if possible, we can open up new international markets where we have been trying to enter such as the Middle East and Eastern Europe.
– We will strengthen the communication channels with our existing and potential customers by making direct contacts on a regular basis regarding our latest developments.

Expansion of retail network

– We have located a more suitable office location in Causeway Bay where we can provide better showrooms for customers. We will also continue to expand our retail network in order to improve investment return.
– We will continue to explore prospects with potential business partners and of alliances as well as to grasp possible M&A opportunities in order to strengthen our foothold in the Asia region and further expand the Group's business within the luxury goods sector.

Technology development

– We will identify comprehensive jewelry business information systems to enable an efficient flow of information and to deliver relevant reports in a timely manner.
– These systems will ensure accurate booking of information and data while improving operational efficiency at the business level.

Identify potential vertical expansion opportunities

– The Directors believe the Group's business model can be further expanded to establish a fully integrated value chain within the Group.
– Towards this end we are considering expanding the business upstream, in particular in the area of diamond sourcing. The Directors are convinced that diamond prices, which have lagged behind the price surge of precious metals for the past three years, will continue to move up as demand from emerging markets is expected to surge in the coming years. Most importantly, more and more people accept diamond as a store of value in the inflationary environment.

Listed company corporate image and awareness:

– We will strive our best to enhance the brand image of the Company to attract more potential investors and customers. We will identify appropriate media relationship programmes to sustain and enhance public awareness and investors' interest

E-commerce

– E-commerce has become a force to be harnessed within the global marketplace. E-commerce helps to simplify and shorten the business process and therefore helps to reduce costs and increase revenues.
– Through e-commerce initiatives, we hope to take our jewelry products and services to a much wider audience, while at the same time expanding our client base.
– We will identify comprehensive and secure Internet systems to enable clients to acquire up-to-date jewelry product knowledge and to conduct immediate online transactions, if the customer wishes.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The Following is a summary of the actual progress of the Group compared with the business objectives set out in the Prospectus for the period from 1 October 2010 to 31 March 2011 (the "Review Period").

	Business objectives for the Review Period	Actual operation progress up to 31 March 2011
Product development	– Launch new product series manufactured by the micro-setting and/or invisible setting techniques	New product series manufactured by the micro-setting and/or invisible setting techniques were launched during the March 2011 Hong Kong Jewelry Trade Show and the products were further promoted to the Company's customers via sales trips during the period.
	– Promote new product series in gemstones and pearls	New product series in gemstones and pearls were promoted via sales trips and the Hong Kong Jewelry Trade Shows in March 2011. The responses from the European customers are positive.
	– Prepare for the introduction of high-end new products with unique designs, understand the customers' preferences and market trends	In view of the market conditions and the adjusted business development strategies, introduction of high-end new products will be subject to further review and study.
	– Produce new product designs for potential customers in Eastern Europe, in particular, Russia	New product designs for potential customers in Eastern Europe are being produced.
	– Explore the market appetites in the Pan-pacific region, in particular, Australia	Due to the recent natural disasters and responses from the potential customers in Australia, the sales trip to Australia originally planned in February 2011 was postponed to August 2011 tentatively.
Expansion of sales network	– Strengthen the communication channels with existing customers and existing markets	Regular emails and invitation to trade shows were sent to existing customers and visits to existing customers were organized during the period.
	– 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. Response from new customers in Canada were positive.
	– Enhance the Group's corporate profile, improve product display in tradeshows and participate in more new tradeshows, if necessary	The booth design and display of the exhibition booth of the September 2010 Hong Kong Jewelry Show was enhanced. Information about new tradeshows in Germany and UK were being studied.

Business objectives for the Review Period	Actual operation progress up to 31 March 2011
– Evaluate the performance in North Africa based on the sales revenue and feedback from relevant customers and modify the business plan, if necessary	Sales trip to area near North Africa, in particular Gibraltar, was planned during the period. However, the sales revenue was on the low side and the customers reflected that the economy in the region was not very good and it will require more time to recover. Subject to customers' response, limited number of further sale trips will be planned in the future, in order to maintain contacts with the customers in this region. It is anticipated that when the economy in this region recovers, further sales revenue could be generated.
– 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	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 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	Research through internet and HKTDC on potential customers in Pan-pacific Region was carried out. Invitations to attend the Hong Kong September Jewelry Show were sent to these customers.
– Conduct feasibility studies on the establishment of branches in the Group's major markets	Due to adjustment in the Group's business strategies, the establishment of branches in the Group's major markets will be subject to further review.
– Evaluate and update the Group's website	The Group's website was being evaluated and updated.
– Evaluate the performance of the first retail outlet and modify the business plan, if necessary	The performance of the first retail outlet in Macau was still yet to be improved and enhanced. Based on the feedback from the customers, more pure gold items and some new products were assigned to the Macau retail outlet with a view to further increase the sales volume.

	Business objectives for the Review Period	Actual operation progress up to 31 March 2011
	– 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	Due to adjustment in the Group's business strategies, studies on other means of expanding the Group's retail network was being carried out.
Human resources deployment and staff training	– Train the Group's in-house design team in relation to the high-end new products with unique designs	In view of the market conditions and the adjusted business development strategies, introduction of high-end new products will be subject to further review and study.
	– Participate jewelry design competitions so as to enhance the experience of the in-house design team	Due to adjustment in the Group's business strategies, participation in jewelry design competitions will be subject to further review.
	– 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 was provided to the Group's procurement and quality control team.
	– Recruit additional staff with experience in raw material sorting	Additional staff with experience in raw material sorting was being recruited.
	– Provide and organise trainings 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 were provided.
	– Evaluate the performance of the sales team	Performance of the sales team were evaluated and the performance were generally satisfactory. However, in order to cope with the Group's development, it was decided that additional senior sales executive was to be recruited.
	– Enhance after-sales customer services	After-sales customer services were enhanced by sending emails or making phone calls to the customers after the products were delivered.
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.
	– Evaluate the performance of new suppliers and jewelry Subcontractors	The performance of new suppliers and jewelry subcontractors were evaluated and were generally satisfactory.

USE OF PROCEEDS

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

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

	Amount extracted from the Prospectus *HK$'000*	**Actual usage** *HK$'000*
Product development	3,200	2,000
Expansion of sales network	3,700	1,800
Human resources deployment and staff training	3,000	1,800
Procurement and contract manufacturing	2,000	1,200
Enhancement of inventory level	2,500	2,500
General working capital	1,600	–
	16,000	9,300

The remaining net proceeds as at 31 March 2011 of approximately HK$6.7 million was deposited in the licenced banks in Hong Kong.

DIRECTORS

Executive Directors

Mr. So Chun Kai (蘇鎮楷), aged 48, is one of the Founders, an executive Director of the Group. He is also a director of other members of the Group. Mr. So was appointed as an executive Director on 18 June 2009 and is responsible for the overall strategic planning, operations, product technical development, processing supervision, procurement and quality control of the Group. Mr. So has over 26 years of experience in the jewelry industry. Started as a trainee in the jewelry industry, Mr. So has acquired in-depth technical knowledge in the manufacturing and production of fine jewelry products and invaluable practical experience in the operations of the jewelry industry. Mr. So's knowledge in production, stone matching, quality control on jewelry products and Mr. So's practical experience in operation contribute to the Group in production and quality control and general business operations. Mr. So established the Group with Mr. Cheung and Mr. Cheng, both former executive directors.

Ms. Tsang Po Yee Pauline (曾寶儀), aged 32, is an executive Director, company secretary, compliance officer, and authorized representative of the Group. Ms. Tsang was appointed as an executive Director on 16 December 2010 and is responsible for overall strategic planning, operations, financial management of the Group. Ms Tsang has over 8 years of experience in the accounting and finance area. Ms. Tsang is a qualified member of CPA Australia. Ms. Tsang joined Deloitte Touche Tohmatsu in 2002. Ms. Tsang has extensive experience in internal control management by serving different financial institutions including Morgan Stanley, Societe Generale Securities (Hong Kong) Limited and Royal Bank of Scotland. She then joined the Research and Strategy Group at Citi Private Bank in 2007 as a research analyst. Upon completion of her tenure with Citi Private Bank, Ms. Tsang joined her family-owned business in January 2010 as a director and is responsible for property redevelopment and asset management. Ms. Tsang received both her Bachelor of Commerce degree with double majors in Accounting and Finance and Master of Commerce degree with major in Professional Accounting from Macquarie University in Sydney, Australia in 2000 and 2002 respectively.

Ms. Tsang is also currently a director of her family-owned charity trust which has been actively participating in charitable functions and donations for more than 20 years.

Non-Executive Directors

Mr. Chan Man Fai Joe (陳文輝), aged 51, was appointed as a non-executive Director and chairman on 16 December 2010. Mr. Chan has over 20 years of advisory and trading experience at leading financial institutions. He is currently the founder, the Investment Manager and Managing Director of Galaxy Asset Management (H.K.) Limited ("Galaxy Asset Management"). He is also the responsible officer of Type 9 activities (Asset Management) with the Securities and Futures Commission, Hong Kong ("SFC"). He joined Morgan Stanley in 1988 and his initial assignments were in London where he became the principal trader in the fixed income division. Mr. Chan was appointed as the managing director of Morgan Stanley in 1994. In 1995, Mr. Chan was reassigned to Morgan Stanley's Hong Kong office where he headed the equity division. He left Morgan Stanley in 1996 and formed Galaxy Asset Management in 1998. Mr. Chan received his honourable bachelor degree of social sciences from the University of Hong Kong and his master degree of business administration from The Wharton School, University of Pennsylvania, USA.

Mr. Chan is currently a managing director of Galaxy Asset Management, which is currently an Investment advisor to Galaxy China Deep Value Found, Galaxy China Special Situations Fund SPC, for and on behalf of its segregated portfolio, Galaxy China Special Situations Segregated Portfolio 1, and Galaxy China Special Situations Fund SPC, for and on behalf of Galaxy China Hidden Value Fund Segregated Portfolio, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (collectively, the "substantial shareholders").

