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ETERNITE INTERNATIONAL COMPANY LIMITED

永恒國際股份有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 08351)

PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES UNDER GENERAL MANDATE AND GRANT OF OPTION UNDER SERVICE AGREEMENT

PLACING AGREEMENT

After trading hours on 7 April 2010, the Vendor, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Vendor has agreed to place, and the Placing Agent has agreed to procure not less than six Placees, on a best effort basis, for the purchase of up to 72,000,000 Shares at the Placing Price of HK\$0.28 per Placing Share. The maximum number of the Placing Shares represents (i) 15% of the Company's existing issued share capital of 480,000,000 Shares and (ii) about 13.04% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

SUBSCRIPTION AGREEMENT

After trading hours on 7 April 2010, the Vendor and the Company entered into the Subscription Agreement pursuant to which the Vendor has agreed to subscribe for such number of Subscription Shares which is equivalent to the number of Placing Shares, being a maximum number of 72,000,000 Subscription Shares, at the Subscription Price of HK\$0.28 per Subscription Share.

The Subscription is conditional upon (i) the completion of the Placing; (ii) the Stock Exchange granting the listing of and permission to deal in the Subscription Shares; and (iii) the Executive granting a waiver to the Vendor under Note 6 on dispensations from Rule 26 of the Takeovers Code from an obligation to make a general offer under Rule 26 of the Takeovers Code arising from the Subscription. Under Rule 20.31(3)(d) of the GEM Listing Rules, the Subscription must be completed within 14 days from the date of the Placing Agreement, that is, on or before 20 April 2010 or failing which, it will constitute a connected transaction for the Company. If completion of the Subscription does not take place within 14 days after the date of the Placing Agreement, the Company is required to comply with all the requirements in relation to connected transaction under the GEM Listing Rules.

* For identification purpose only

Further announcement will be made by the Company upon completion of the Placing and the Subscription.

GRANT OF OPTION UNDER THE SERVICE AGREEMENT

The Company and Galaxy Capital entered into the Service Agreement, pursuant to which the Company has conditionally granted to the Grantee the Option, which is exercisable during the Option Period, to subscribe for up to 24,000,000 Shares at the Exercise Price of HK\$0.28 per Option Share.

PLACING AGREEMENT

Date:

7 April 2010

Parties:

The Vendor, the Company and the Placing Agent

The Vendor:

Grow Dragon Limited. As disclosed in the Prospectus, the Vendor, King Honor, Prime New and their respective ultimate beneficial owners, being Mr. Cheung, Mr. So and Mr. Cheng, are parties acting in concert with each other and are together regarded as the controlling shareholder (as defined in the GEM Listing Rules) of the Company. As at the date of this announcement, the Vendor Concert Group is the beneficial owner of 240,000,000 Shares, representing 50% of the entire issued share capital of the Company.

Number of Placing Shares to be placed:

Up to 72,000,000 Shares, representing (i) 15% of the Company's existing issued share capital of 480,000,000 Shares and (ii) about 13.04% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

The entire issued share capital of the Vendor is beneficially owned by Mr. Cheung Kwok Fan, an executive Director.

Placing agent:

Cheong Lee Securities Limited

The Placing Agent and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons (as defined in the GEM Listing Rules).

The Placing Agent will be entitled to receive a placing agent commission of 1.5% on the gross proceeds of the actual number of the Placing Shares being placed, which was arrived at after arm's length negotiation between the Company and the Placing Agent.

Placees:

The Placing Agent agreed to place the Placing Shares, on a best effort basis, to the Placees. The Placees and their ultimate beneficial owners are independent of and not connected and not a party acting in concert with the Company, the Vendor and its concert parties, the Directors, chief executive, substantial shareholders and management shareholders (as those terms are defined in the GEM Listing Rules) of the Company, its subsidiaries and their respective Associates.

It is expected that there will be not less than six Placees. In the event that the number of the Placees falls below six, information of the Placees will be disclosed in further announcement of the Company in accordance with the GEM Listing Rules. It is a term of the Placing Agreement that save as the prior written consent of the Company, none of the Placees shall become a substantial shareholder of the Company upon completion of the Placing.

Price:

HK\$0.28 per Share, representing a discount of approximately 17.65% to the closing price of HK\$0.34 per Share as quoted on the Stock Exchange on 7 April 2010, being the date of the Placing Agreement and a discount of approximately 18.37% to the average closing price of HK\$0.343 per Share as quoted on the Stock Exchange for the last five trading days immediately preceding the date of the Placing Agreement.

The Placing Price was determined after arm's length negotiations between the Company and the Placing Agent on the date of the Placing Agreement with reference to the prevailing market price of the Shares.

Rights:

The Placing Shares will be sold free of any third party rights and together with all dividends and distributions declared, made or paid after the date of the Placing Agreement.

Completion:

The Placing is unconditional and unless otherwise agreed by the parties, completion of the Placing will take place within 30 days from the date of the Placing Agreement ("Closing Date").

Termination:

If at any time at or prior to 9:30 a.m. (Hong Kong time) on the Closing Date:

- (A) in the opinion of the Placing Agent there shall have been since the date of the Placing Agreement such a change in national or international financial, political or economic or market (including stock market) conditions or taxation or currency exchange or exchange controls as would be likely to be materially adverse to the success of the Placing; or

- (B) any breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Closing Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Vendor of any other provision of the Placing Agreement; or
- (C) there is any adverse change in the financial position of the Company which in the reasonable opinion of the Placing Agent is material in the context of the Placing;
- (D) any new law or regulation or any change or development involving a prospective change in existing laws and regulations in any relevant jurisdiction which in the reasonable opinion of the Placing Agent has or is likely to have a material adverse effect on the financial position of the Company and/or of the Group as a whole; or
- (E) any suspension of dealings in the Shares for any period of three consecutive business days or more (other than as a result of the Placing); or
- (F) any outbreak or escalation of hostilities or act of terrorism involving Hong Kong or the PRC or the declaration by Hong Kong or the PRC of a national emergency or war; or
- (G) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to the Closing Date;

then and in any such case, the Placing Agent may terminate the Placing Agreement without liability to the Company and/or to the Vendor by giving notice in writing to the Vendor, provided that such notice is received prior to 12:00 noon on the Closing Date.

SUBSCRIPTION AGREEMENT

Date:

7 April 2010

Parties involved:

The Company and the Vendor, who is the subscriber

Number of new Shares subscribed for:

The number of Subscription Shares is equivalent to the number of Placing Shares, being a maximum number of 72,000,000 Subscription Shares (nominal value being HK\$720,000).

Price:

The Subscription Price is HK\$0.28 per Subscription Share. The Subscription Price is the same as the Placing Price and was determined after arm's length negotiation between the Company and the Vendor with reference to the Placing Price.

The Company will pay the costs and expenses of the Subscription, and will repay to the Vendor its costs