Mr. Joseph Patrick Chu Yeong Kang (徐永康), aged 43, was appointed as a non-executive Director on 16 December 2010. Mr. Chu has over 20 years of experience in the origination and execution of equity capital markets and corporate finance transactions in Asia, in particular Hong Kong and the PRC. He started his career in Morgan Stanley in London and thereafter worked in the corporate finance department of a number of global investment banks, including Morgan Grenfell, SBC Warburg and Rothschild, where he became a member of the board of directors in Hong Kong in 2000 and a board member of Rothschild's direct investment fund focusing on PRC investments (which was jointly sponsored by the CITIC group) and its related investment manager KWR Asset Management Ltd. Prior to joining Galaxy Asset Management as a Managing Director, he was a Managing Director and Head of Hong Kong Coverage at CLSA Limited, where he was responsible for CLSA's investment banking business in Hong Kong and the PRC. He is a registered responsible officer of Type 6 activities (Advising on Corporate Finance) and registered representative of Type 4 activities (Advising on Securities) and Type 9 activities (Asset Management) with the SFC. He graduated with a Master's degree in Management from Imperial College, London University and a Bachelor's degree in Engineering from University College, London University.

Mr. Chu is currently a managing director of Galaxy Asset Management, which is currently an Investment advisor to the substantial shareholders.

Mr. Yim Kwok Man (嚴國文), aged 42, was appointed as a non-executive Director on 16 December 2010. Mr. Yim has over 16 years of working experience, mainly in the corporate finance, debt and equity capital markets, investment and merger and acquisition advisory services in various international financial institutions and investment banks including Rabobank International, DBS Asia Capital Limited, CITIC Capital Markets Limited. Mr. Yim is a fellow member of The Association of Chartered Certified Accountants (FCCA) and an associate member of The Hong Kong Institute of Certified Public Accountants (HKICPA). He is also a registered responsible officer of Type 6 activities (Advising on Corporate Finance) and registered representative of Type 4 activities (Advising on Securities) and Type 9 activities (Asset Management) with the SFC. Mr. Yim has graduated from Hong Kong Polytechnic University with a Bachelor of Engineering Degree in Civil Engineering. He had completed an International MBA Exchange Program at John E Anderson Graduate School of Management, University of California, Los Angeles (UCLA), USA and obtained a Master Degree in Business Administration (MBA) from The Chinese University of Hong Kong.

Mr. Yim is currently a director of Galaxy Asset Management, which is currently an Investment advisor to the substantial shareholders.

Mr. Tam B Ray Billy (譚比利), aged 43, was appointed as a non-executive Director on 16 December 2010. Mr. Tam has been admitted as a solicitor in Hong Kong for over 15 years. He is currently a partner of Messrs. Ho & Tam, Solicitors. Mr. Tam holds Bachelor of Laws degrees from King's College London University and Tsinghua University, Master of Laws degree from The University of Hong Kong. He is a non-executive director of Milan Station Holdings Limited, a company listed on the Main Board of the Stock Exchange and he is also independent non-executive directors of China Fortune Group Limited, a company listed on the Main Board of the Stock Exchange and M Dream Inworld Limited, a company listed on the Growth Enterprise Market of the Stock Exchange.

Independent non-executive Directors

Mr. Seto Man Fai (司徒文輝), aged 43, was appointed as an independent non-executive Director on 22 February 2011. Mr. Seto graduated from the Chinese University of Hong Kong with a bachelor's degree in accounting. He is a member of American Institute of Certified Public Accountants, a practicing accountant in New York State of the United States of America, a fellow of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He is also an associate of the Institute of Chartered Accountants in England and Wales. Mr. Seto has extensive experiences in accounting, auditing and corporate finance. Mr. Seto is currently the partner of an accounting firm in New York in the USA and two accounting firms in Hong Kong. He has been an independent non-executive director of New City (China) Development Limited, a company listed on the Main Board of the Stock Exchange, since October 2009.

Mr. Ho Hin Hung Henry (何顯鴻), aged 54, was appointed as an independent non-executive Director on 22 February 2011. Mr. Ho has over 28 years of experience in investment management, investment banking and research. In the past ten years, Mr. Ho worked for several internationally prestigious investment banks heading their research departments. During the period from 1994 to 1999, Mr. Ho served as a part-time member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region. Mr. Ho holds a degree of Master of Arts in Accounting and Finance from the University of Lancaster, United Kingdom. He is a fellow of the Hong Kong Institute of Certified Public Accountants. He has been a director of 天津天士力制藥股份有限公司 (Tianjin Tasly Pharmaceutical Joint Stock Company Limited), a company listed on the Shanghai Stock Exchange, since March 2009. Mr. Ho has been a non-executive director of Mongolia Investment Group Limited, a company listed on the Main Board of the Stock Exchange, since April 2011.

Mr. Lam Kin Kok (林建國), aged 46, was appointed as an independent non-executive Director on 22 February 2011. Mr. Lam has over 20 years of real estate investment and development experience in Hong Kong and Mainland China. He started his career in architecture and development consultancy in 1990 with a leading architect firm in Hong Kong. He has been appointed as project development heads for numerous large scale residential and commercial developments undertaken by major Hong Kong developers and property fund management companies. Mr. Lam is a member of Hong Kong Institute of Architects and a Registered Architect under Architects Registration Board Hong Kong. Mr. Lam graduated with a Master of Science degree in Architecture from UCL, University of London UK and Bachelor's degrees in Architecture from University of Hong Kong.

SENIOR MANAGEMENT

Cheng Kwong Sai Paul (鄭廣世), aged 54, is the head of sales and marketing department, and he is responsible for the overall sales, marketing and business development of the Group. Mr. Cheng has over 32 years of experience in the customer services field and he has been involved in the sales and marketing of high-end jewelry products for over 11 years. Mr. Cheng has established extensive business and potential client network throughout these years. Mr. Cheng's experience in customer services and sales and marketing is important to the Group in maintenance of the relationship with customers and expansion of the sales network.

Mr. Tang Kwok Chung (鄧國忠), aged 36, is the sales supervisor of the Group overseeing the sales operations to new customers and to new markets. He has over 8 years of customer services experience in the jewelry industry. He joined the Group in May 2008, his experience in direct sales and customer services skills enable him to run the department smoothly and promote sales effectively to the Group's potential customers.

Mr. Lee Chi Kin (李志健), aged 35, is the procurement supervisor of the Group overseeing the operations of the procurement department, quality control, assortment and monitoring the production flow. He has over 8 years of production and quality control experience in the jewelry industry. Mr. Lee re-joined the Group in March 2009 and is responsible for raw material stock level control and conducting quality control inspections of both raw materials and finished goods. Moreover, Mr. Lee has to monitor the whole production flow and to ensure that the process is on schedule. He has gained experience with the Group from June 2003 to January 2006 when he first joined the Group as a sales executive.

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present this corporate governance report for the year ended 31 March 2011. This report highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

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

Throughout the year ended 31 March 2011, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.68 of the GEM Listing Rules ('the Code"). During the year ended 31 March 2011, the Company had made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard set out in the Code.

BOARD OF DIRECTORS

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

Executive Directors

Mr. So Chun Kai
Ms. Tsang Po Yee Pauline

Non-executive Directors

Mr. Chan Man Fai Joe *(Chairman)*
Mr. Joseph Patrick Chu Yeong Kang
Mr. Yim Kwok Man
Mr. Tam B Ray Billy

Independent non-executive Directors

Mr. Seto Man Fai
Mr. Ho Hin Hung Henry
Mr. Lam Kin Kok

Biographical details of the Directors are set out in the section of "Biographical Details of Directors and Senior Management" on pages 17 to 20.

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

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

Generally, the responsibilities of the Board include:

- Formulation of operational strategies and review of its financial performance and results and the internal control systems;
- Policies relating to key business and financial objectives of the Company;
- Material acquisitions, investments, disposal of assets or any significant capital expenditure;
- Appointment, removal or reappointment of Board members and auditors;
- Remuneration of Directors;
- Communication with key stakeholders, including shareholders and regulatory bodies;
- Recommendation to shareholders on final dividend and the declaration of any interim dividends.

Decisions regarding the daily operation and administration of the Company are delegated to the management, led by the executive Director, Ms. Tsang Po Yee, Pauline.

During the year ended 31 March 2011, the Board held 20 meetings. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's bye-laws. The attendance rates of Directors at the Board meetings in the year ended 31 March 2011 are detailed in the following table.

Directors	The Board No. of Meetings Held	 No. of Meetings Attended
Executive Directors		
Mr. So Chun Kai	20	19
Ms. Tsang Po Yee Pauline (appointed on 16 December 2010)	8	8
Mr. Cheng Kwong Sai, Paul (resigned on 16 December 2010)	12	12
Mr. Cheung Kwok Fan (resigned on 16 December 2010)	12	12
Non-executive Directors		
Mr. Chan Man Fai Joe (appointed on 16 December 2010)	8	8
Mr. Joseph Patrick Chu Yeong Kang (appointed on 16 December 2010)	8	6
Mr. Yim Kwok Man (appointed on 16 December 2010)	8	8
Mr. Tam B Ray Billy (appointed on 16 December 2010)	8	7
Independent non-executive Directors		
Mr. Seto Man Fai (appointed on 22 February 2011)	5	3
Mr. Ho Hin Hung Henry (appointed on 22 February 2011)	5	3
Mr. Lam Kin Kok (appointed on 22 February 2011)	5	3
Mr. Chan Kin Wah, Billy (resigned on 22 February 2011)	15	7
Mr. Ng Heung Yan (resigned on 22 February 2011)	15	8
Mr. Lei Hong Kuong (resigned on 22 February 2011)	15	8

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Mr. Chan Man Fai Joe plays a leading role and is responsible for effective running of the Board while Ms. Tsang Po Yee, Pauline is delegated with the authority and responsibility of overall management, business development and implementation of the Group's strategy determined by the Board in achieving its overall commercial objectives.

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

APPOINTMENT, RE-ELECTION AND REMOVAL

According to the Bye-laws of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation. All Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

REMUNERATION COMMITTEE

A remuneration committee ("RC") was set up on 21 September 2009 to oversee the remuneration policy and structure for all Directors and senior management. The RC comprises three independent non-executive Directors, namely Mr. Seto Man Fai, Mr. Ho Hin Hung Henry and Mr. Lam Kin Kok and is chaired by Mr. Seto Man Fai. The terms of reference of the RC are aligned with the provisions set out in the CG Code. The role of the RC is to recommend to the Board a framework for remunerating the Directors and key executives and to determine specific remuneration packages for them. They are provided with sufficient resources by the Company to discharge its duties.

During the year ended 31 March 2011, the RC held 2 meetings. The attendance rates of RC members at the RC meetings in the year ended 31 March 2011 are detailed in the following table.

	Remuneration Committee	
Directors	**No. of Meetings Held**	**No. of Meetings Attended**
Mr. Seto Man Fai (appointed on 22 February 2011)	1	1
Mr. Ho Hin Hung Henry (appointed on 22 February 2011)	1	1
Mr. Lam Kin Kok (appointed on 22 February 2011)	1	1
Mr. Chan Kin Wah, Billy (resigned on 22 February 2011)	1	1
Mr. Ng Heung Yan (resigned on 22 February 2011)	1	1
Mr. Lei Hong Kuong (resigned on 22 February 2011)	1	1

NOMINATION COMMITTEE

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

The Company has established a nomination committee ("NC") on 21 September 2009 for making recommendations to the Board on appointment of Directors and succession planning for the Directors. The terms of reference of the NC are aligned with the provisions set out in CG Code. The NC comprises three independent non-executive Directors, namely Mr. Seto Man Fai, Mr. Ho Hin Hung Henry and Mr. Lam Kin Kok. Mr. Seto Man Fai is the Chairman of the NC.

During the year ended 31 March 2011, the NC held 2 meetings. The attendance rates of NC members at the NC meetings in the year ended 31 March 2011 are detailed in the following table.

	Nomination Committee	
Directors	**No. of Meetings Held**	**No. of Meetings Attended**
Mr. Seto Man Fai (appointed on 22 February 2011)	1	1
Mr. Ho Hin Hung Henry (appointed on 22 February 2011)	1	1
Mr. Lam Kin Kok (appointed on 22 February 2011)	1	1
Mr. Chan Kin Wah, Billy (resigned on 22 February 2011)	1	1
Mr. Ng Heung Yan (resigned on 22 February 2011)	1	1
Mr. Lei Hong Kuong (resigned on 22 February 2011)	1	1

AUDITORS' REMUNERATION

For the year ended 31 March 2011, the remuneration in respect of audit services provided by the external auditors of the Group are approximately HK$412,000.

There is no non-audit service provided by the external auditors to the Company and the Group in the financial year ended 31 March 2011 and no non-audit fee has been paid to the auditors during the financial year.

AUDIT COMMITTEE

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

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

During the year ended 31 March 2011, the AC held 5 meetings. The attendance rates of AC members at the AC meetings in the year ended 31 March 2011 are detailed in the following table.

	Audit Committee	
Directors	**No. of Meetings Held**	**No. of Meetings Attended**
Mr. Seto Man Fai (appointed on 22 February 2011)	–	–
Mr. Ho Hin Hung Henry (appointed on 22 February 2011)	–	–
Mr. Lam Kin Kok (appointed on 22 February 2011)	–	–
Mr. Chan Kin Wah, Billy (resigned on 22 February 2011)	5	4
Mr. Ng Heung Yan (resigned on 22 February 2011)	5	5
Mr. Lei Hong Kuong (resigned on 22 February 2011)	5	5

INTERNAL CONTROLS

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

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

INTERNAL AUDIT

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

INVESTOR RELATIONS AND SHAREHOLDERS RIGHTS

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

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

DIRECTORS RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 37 and 38 of this annual report.

CONCLUSION

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

The Board of Directors (the "Board") is pleased to present the annual report and the audited consolidated financial statements of Eternite International Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2011.

Principal Activities

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 16 to the financial statements. There were no significant changes in nature of Group's principal activities during the year.

Results and Appropriations

The Group's loss for the year ended 31 March 2011 and the state of affairs of the Group at that date are set out in the financial statements on pages 39 to 98 of this annual report.

The Board does not recommend the payment of any dividend for the year ended 31 March 2011.

Major Customers and Suppliers

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

Purchases	
– the largest supplier	19%
– five largest suppliers combined	51%
Sales	
– the largest customer	29%
– five largest customers combined	39%

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

Share Capital

Details of movements during the year in the share capital of the Company are set out in note 21 to the financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 22 to the financial statements and in the statement of changes in equity, respectively.

Distributable Reserves

At 31 March 2011, the Company had no distributable reserves, as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account with a balance of approximately HK$97,901,000 as at 31 March 2011 may be distributed in the form of fully paid bonus shares.

Directors

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

Executive Directors

Mr. So Chun Kai
Ms. Tsang Po Yee Pauline – appointed on 16 December 2010
Mr. Cheng Kwong Sai, Paul – resigned on 16 December 2010
Mr. Cheung Kwok Fan – resigned on 16 December 2010

Non-executive Directors

Mr. Chan Man Fai Joe (Chairman) – appointed on 16 December 2010
Mr. Joseph Patrick Chu Yeong Kang – appointed on 16 December 2010
Mr. Yim Kwok Man – appointed on 16 December 2010
Mr. Tam B Ray Billy – appointed on 16 December 2010

Independent non-executive Directors

Mr. Seto Man Fai – appointed on 22 February 2011
Mr. Ho Hin Hung Henry – appointed on 22 February 2011
Mr. Lam Kin Kok – appointed on 22 February 2011
Mr. Chan Kin Wah, Billy – resigned on 22 February 2011
Mr. Ng Heung Yan – resigned on 22 February 2011
Mr. Lei Hong Kuong – resigned on 22 February 2011

In accordance with bye-law 83(2) of the Company's bye-laws, Ms. Tsang Po Yee Pauline, Mr. Chan Man Fai Joe, Mr. Joseph Patrick Chu Yeong Kang, Mr. Yim Kwok Man, Mr. Tam B Ray Billy, Mr. Seto Man Fai, Mr. Ho Hin Hung Henry and Mr. Lam Kin Kok will retire at the forthcoming annual general meeting, but, being eligible, will offer themselves for re-election.

Board of Directors and Senior Management

Biographical information of the Directors and senior management of the Group are set out on pages 17 to 20 of this annual report.

Directors' Service Agreement

Each of the executive Directors and non-executive Directors, namely Mr. So, Ms. Tsang, Mr. Chan Man Fai Joe (Chairman), Mr. Joseph Patrick Chu Yeong Kang, Mr. Yim Kwok Man and Mr. Tam B Ray Billy, has entered into an appointment letter with the Company. The appointment letter entered into between Mr. So and the Company is for an initial fixed term of one year commencing from 16 December 2010 and expiring on 15 December 2011 whereas the appointment letters entered into between each of Ms. Tsang, Mr. Chan Man Fai Joe (Chairman), Mr. Joseph Patrick Chu Yeong Kang, Mr. Yim Kwok Man, Mr. Tam B Ray Billy and the Company are for an initial fixed term of two years commencing from 16 December 2010 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Mr. So and Ms. Tsang is entitled to an annual salary of HK$840,000 per annum and HK$600,000 per annum respectively. Each of non-executive Director is entitled to an annual salary of HK$240,000 per annum. In addition, Mr. So is also entitled to a commission of such amount based on the Group's performance. The appointment of the executive Director and non-executive Director is subject to the provisions of the Company's bye-laws, the GEM Listing Rules and the Companies Act 1981 of Bermuda.

Each of the independent non-executive Directors namely, Mr. Seto Man Fai, Mr. Ho Hin Hung Henry and Mr. Lam Kin Kok, has entered into a letter of appointment with the Company for a term of two years commencing on 22 February 2011 with an annual salary of HK$120,000 or pro-rate amount for any incomplete year. The appointment of the independent non-executive Director is subject to the provisions of the Company's bye-laws, the GEM Listing Rules and the Companies Act 1981 of Bermuda.

Save as disclosed above, none of the Directors had a service contract with any member of the Group which was not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Emolument Policy

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

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

Remuneration of Directors and Five Individuals with Highest Emoluments

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in note 14 to the financial statements.

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

As at 31 March 2011, the interests and short positions of the directors and chief executives of the Company in the share options, 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 share options of the Company

Name of Director	Date of grant of share options	Exercise period	Exercise price	Number of options directly beneficially owned	Approximate percentage of total issued shares
Ms. Tsang Po Yee Pauline	10 March 2011	10 March 2011 to 9 March 2021	HK$0.750	5,810,000	0.87%
Mr. Chan Man Fai Joe	10 March 2011	10 March 2011 to 9 March 2021	HK$0.750	5,810,000	0.87%
Mr. Joseph Patrick Chu Yeong Kang	10 March 2011	10 March 2011 to 9 March 2021	HK$0.750	5,810,000	0.87%
Mr. Yim Kwok Man	10 March 2011	10 March 2011 to 9 March 2021	HK$0.750	5,810,000	0.87%
Mr. Tam B Ray Billy	10 March 2011	10 March 2011 to 9 March 2021	HK$0.750	5,810,000	0.87%
Total				29,050,000	

Long positions in shares of the Company

Name of Director	Capacity of interests	Number of ordinary shares held	Approximate percentage of shareholding of the Company
Mr. So *(Note 1)*	Interest of controlled corporation	7,500,000	1.12%

Notes:

1. Mr. So is the beneficial owner of 100% of the issued share capital of King Honor. Mr. So is deemed to be interested in the 7,500,000 shares held by King Honor under the SFO.

Save as disclosed above, as at 31 March 2011, none of the directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules.

Substantial Shareholders' Interests in Shares

As at 31 March 2011, 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 *(Note 1)*	Beneficial owner	160,000,000	23.88%
Tsang, Michael Man-heem *(Note 1)*	Interest of controlled corporation	160,000,000	23.88%
Galaxy Asset Management (H.K.) Ltd *(Note 2)*	Investment advisor	164,070,000	24.49%
Deutsche Bank Aktiengesellschaft	Person having a security interest in shares	98,480,000	14.70%
UBS AG	Person having a security interest in shares	65,380,000	9.76%
Mr. Chan Ping Yee	Beneficial owner	40,000,000	5.97%

Notes:

1. These Shares are held by Fullink Management Limited, which is beneficially owned as to 40% by Mr. Tsang, Michael Man-heem, 15% by Ms. Tsang Po Yee Pauline (an executive Director), 15% by Ms. Tsang, Becky Po Kei, 15% by Ms. Tsang, Po De Wendy and 15% by Ms. Tsang, Marina Po Hing. Ms. Tsang Po Yee Pauline (an executive Director) is a director of Fullink Management Limited.

2. This includes 89,260,000 Shares held by Galaxy China Deep Value Fund ("GCDV"), 65,460,000 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 9,350,000 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 March 2011, 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 Shares or Debentures

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

Directors' Interests in Contracts

Save as disclosed in note 26 to the financial statements, no Director had a material interest in, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Purchase, Sale and Redemption of the Shares

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

Directors' Interest in a Competing Business

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

Bank Borrowings

The Group has no bank borrowings as at 31 March 2011 (2010: Nil).

Retirement Schemes

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

Confirmation of Independence

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

Code of Conduct Regarding Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions by directors during the year ended 31 March 2011.

Share Option Scheme

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

Details of the movements in the share options granted and exercised during the year ended 31 March 2011 under the Share Option Scheme and the General Mandate are as follows:

	Number of share options								
Grantee	**Outstanding as at 1 April 2010**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**Cancelled during the period**	**Outstanding as at 31 March 2011**	**Date of grant**	**Exercise period**	**Exercise price**
(i) Under Share Option Scheme									
Directors									
Ms. Tsang Po Yee Pauline	–	5,810,000	–	–	–	5,810,000	10 March 2011	10 March 2011 to 9 March 2021	HK$0.750
Mr. Chan Man Fai Joe	–	5,810,000	–	–	–	5,810,000	10 March 2011	10 March 2011 to 9 March 2021	HK$0.750
Mr. Joseph Patrick Chu Yeong Kang	–	5,810,000	–	–	–	5,810,000	10 March 2011	10 March 2011 to 9 March 2021	HK$0.750
Mr. Yim Kwok Man	–	5,810,000	–	–	–	5,810,000	10 March 2011	10 March 2011 to 9 March 2021	HK$0.750
Mr. Tam B Ray Billy	–	5,810,000	–	–	–	5,810,000	10 March 2011	10 March 2011 to 9 March 2021	HK$0.750
Employees	–	23,700,000 *(Note 2)*	6,450,000	–	17,250,000	–	9 July 2010	9 July 2010 to 8 July 2011	HK$0.285
Consultants	–	24,300,000 *(Note 2)*	23,000,000	–	1,300,000	–	9 July 2010	9 July 2010 to 8 July 2011	HK$0.285
	–	77,050,000	29,450,000	–	18,550,000	29,050,000			
(ii) Under General Mandate									
Consultants	–	24,000,000 *(Note 1)*	24,000,000	–	–	–	14 April 2010	14 April 2010 to 13 April 2011	HK$0.280
Consultants	–	17,000,000 *(Note 3)*	–	–	–	17,000,000	8 March 2011	8 March 2011 to 7 March 2013	HK$0.553
	–	41,000,000	24,000,000	–	–	17,000,000			
Total	–	118,050,000	53,450,000	–	18,550,000	46,050,000			

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 Offerers 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).

Note 3: On 8 March 2011, the Company entered into a service agreement (the "Service Agreement") with Corporate Capital Advisory Limited ("CCAL"), a company with limited liability incorporated in Hong Kong and independent of and not connected to the Company. Pursuant to the Service Agreement, the Company issued the share option to CCAL in exchange of the professional service provided by CCAL.

Sufficiency of Public Float

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

Pre-Emptive Rights

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

Corporate Governance

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review. The Group's compliance with the code provisions is set out in the Corporate Governance Report from pages 21 to 27 of this annual report.

Events after the Reporting Date

Details of the significant events after the reporting date of the Group are set out in note 29 to the financial statements.

Interests of the Compliance Adviser

As notified by the compliance adviser of the Company, Cinda International Capital Limited (the "Compliance Adviser"), as at 31 March 2011, 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.

Auditor

The financial statements in respect of the financial year ended 31 March 2010 were audited by Grant Thornton ("GTHK"), now known as JBPB & Co.. Due to a merger of the businesses of GTHK and BDO Limited ("BDO") to practise in the name of BDO as announced on 26 November 2010, GTHK resigned and BDO was appointed as the auditor of the Company effective from 1 December 2010. The financial statements for the year ended 31 March 2011 were audited by BDO.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO as the auditor of the Company.

On behalf of the Board
Chan Man Fai Joe
Chairman and
Non-Executive Director

Hong Kong, 20 June 2011

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To the shareholders of Eternite International Company Limited
永恆國際股份有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Eternite International Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 98, which comprise the consolidated and company statements of financial position as at 31 March 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Chiu Wing Cheung Ringo
Practising Certificate Number P04434

Hong Kong, 20 June 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	5	**48,650**	47,237
Cost of sales		**(35,327)**	(28,118)
Gross profit		**13,323**	19,119
Other income	5	**486**	72
Distribution costs		**(3,882)**	(3,431)
Administrative expenses		**(28,337)**	(5,732)
Finance costs	7	**(16)**	–
(Loss)/Profit before income tax	8	**(18,426)**	10,028
Income tax expense	9	**(936)**	(2,086)
(Loss)/Profit for the year attributable to the owners of the Company		**(19,362)**	7,942
		HK cents	*HK cents* (Restated)
(Loss)/Earnings per share for (loss)/profit attributable to the owners of the Company during the year	12		
– Basic		**(3.05)**	1.76
– Diluted		**N/A**	1.59

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	2011	2010
	HK$'000	*HK$'000*
(Loss)/Profit for the year attributable to the owners of the Company	**(19,362)**	7,942
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year attributable to the owners of the Company	**(19,362)**	7,942

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**1,981**	1,171
Current assets			
Inventories	17	**29,588**	18,363
Trade receivables	18	**11,177**	10,177
Prepayments, deposits and other receivables		**11,046**	316
Tax recoverable		**622**	–
Bank time deposits	19	**1,693**	–
Bank and cash balances	19	**64,705**	26,248
		118,831	55,104
Current liabilities			
Trade payables	20	**2,835**	4,989
Other payables and accruals		**1,661**	1,166
Provision for tax		**–**	173
		4,496	6,328
Net current assets		**114,335**	48,776
Net assets		**116,316**	49,947
EQUITY			
Equity attributable to the owners of the Company			
Share capital	21	**6,700**	4,800
Reserves		**109,616**	45,147
Total equity		**116,316**	49,947

So Chun Kai
Director

Tsang Po Yee, Pauline
Director

STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	16	**7,482**	6,529
Current assets			
Deposits and other receivables		**10,164**	–
Amounts due from subsidiaries	16	**35,275**	33,291
Bank and cash balances	19	**54,868**	–
		100,307	33,291
Current liabilities			
Other payables and accruals		**928**	350
Amount due to a subsidiary	16	**8**	–
		936	350
Net current assets		**99,371**	32,941
Net assets		**106,853**	39,470
EQUITY			
Share capital	21	**6,700**	4,800
Reserves	22	**100,153**	34,670
Total equity		**106,853**	39,470

So Chun Kai
Director

Tsang Po Yee, Pauline
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
(Loss)/Profit before income tax		**(18,426)**	10,028
Adjustments for:			
Interest income	5	**(10)**	(2)
Gain on disposals of property, plant and equipment	5	**–**	(5)
Interest expense	7	**16**	–
Depreciation	8	**480**	69
Reversal of write-down of inventories to net realisable value	8	**(2,886)**	(2,441)
Provision of impairment on trade receivables	8	**1,207**	–
Equity-settled share-based payment expenses	8	**16,050**	–
Operating (loss)/profit before working capital changes		**(3,569)**	7,649
(Increase)/Decrease in inventories		**(8,339)**	1,869
Increase in trade receivables		**(2,207)**	(1,365)
(Increase)/Decrease in prepayments, deposits and other receivables		**(730)**	554
(Decrease)/Increase in trade payables		**(2,154)**	3,700
Increase in other payables and accruals		**495**	711
Cash (used in)/generated from operations		**(16,504)**	13,118
Interest paid		**(16)**	–
Income tax paid		**(1,731)**	(2,513)
Net cash (used in)/generated from operating activities		**(18,251)**	10,605
Cash flows from investing activities			
Purchases of property, plant and equipment	15	**(1,290)**	(1,189)
Proceeds from disposals of property, plant and equipment		**–**	5
New bank time deposits		**(1,693)**	–
Payments for the deposits for proposed acquisition of a subsidiary	29(i)	**(10,000)**	–
Interest received		**10**	2
Net cash used in investing activities		**(12,973)**	(1,182)
Cash flows from financing activities			
Repayments to the shareholders		**–**	(20,649)
Repayment of bank borrowings		**(1,200)**	–
New bank borrowings raised		**1,200**	–
Proceeds from issue of convertible bond		**–**	20,000
Proceeds from issue of shares	21(vi)& (vii)	**70,942**	20,000
Share issue expenses		**(1,261)**	(4,532)
Net cash generated from financing activities		**69,681**	14,819
Net increase in cash and cash equivalents		**38,457**	24,242
Cash and cash equivalents as at the beginning of the year		**26,248**	2,006
Cash and cash equivalents as at the end of the year		**64,705**	26,248
Analysis of balances of cash and cash equivalents			
Bank and cash balances	19	**64,705**	26,248

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Share capital HK$'000	Share premium HK$'000	Capital contribution reserve HK$'000 (note 22(iii))	Convertible bond equity reserve HK$'000	Share option reserve HK$'000	Merger reserve HK$'000 (note 22(i))	Retained profits/ (Accumulated loss) HK$'000	Total HK$'000
Balance as at 1 April 2009	23	–	–	–	–	(13)	6,527	6,537
Shares swap pursuant to Reorganisation *(note 21(iii))*	817	–	–	–	–	(817)	–	–
Issue of shares upon listing *(note 21(v))*	800	19,200	–	–	–	–	–	20,000
Issue of shares upon capitalisation *(note 21(ii)(c))*	2,360	(2,360)	–	–	–	–	–	–
Issue of convertible bond *(note 23)*	–	–	–	719	–	–	–	719
Issue of shares upon conversion of convertible bond *(note 21(iv))*	800	19,200	–	(719)	–	–	–	19,281
Share issue expenses	–	(4,532)	–	–	–	–	–	(4,532)
Transactions with owners	4,777	31,508	–	–	–	(817)	–	35,468
Profit for the year	–	–	–	–	–	–	7,942	7,942
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	7,942	7,942
Balance as at 31 March 2010 and 1 April 2010	4,800	31,508	–	–	–	(830)	14,469	49,947
Issue of shares upon placing *(note 21(vi))*	1,365	54,464	–	–	–	–	–	55,829
Share issue expenses	–	(1,261)	–	–	–	–	–	(1,261)
Recognition of equity-settled share-based payments *(note 24)*	–	–	–	–	16,050	–	–	16,050
Issue of shares upon exercise of share options *(note 21(vii))*	535	16,251	–	–	(1,673)	–	–	15,113
Repurchase and cancellation of *share options and settled by a shareholder (note 24)*	–	(3,061)	3,988	–	(927)	–	–	–
Transactions with owners	1,900	66,393	3,988	–	13,450	–	–	85,731
Loss for the year	–	–	–	–	–	–	(19,362)	(19,362)
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	(19,362)	(19,362)
Balance as at 31 March 2011	**6,700**	**97,901**	**3,988**	**-**	**13,450**	**(830)**	**(4,893)**	**116,316**

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION

Eternite International Company Limited (the "Company") was incorporated in Bermuda with limited liability on 11 June 2009. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company and its subsidiaries (collectively referred to as the "Group") is located at 25th Floor, Shun Feng International Centre, 182 Queen's Road East, Wanchai, Hong Kong. The Company's shares have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM of the Stock Exchange") since 7 October 2009.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 16 to the financial statements.

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

The financial statements for the year ended 31 March 2011 were approved for issue by the board of directors on 20 June 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 39 to 98 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").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

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

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

2.2 Basis of consolidation and business combination

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

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

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

(i) *Business combination from 1 April 2010*

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation and business combination (Continued)

(i) Business combination from 1 April 2010 (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(ii) Business combination prior to 1 April 2010

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation and business combination (Continued)

(ii) Business combination prior to 1 April 2010 (Continued)

Non-controlling interests represent the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Profit or loss attributable to the non-controlling interests is presented separately in the consolidated statement of comprehensive income as an allocation of the Group's results.

Where losses applicable to the non-controlling exceed the non-controlling interests in the subsidiary's equity, the excess and further losses applicable to the non-controlling are allocated against the non-controlling interests to the extent that the non-controlling has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the non-controlling interests only after the non-controlling's share of losses previously absorbed by the Group has been recovered.

2.3 Subsidiaries

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

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

2.4 Property, plant and equipment

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Property, plant and equipment (Continued)

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

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

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

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

2.5 Impairment of non-financial assets

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial assets

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

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

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

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

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

Impairment of financial assets

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

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

– significant financial difficulty of the debtor;

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

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

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

2.7 Inventories

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Inventories (Continued)

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

2.8 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.9 Financial liabilities

The Group's financial liabilities include trade and other payables and accruals.

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

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

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

Trade and other payables and accruals

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

Convertible bond

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial liabilities (Continued)

Convertible bond (Continued)

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

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

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

2.10 Share capital

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

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

2.11 Revenue recognition

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

(i) Sales of goods

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

(ii) Interest income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Foreign currency translation

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

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

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

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

2.13 Operating leases

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Accounting for income taxes (Continued)

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

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

(i) the same taxable entity; or

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

2.15 Retirement benefit costs and short-term employee benefits

Defined contribution plan

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

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

The Group contributes to a defined contribution scheme for the employees in Macau. Payments to defined contribution scheme are charged as an expense when employees rendered services entitling them to the contributions.

Short-term employee benefits

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Provision and contingent liabilities

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

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

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

2.17 Share-based compensation

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Related parties

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

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

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

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

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

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

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

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

2.19 Segment reporting

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

The Group has identified the following reportable segments:

(i) Design and the trading of jewelry products; and

(ii) Retailing of jewelry products.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are priced with reference to prices charged to external parties for similar orders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Segment reporting (Continued)

The management policies the Group used for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except expenses related to share-based payments, finance costs, income tax, corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

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

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

No assymetrical allocations have been applied to reportable segments.

2.20 Borrowings costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

3. ADOPTION OF NEW AND AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "New HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2010:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 2 (Amendments)	Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
Various	Annual Improvements to HKFRSs 2009 issued in May 2009

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.

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not effective, and have not been adopted 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 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 are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities. The changes resulting from the amendments only affect the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. All other requirements in HKAS 39 in respect of liabilities are carried forward into HKFRS 9. However, the loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of these additions.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Inventory valuation

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

(ii) Impairment of receivables

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

(iii) Income taxes

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

(iv) Valuation of share options

For the services rendered by the employees, directors and consultants, the Group measured the services received at the fair value of the services received, unless that fair value cannot be estimated reliably. When the Group cannot estimate reliably the fair value of the services received, the Group measured their value indirectly by reference to the fair value of the equity instruments granted.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(iv) Valuation of share options (Continued)

For the share options granted to the consultants, the Group assessed the fair value of the services received. For the share options granted to the employees, the fair value of the share options granted was determined with reference to the market price of the options with similar terms and conditions. For the share options granted to the directors, the fair value of the options granted was determined by applying an option pricing model. The directors exercise their judgement in selecting an appropriate valuation technique for the share options granted by the Group.

Valuation technique, namely Black-Scholes valuation model, which is commonly used by market practitioners, has been applied for estimating the fair values of share options granted to the directors. The estimation of fair values of the share options are derived after taking into account the input parameters. Significant estimates and assumptions made by management included the estimated life of share options granted to be ten years based on exercise restrictions and behavioural considerations; the volatility of share price which was determined by reference to historical data and weighted average share prices and exercise prices of the share options granted. Details of the inputs and parameters are set out in note 24 to the financial statements.

5. REVENUE AND OTHER INCOME

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

	2011	2010
	HK$'000	*HK$'000*
Revenue		
Sales	**48,650**	47,237
Other income		
Interest income	**10**	2
Gain on disposals of property, plant and equipment	**–**	5
Exchange gain, net	**9**	–
Sundry income	**467**	65
	486	72

6. SEGMENT INFORMATION

The executive directors have identified the Group's two product lines as operating segments as further described in note 2.19.

(a) Design and Trading of Jewelry Products segment

(b) Retailing of Jewelry Products segment

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	2011		
	Design and Trading of Jewelry Products segment *HK$'000*	**Retailing of Jewelry Products segment** *HK$'000*	**Total** *HK$'000*
Revenue:			
From external customers	47,517	1,133	48,650
Inter-segment revenue	567	117	684
Reportable segment revenue	48,084	1,250	49,334
Reportable segment profit/(loss)	3,633	(2,938)	695
Bank interest income	10	–	10
Depreciation	327	153	480
Reversal of write-down of inventories to net realisable value	2,886	–	2,886
Provision of impairment on trade receivables	1,207	–	1,207
Reportable segment assets	58,942	2,888	61,830
Additions to non-current segment assets	–	1,197	1,197
Reportable segment liabilities	3,487	57	3,544

6. SEGMENT INFORMATION (Continued)

	2010		
	Design and Trading of Jewelry Products segment	Retailing of Jewelry Products segment	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue:			
From external customers	47,237	–	47,237
Reportable segment revenue	47,237	–	47,237
Reportable segment profit	12,554	–	12,554
Bank interest income	2	–	2
Depreciation	69	–	69
Reversal of write down of inventories to net realisable value	2,441	–	2,441
Gain on disposal of property, plant and equipment	5	–	5
Reportable segment assets	55,554	–	55,554
Additions to non-current segment assets	461	–	461
Reportable segment liabilities	5,978	–	5,978

6. SEGMENT INFORMATION (Continued)

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

	2011	2010
	HK$'000	*HK$'000*
Reportable segment revenue	**49,334**	47,237
Elimination of inter segment revenue	**(684)**	–
Group revenue	**48,650**	47,237
Reportable segment profit	**695**	12,554
Equity-settled share-based payment expenses	**(15,105)**	–
Finance costs	**(16)**	–
Unallocated corporate income	**–**	5
Unallocated corporate expenses	**(4,000)**	(2,531)
(Loss)/Profit before income tax	**(18,426)**	10,028
Reportable segment assets	**61,830**	55,554
Bank and cash balances	**54,868**	–
Unallocated assets	**4,114**	721
Group assets	**120,812**	56,275
Reportable segment liabilities	**3,544**	5,978
Unallocated	**952**	350
Group liabilities	**4,496**	6,328

6. SEGMENT INFORMATION (Continued)

The Group's revenue from external customers and its non-current assets are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Europe	**31,906**	22,815	**–**	–
Asia	**11,364**	11,934	**1,981**	1,171
The United States of America and Canada	**4,280**	6,363	**–**	–
The Middle East	**989**	3,797	**–**	–
Australia	**111**	2,324	**–**	–
South Africa	**–**	4	**–**	–
	48,650	47,237	**1,981**	1,171

The geographical location of customers is based on the location at which the goods were delivered. The geographical location of the non-current assets is based on the physical location of the assets.

During the year, there was no revenue from external customers attributed to Bermuda (the Company's country of domicile) and no non-current assets were located in Bermuda (2010: Nil). The country of domicile is determined as the country where the Company was incorporated.

During the year, HK$14,119,000 (2010: HK$846,000) of the Group's revenue depended on a single customer in the Design and Trading of Jewelry Products segment.

7. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest charges on bank borrowings wholly repayable within five years	**16**	–

8. (LOSS)/PROFIT BEFORE INCOME TAX

	2011	2010
	HK$'000	*HK$'000*
(Loss)/Profit before income tax is arrived at after charging/(crediting):		
Auditors' remuneration	**412**	362
Cost of inventories recognised as expense, including	**35,327**	28,118
– Reversal of write-down of inventories to net realisable value *(note 17)*	**(2,886)**	(2,441)
Provision of impairment on trade receivables *(note 18)*	**1,207**	–
Depreciation	**480**	69
Equity-settled share-based payment expenses ^	**16,050**	–
Employee benefit expense (including equity-settled share-based payment expenses) *(note 13)*	**19,282**	2,764
Exchange loss, net	**–**	165
Operating lease rentals in respect of rented premises	**1,885**	343

^ Equity-settled share-based payment expenses include HK$14,335,000 (2010: Nil) relating to staff benefit expense.

9. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
Current income tax – Hong Kong		
– Tax for the year	**936**	2,077
– Under-provision in respect of prior years	**–**	9
	936	2,086

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in Bermuda and the BVI during the year (2010: Nil).

9. INCOME TAX EXPENSE (Continued)

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year.

No income tax has been provided for Macau as there is no estimated assessable profit derived from Macau during the year (2010: Nil).

Reconciliation between income tax expense and accounting profit/(loss) at applicable tax rate is as follows:

	2011	2010
	HK$'000	*HK$'000*
(Loss)/Profit before income tax	**(18,426)**	10,028
Tax on (loss)/profit before income tax, calculated at applicable rate in the tax jurisdiction concerned	**(2,908)**	1,654
Tax effect of non-deductible expenses	**3,493**	459
Tax effect of non-taxable revenue	**(1)**	–
Tax effect of tax loss not recognised	**352**	–
Under-provision in respect of prior years	**–**	9
Others	**–**	(36)
Income tax expense	**936**	2,086

No deferred tax assets of HK$352,000 on tax losses of HK$2,938,000 have been recognised due to the unpredictability of future profit streams (2010: Nil). The tax loss will be expired in 3 years.

No deferred tax has been provided as the Group did not have any significant temporary differences which gave rise to a deferred tax asset or liability as at 31 March 2011 (2010: Nil).

10. DIVIDENDS

The board of directors did not recommend any payment of dividend during the year (2010: Nil).

11. (LOSS)/PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Of the consolidated loss attributable to the owners of the Company of HK$19,362,000 (2010: a profit of HK$7,942,000), a loss of HK$18,348,000 (2010: HK$2,527,000) has been dealt with in the financial statements of the Company.

12. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to the owners of the Company of HK$19,362,000 (2010: a profit of HK$7,942,000) and on the weighted average number of 635,296,000 (2010: 452,056,000 (restated)) ordinary shares in issue during the year.

The weighted average number of 452,056,000 (restated) ordinary shares used to calculate the basic earnings per share for the year ended 31 March 2010 comprising:

(i) 320,000,000 ordinary shares of the Company issued upon incorporation and reorganisation as if these shares were in issue since 1 April 2009 (notes 21(i), (ii) and (iii));

(ii) 80,000,000 ordinary shares of the Company issued upon the listing of the Company's shares on the GEM of the Stock Exchange on 7 October 2009 (note 21(v));

(iii) 80,000,000 ordinary shares of the Company issued upon the conversion of convertible bond on 7 October 2009 (note 21(iv)); and

(iv) the adjustments to (i) to (iii) above in respect of the bonus elements in the shares issued under the placing arrangements in April 2010 (note 21(vi)), March 2011 (note 21(vi)) and April 2011 (note 29(iii)).

The weighted average number of 635,296,000 ordinary shares used to calculate the basic loss per share for the year ended 31 March 2011 includes:

(a) 72,000,000 and 64,500,000 ordinary shares of the Company issued upon completion of placing and subscription on 20 April 2010 and 31 March 2011 respectively (note 21(vi));

(b) 29,450,000 and 24,000,000 ordinary shares of the Company issued as a result of exercise of share options on 19 October 2010 and 28 March 2011 respectively (note 21(vii));

(c) 480,000,000 ordinary shares outstanding at the beginning of the year; and

(d) the adjustments to (a) to (c) above in respect of the bonus elements in the shares issued under the placing arrangements in April 2010 (note 21(vi)), March 2011 (note 21(vi)) and April 2011 (note 29(iii)).

For the year ended 31 March 2010, the calculation of diluted earnings per share was based on the adjusted profit attributable to the owners of the Company of HK$7,942,000 and the weighted average number of ordinary shares of 499,509,000 (restated) outstanding during the year, after adjusting for the effects of all dilutive potential ordinary shares. The adjusted profit attributable to the owners of the Company was calculated based on the profit attributable to the owners of the Company of HK$7,942,000 as used in the calculation of basic earnings per share plus interest payable of Nil on the convertible bond. The weighted average number of ordinary shares used in the calculation of diluted earnings per share was calculated based on the weighted average of 452,056,000 (restated) ordinary shares in issue during the year as used in the calculation of basic earnings per share plus the weighted average of 47,453,000 (restated) ordinary shares deemed to be issued at no consideration as if all the Company's convertible bonds had been converted.

Diluted per share amount for the year ended 31 March 2011 was not presented because the impact of the exercise of the share options was anti-dilutive.

13. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	2011 HK$'000	2010 HK$'000
Wages, salaries and allowances	**4,783**	2,645
Defined contribution retirement benefit scheme contributions	**164**	119
Equity-settled share-based payment expenses	**14,335**	–
	19,282	2,764

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	Notes	Fees HK$'000	Salaries and allowances HK$'000	Share-based payment expenses HK$'000	Defined contribution retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2011						
Executive directors						
Mr. So Chun Kai		–	455	–	12	467
Ms. Tsang Po Yee, Pauline	(a)	–	176	2,630	4	2,810
Mr. Cheng Kwong Sai, Paul	(b)	–	279	–	12	291
Mr. Cheung Kwok Fan	(b)	–	186	–	8	194
Non-executive directors						
Mr. Chan Man Fai, Joe	(a)	–	70	2,630	4	2,704
Mr. Yim Kwok Man	(a)	–	70	2,630	4	2,704
Mr. Joseph Patrick Chu Yeong Kang	(a)	–	70	2,630	4	2,704
Mr. Tam B Ray, Billy	(a)	–	70	2,630	4	2,704
Independent non-executive directors						
Mr. Seto Man Fai	(c)	13	–	–	–	13
Mr. Lam Kin Kok	(c)	13	–	–	–	13
Mr. Ho Hin Hung, Henry	(c)	13	–	–	–	13
Mr. Chan Kin Wah, Billy	(d)	108	–	–	–	108
Mr. Lei Hong Kuong	(d)	108	–	–	–	108
Mr. Ng Heung Yan	(d)	108	–	–	–	108
		363	1,376	13,150	52	14,941

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

(a) Directors' emoluments (Continued)

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

Notes:

(a) Appointed on 16 December 2010.

(b) Resigned on 16 December 2010.

(c) Appointed on 22 February 2011.

(d) Resigned on 22 February 2011.

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

(a) Directors' emoluments (Continued)

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

29,050,000 share options were granted to the directors of the Company during the year (2010: Nil). The value of the share options granted to directors is measured according to the Group's accounting policy for share-based employee compensation as set out in note 2.17. Details of these benefits in kind including the principal terms and number of options granted are disclosed in note 24.

No emoluments were paid by the Group to any directors as an inducement to join, or upon joining the Group, or as compensation for loss of office during the year (2010: Nil).

(b) Five highest paid individuals

The five highest paid individuals whose emoluments were the highest in the Group for the year included 5 (2010: 3) directors whose emoluments are reflected in the analysis as shown in note 14(a). The emoluments of the remaining 2 highest paid individuals for the year ended 31 March 2010 which fell within the band of Nil – HK$1 million, are as follows:

	2011	2010
	HK$'000	*HK$'000*
Basic salaries, bonuses and other allowances	**–**	426
Defined contribution retirement benefit scheme contributions	**–**	20
	–	446

15. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Moulds HK$'000	Total HK$'000
As at 1 April 2009					
Cost	44	25	–	–	69
Accumulated depreciation	(11)	(7)	–	–	(18)
Net book amount	33	18	–	–	51
Year ended 31 March 2010					
Opening net book amount	33	18	–	–	51
Additions	182	142	404	461	1,189
Depreciation	(22)	(16)	(20)	(11)	(69)
Closing net book amount	193	144	384	450	1,171
As at 31 March 2010 and 1 April 2010					
Cost	226	167	404	461	1,258
Accumulated depreciation	(33)	(23)	(20)	(11)	(87)
Net book amount	193	144	384	450	1,171
Year ended 31 March 2011					
Opening net book amount	**193**	**144**	**384**	**450**	**1,171**
Additions	**87**	**187**	**1,016**	**–**	**1,290**
Depreciation	**(71)**	**(69)**	**(202)**	**(138)**	**(480)**
Closing net book amount	**209**	**262**	**1,198**	**312**	**1,981**
As at 31 March 2011					
Cost	**313**	**354**	**1,420**	**461**	**2,548**
Accumulated depreciation	**(104)**	**(92)**	**(222)**	**(149)**	**(567)**
Net book amount	**209**	**262**	**1,198**	**312**	**1,981**

16. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM/(TO) SUBSIDIARIES – COMPANY

	2011	2010
	HK$'000	*HK$'000*
Unlisted shares, at cost *(note (i))*	**7,482**	6,529
Amounts due from subsidiaries	**35,275**	33,291
Amount due to a subsidiary	**(8)**	–

Note:

(i) Included in the investments in subsidiaries of HK$7,482,000, HK$945,000 represents the Company's contribution to one of its indirectly owned subsidiaries by means of granting share options to certain employees of the subsidiary for the year ended 31 March 2011 (2010: Nil).

Amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand.

The directors consider that the carrying amounts of the amounts due from/(to) subsidiaries approximate their fair values at the reporting date because the amounts have a short maturity period on its inception, such that the time value of money impact is not significant.

16. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM/(TO) SUBSIDIARIES – COMPANY (Continued)

Particulars of the subsidiaries as at 31 March 2011 are as follows:

Name of company	Place of incorporation and type of legal entity	Particulars of issued and fully paid up capital	Percentage of issued capital held by the Company	Principal activities
Directly owned				
Full Join Limited ("Full Join")	BVI, limited liability company	3,000 ordinary shares of United States Dollars ("US$") 1 each	100%	Investment holding
Invest Trade Group Limited *(note i)*	BVI, limited liability company	1,000 ordinary shares of US$1 each	100%	Investment holding
Indirectly owned				
Eternity Jewelry Company Limited ("Eternity Jewelry")	Hong Kong, limited liability company	9,999 ordinary shares of HK$1 each	100%	Design and sale of jewelry products
Eternity Jewelry (Macau) Company Limited *(note i)*	Macau, limited liability company	25,000 ordinary shares of Macau Pataca ("MOP") 1 each	100%	Retailing of jewelry products
Eternity Diamonds Trading Limited *(note i)*	Hong Kong, limited liability company	1,000 ordinary shares of HK$1 each	100%	Trading of diamonds

Note:

(i) They are newly incorporated during the year.

17. INVENTORIES – GROUP

	2011 HK$'000	2010 HK$'000
Raw materials	**16,532**	7,512
Work in progress	**1,961**	1,584
Finished goods	**11,095**	9,267
	29,588	18,363

In 2011, the Group reversed an amount of HK$2,886,000 (2010: HK$2,441,000) on the inventories, which were written down in prior years. The write-down subsequently became not necessary in 2011 as these inventories were sold at prices higher than their carrying amounts.

18. TRADE RECEIVABLES – GROUP

	2011 HK$'000	2010 HK$'000
Trade receivables	**12,384**	10,177
Less: Provision of impairment on trade receivables	**(1,207)**	–
	11,177	10,177

The Group allows a credit period from 30 to 270 days (2010: 30 to 270 days) to its non-retail customers for the year. Based on the invoice dates, ageing analysis of trade receivables is as follows:

	2011 HK$'000	2010 HK$'000
Within 30 days	**1,722**	3,121
31 – 60 days	**209**	2,684
61 – 90 days	**957**	1,032
91 – 180 days	**4,822**	1,300
181 – 365 days	**1,339**	1,898
Over 1 year	**2,128**	142
	11,177	10,177

18. TRADE RECEIVABLES – GROUP (Continued)

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

	2011	2010
	HK$'000	*HK$'000*
Neither past due nor impaired	**1,698**	9,783
1 – 30 days past due	**1,981**	92
31 – 90 days past due	**3,477**	71
91 – 365 days past due	**2,567**	231
Over 1 year past due	**1,454**	–
	9,479	394
	11,177	10,177

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

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

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

18. TRADE RECEIVABLES – GROUP (Continued)

Movement in the provision of impairment on trade receivables is as follows:

	2011 HK$'000	2010 HK$'000
Balance at the beginning of the year	–	–
Impairment loss recognised	1,207	–
Balance at the end of the year	1,207	–

At each reporting date, the Group reviews receivables for evidence of impairment on both an individual and collective basis. As at 31 March 2011, the Group has determined trade receivables of HK$1,207,000 (2010: Nil) as individually impaired. Based on this assessment, impairment loss of HK$1,207,000 (2010: Nil) has been recognised. The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments.

The Group did not hold any collateral or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

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

19. BANK AND CASH BALANCES AND BANK TIME DEPOSITS

	Group		Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Bank and cash balances	64,705	26,248	54,868	–
Bank time deposits	1,693	–	–	–
	66,398	26,248	54,868	–

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short-term time deposits are made for a period of twelve months and earn interest at the respective short-term time deposits rate of 0.63% (2010: Nil) per annum.

The directors consider that the fair value of the short-term bank deposits is not materially different from their carrying amount because of the short maturity period on their inception.

20. TRADE PAYABLES – GROUP

The Group normally settles the outstandings due to trade payables within 0 to 150 days' (2010: 30 to 270 days') credit term. Based on the invoice date, ageing analysis of trade payables is as follows:

	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**196**	1,160
31 – 60 days	**676**	585
61 – 90 days	**1,112**	376
91 – 180 days	**851**	1,841
181 – 270 days	**–**	1,027
	2,835	4,989

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

21. SHARE CAPITAL

Company

	Notes	**2011 Number of shares**	***HK$'000***	2010 Number of shares	*HK$'000*
Authorised:					
At 1 April/Upon incorporation	(i)	**10,000,000,000**	**100,000**	1,000,000	100
Subdivision of 1 ordinary share of HK$0.1 each into 10 ordinary shares of HK$0.01 each	(ii)(a)	**–**	**–**	9,000,000	–
Increase in authorised ordinary shares	(ii)(b)	**–**	**–**	9,990,000,000	99,900
As at 31 March, ordinary shares of HK$0.01 each		**10,000,000,000**	**100,000**	10,000,000,000	100,000
Issued and fully paid:					
At 1 April/Upon incorporation	(i)	**480,000,000**	**4,800**	3,000	–
Subdivision of 1 ordinary share of HK$0.1 each into 10 ordinary shares of HK$0.01 each	(ii)(a)	**–**	**–**	27,000	–
Issue of shares upon reorganisation	(iii)	**–**	**–**	83,970,000	840
Issue of shares upon listing	(v)	**–**	**–**	80,000,000	800
Issue of shares upon capitalisation issue	(ii)(c)	**–**	**–**	236,000,000	2,360
Issue of shares upon conversion of convertible bond	(iv)	**–**	**–**	80,000,000	800
Issue of shares upon placing	(vi)	**136,500,000**	**1,365**	–	–
Issue of shares upon exercise of share options	(vii)	**53,450,000**	**535**	–	–
As at 31 March, ordinary shares of HK$0.01 each		**669,950,000**	**6,700**	480,000,000	4,800

21. SHARE CAPITAL (Continued)

Company (Continued)

Notes:

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

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

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

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

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

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

(iv) On 7 October 2009, 80,000,000 ordinary shares were issued, at the conversion price of HK$0.25 per share to the bond holder upon the conversion of convertible bond (note 23). As a result, there was an increase in share capital and share premium of HK$800,000 and HK$19,200,000 respectively.

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

21. SHARE CAPITAL (Continued)

Company (Continued)

Notes: (Continued)

(vi) On 7 April 2010, the Company entered into a placing agreement with the placing agent, pursuant to which an aggregate of 72,000,000 new ordinary shares were placed by the placing agent on behalf of the Company, at the placing price of HK$0.28 per placing share with the independent investors. As a result, the Company issued 72,000,000 new ordinary shares at HK$0.28 per share on 20 April 2010. As a result, there was an increase in share capital and share premium of HK$720,000 and HK$19,440,000 respectively. Details of the placing are set out in the Company's announcements dated 7 April 2010 and 20 April 2010.

On 8 March 2011, the Company entered into a placing agreement with the placing agent, pursuant to which an aggregate of 64,500,000 new ordinary shares were placed by the placing agent on behalf of the Company, at the placing price of HK$0.553 per placing share with the independent investors. As a result, the Company issued 64,500,000 new ordinary shares at HK$0.553 per share on 31 March 2011. As a result, there was an increase in share capital and share premium of HK$645,000 and HK$35,024,000 respectively. Details of the placing are set out in the Company's announcements dated 9 March 2011 and 31 March 2011.

(vii) During the year, 29,450,000 and 24,000,000 share options at the exercise price of HK$0.285 and HK$0.280 per share were exercised respectively. As a result, there was an increase in share capital and share premium of HK$535,000 and HK$16,251,000 respectively and a decrease in share option reserve of HK$1,673,000.

22. RESERVES

Group

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

Company

	Share premium HK$'000	Capital contribution reserve HK$'000	Convertible bond equity reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance as at 11 June 2009 (date of incorporation)	–	–	–	–	–	–	–
Issue of convertible bond *(note 23)*	–	–	719	–	–	–	719
Shares swap pursuant to reorganisation *(note 21 (iii))*	–	–	–	5,689	–	–	5,689
Issue of shares upon listing *(note 21(v))*	19,200		–	–	–	–	19,200
Issue of shares upon capitalisation *(note 21(ii)(c))*	(2,360)	–	–	–	–	–	(2,360)
Issue of shares upon conversion of convertible bond *(note 21(iv))*	19,200	–	(719)	–	–	–	18,481
Share issue expenses	(4,532)	–	–	–	–	–	(4,532)
Transactions with owners	31,508	–	–	5,689	–	–	37,197
Loss for the year	–	–	–	–	–	(2,527)	(2,527)
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	–	–	(2,527)	(2,527)
Balance as at 31 March 2010 and 1 April 2010	31,508	–	–	5,689	–	(2,527)	34,670
Issue of shares upon placing *(note 21(vi))*	54,464	–	–	–	–	–	54,464
Share issue expenses	(1,261)	–	–	–	–	–	(1,261)
Recognition of equity-settled share-based payments *(note 24)*	–	–	–	–	16,050	–	16,050
Issue of shares upon exercise of share options *(note 21(vii))*	16,251	–	–	–	(1,673)	–	14,578
Repurchase and cancellation of share options and settled by a shareholder *(note 24)*	(3,061)	3,988	–	–	(927)	–	–
Transactions with owners	66,393	3,988	–	–	13,450	–	83,831
Loss for the year	–	–	–	–	–	(18,348)	(18,348)
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	–	–	(18,348)	(18,348)
Balance as at 31 March 2011	**97,901**	**3,988**	–	**5,689**	**13,450**	**(20,875)**	**100,153**

22. RESERVES (Continued)

Notes:

(i) Merger reserve

Merger reserve of the Group represented the sum of difference between the nominal value of the ordinary shares issued (a) by the Company and the share capital of Full Join; and (b) by Full Join and the share capital of Eternity Jewelry acquired through the shares swap pursuant to the reorganisation.

(ii) Contributed surplus

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

(iii) Capital contribution reserve

During the year, certain number of the Company's share options was purchased by one of the shareholders and cancelled afterwards *(note 24)*.

23. CONVERTIBLE BOND – GROUP AND COMPANY

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

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

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

	2011 ***HK$'000***	2010 *HK$'000*
Fair value of convertible bond	**–**	20,000
Equity component	**–**	719
Liability component on initial recognition	**–**	19,281
Interest expense	**–**	–
Carrying amount of convertible bond before conversion	**–**	19,281

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

On 7 October 2009, the convertible bond was converted into 80,000,000 shares of the Company at the conversion price of HK$0.25 per share. Accordingly, amounts of HK$800,000 and HK$19,200,000 were credited to the share capital and share premium respectively for the year ended 31 March 2010.

24. SHARE-BASED COMPENSATION

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

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

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

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

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

During the year ended 31 March 2011, 118,050,000 share options were granted to certain directors, employees and consultants of the Group under the SO Scheme.

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

24. SHARE-BASED COMPENSATION (Continued)

As at 31 March 2011, details of share options granted to several directors, employees and third parties are as follows:

				Number of share options					
Name/category of grantee	*Notes*	Date of grant	Exercisable period	Balance as at 1 April 2010	Granted during the year	Exercised during the year	Cancelled during the year	Balance as at 31 March 2011	Exercise price per share *HK$*
Executive directors									
Ms. Tsang Po Yee, Pauline	(i)	10 March 2011	10 March 2011 to 9 March 2021	–	5,810,000	–	–	**5,810,000**	0.75
Non-executive directors									
Mr. Chan Man Fai, Joe	(i)	10 March 2011	10 March 2011 to 9 March 2021	–	5,810,000	–	–	**5,810,000**	0.75
Mr. Yim Kwok Man	(i)	10 March 2011	10 March 2011 to 9 March 2021	–	5,810,000	–	–	**5,810,000**	0.75
Mr. Joseph Patrick Chu Yeong Kang	(i)	10 March 2011	10 March 2011 to 9 March 2021	–	5,810,000	–	–	**5,810,000**	0.75
Mr. Tam B Ray, Billy	(i)	10 March 2011	10 March 2011 to 9 March 2021	–	5,810,000	–	–	**5,810,000**	0.75
				–	29,050,000	–	–	**29,050,000**	
Employees									
In aggregate	(ii)	9 July 2010	9 July 2010 to 8 July 2011	–	23,700,000	(6,450,000)	(17,250,000)	**-**	0.285
				–	23,700,000	(6,450,000)	(17,250,000)	**-**	
Third parties									
In aggregate	(iii)	14 April 2010	14 April 2010 to 13 April 2011	–	24,000,000	(24,000,000)	–	**-**	0.280
In aggregate	(iii)	9 July 2010	9 July 2010 to 8 July 2011	–	24,300,000	(23,000,000)	(1,300,000)	**-**	0.285
In aggregate	(iii)	8 March 2011	8 March 2011 to 7 March 2013	–	17,000,000	–	–	**17,000,000**	0.553
				–	65,300,000	(47,000,000)	(1,300,000)	**17,000,000**	
Total				–	118,050,000	(53,450,000)	(18,550,000)	**46,050,000**	

24. SHARE-BASED COMPENSATION (Continued)

Notes:

(i) The fair values of share options granted were determined using Black-Scholes option pricing model that takes into account factors specific to the share incentive plans. The following principal assumptions were used in the valuation:

	2011
Share price at date of grant	**HK$0.75**
Expected volatility	**61.85%**
Expected option life	**10 years**
Risk-free interest rate	**0.26%**
Exercise price	**HK$0.75**

The underlying expected volatility was determined by reference to historical data, calculated based on expected life of share options. Expectations of early exercise were incorporated into the Black-Scholes option pricing model. No special features pertinent to the options granted were incorporated into measurement of fair value.

(ii) The fair values of share options granted were determined by reference to the market prices of options with similar terms and conditions.

(iii) The fair values of share options granted were determined by the fair value of the consulting services received from these third parties.

Share options outstanding and weighted average exercise price for the reporting periods presented are as follows:

	2011		2010	
	Number of share options	**Weighted average exercise price** *HK$*	Number of share options	Weighted average exercise price *HK$*
Outstanding as at 1 April	**–**	**–**	–	–
Granted	**118,050,000**	**0.437**	–	–
Exercised	**(53,450,000)**	**0.283**	–	–
Cancelled	**(18,550,000)**	**0.285**	–	–
Outstanding as at 31 March	**46,050,000**	**0.677**	–	–
Exercisable as at 31 March	**46,050,000**	**0.677**	–	–

24. SHARE-BASED COMPENSATION (Continued)

Notes: (Continued)

The weighted average share price for share options exercised during the year at the date of exercise was HK$0.71 per share.

The options outstanding at 31 March 2011 had exercise prices of HK$0.553 to HK$0.75 per share (2010: Nil) and weighted average remaining contractual life of 6.99 years (2010: Nil).

In total, HK$16,050,000 of equity-settled share-based payments has been recognised in profit or loss for 2011 (2010: Nil). The corresponding amount of which has been credited to share option reserve. No liabilities were recognised due to share-based payment transactions.

In October 2010, the purchasers, the vendors and the warrantors entered into the agreement whereby the purchasers agreed to acquire and the vendors agreed to sell an aggregate of 305,000,000 shares of the Company and the completion took place on 13 October 2010. Pursuant to the Hong Kong Code on Takeovers and Mergers, the purchasers are required to make a mandatory general offer for all issued shares not already owned by the purchasers and to make a comparable offer for all the outstanding share options. As a result, 18,550,000 share options were cancelled in December 2010.

For the year ended 31 March 2010, no share options were granted under the SO Scheme.

25. OPERATING LEASE COMMITMENTS

Group

As at 31 March 2011, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	2011	2010
	HK$'000	*HK$'000*
Within one year	**3,679**	487
In the second to fifth years inclusive	**6,118**	866
	9,797	1,353

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

Company

The Company does not have any significant operating lease commitments as lessee.

26. RELATED PARTY TRANSACTIONS

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

	2011	2010
	HK$'000	*HK$'000*
Rental expenses paid to:		
– the directors of the Company or its subsidiaries and their spouse	**337**	81
– a related company	**116**	–
	453	81

During the year, part of the rental expenses was paid to a related company in which certain directors of the Company have indirect equity interests.

These transactions were conducted in the ordinary course of business and negotiated at terms agreed between the parties.

(ii) Key management personnel compensation

The key management personnel of the Group are the directors of the Company. Details of the remuneration paid to them during the year are set out in note 14 to the financial statement.

27. FINANCIAL RISK MANAGEMENT

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

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

27. FINANCIAL RISK MANAGEMENT (Continued)

27.1 Categories of financial assets and liabilities

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Loans and receivables:				
Trade receivables	**11,177**	10,177	**–**	–
Deposits and other receivables	**10,926**	91	**10,164**	–
Amounts due from subsidiaries	**–**	–	**35,275**	33,291
Bank time deposits	**1,693**	–	**–**	–
Bank and cash balances	**64,705**	26,248	**54,868**	–
	88,501	36,516	**100,307**	33,291
Financial liabilities				
Financial liabilities measured at amortised cost:				
Trade payables	**2,835**	4,989	**–**	–
Other payables and accruals	**1,661**	1,166	**928**	350
Amount due to a subsidiary	**–**	–	**8**	–
	4,496	6,155	**936**	350

27. FINANCIAL RISK MANAGEMENT (Continued)

27.2 Market risk

(i) *Foreign currency risk*

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

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

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

27. FINANCIAL RISK MANAGEMENT (Continued)

27.2 Market risk (Continued)

(i) *Foreign currency risk (Continued)*

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

	US$	JPY	CAD	AUD	EUR	GBP	SGD
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2011							
Trade receivables	**7,502**	**–**	**1,295**	**26**	**2,137**	**–**	**–**
Bank and cash balances	**6,543**	**3**	**11**	**16**	**1,760**	**46**	**60**
Trade payables	**(2,792)**	**–**	**–**	**–**	**–**	**–**	**–**
Gross exposure arising from financial assets and liabilities	**11,253**	**3**	**1,306**	**42**	**3,897**	**46**	**60**
As at 31 March 2010							
Trade receivables	4,993	21	645	76	3,951	1	–
Bank and cash balances	1,418	5	1	29	936	124	2
Trade payables	(4,560)	–	–	–	–	–	–
Gross exposure arising from financial assets and liabilities	1,851	26	646	105	4,887	125	2

27. FINANCIAL RISK MANAGEMENT (Continued)

27.2 Market risk (Continued)

(i) Foreign currency risk (Continued)

The following table illustrates the sensitivity of the Group's profit after income tax for the year and retained profits in regards to 5% for US$, JPY, CAD, AUD, EUR, GBP and SGD for the years ended 31 March 2010 and 2011 appreciation in the Group entities' functional currencies against the respective foreign currencies. The above percentages are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

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

	US$	JPY	CAD	AUD	EUR	GBP	SGD
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2011							
Profit for the year and retained profits	**563**	**–**	**65**	**2**	**195**	**2**	**3**
As at 31 March 2010							
Profit for the year and retained profits	93	1	32	5	244	6	–

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

These are the same method and assumption used in preparing the sensitivity analysis included in the financial statements for the year ended 31 March 2010.

27. FINANCIAL RISK MANAGEMENT (Continued)

27.2 Market risk (Continued)

(i) *Foreign currency risk (Continued)*

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

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

(ii) *Interest rate risk*

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

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

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

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

27. FINANCIAL RISK MANAGEMENT (Continued)

27.3 Credit risk

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

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

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history and the Group assesses the credit worthiness and financial strength of its customers as well as considering prior dealing history with the customers. Generally non- retail customers are granted credit terms ranging from 30 to 270 days (2010: 30 to 270 days). Ageing analysis of trade receivables that are not impaired is set out in note 18. Management makes periodic collective assessment as well as individual assessment on the recoverability of trade receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any trade disputes with the debtors.

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

The directors consider the Group does not have a significant concentration of credit risk. The top 5 customers accounted for less than 40% (2010: 20%) of total sales during the year.

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 18.

27. FINANCIAL RISK MANAGEMENT (Continued)

27.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The liquidity risk of the Group is managed by the cash and cash equivalents generated from operating cash flow and short term loans when necessary. The Group has net current assets of HK$114,335,000 (2010: HK$48,776,000) and has bank and cash balances and bank time deposits of HK$66,398,000 (2010: HK$26,248,000) as at 31 March 2011. In the opinion of the directors, the Group's exposure to liquidity risk is limited.

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

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	More than 1 year but less than 2 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Group				
As at 31 March 2011				
Trade payables	**2,835**	**2,835**	**2,835**	**–**
Other payables and accruals	**1,661**	**1,661**	**1,661**	**–**
	4,496	**4,496**	**4,496**	**–**
Group				
As at 31 March 2010				
Trade payables	4,989	4,989	4,989	–
Other payables and accruals	1,166	1,166	1,166	–
	6,155	6,155	6,155	–

27. FINANCIAL RISK MANAGEMENT (Continued)

27.4 Liquidity risk (Continued)

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	More than 1 year but less than 2 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Company				
As at 31 March 2011				
Other payables and accruals	**928**	**928**	**928**	**–**
Amount due to a subsidiary	**8**	**8**	**8**	**–**
	936	**936**	**936**	**–**
Company				
As at 31 March 2010				
Other payables and accruals	350	350	350	–

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

28. CAPITAL MANAGEMENT

The Group's capital management objectives are:

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

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

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

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. In order to maintain or adjust the capital structure, the Group may adjust the amount of the dividends paid to equity holders, return capital to equity holders or issue new shares. Management regards total equity as capital, for capital management purpose. The amount of capital as at 31 March 2011 amounted to HK$116,316,000 (2010: HK$49,947,000), which management considers as optimal having considered the projected capital expenditures and the forecast strategic investment opportunities. The Group's overall capital management strategy remains unchanged during the year.

29. EVENTS AFTER THE REPORTING DATE

(i) On 14 April 2011, the Company entered into a conditional agreement with a third party to acquire the entire equity interests in Sharp Wonder Holdings Limited ("Sharp Wonder") at a consideration of HK$400,000,000 (subject to adjustment). The consideration is to be satisfied as to HK$250,000,000 in cash and as to HK$150,000,000 (subject to adjustment) by the issue of the promissory note by the Company to the vendor. Sharp Wonder and its subsidiaries are engaged in the business of jewelry retailing in Hong Kong and Singapore, details of which are set out in the Company's announcement dated 26 April 2011. As at the date of the approval of the financial statements, the acquisition has not been completed.

(ii) On 29 April 2011, the Company completed the subscription by which 26,000,000 new ordinary shares were issued at the subscription price of HK$0.553 per share. The Company received net proceeds of approximately HK$14.22 million from the issue of the subscription shares accordingly.

(iii) On 12 June 2011, the Company entered into the placing agreement with a placing agent whereby the Company agreed to appoint the placing agent to procure independent placees to subscribe in cash at 100% of the principal amount, for the convertible notes up to a principal amount of HK$261,000,000. The initial conversion price of the convertible notes is HK$1.88 per convertible share. The maturity date is 3 years from the first issue date. As at the date of the approval of the financial statements, the placing has not been completed.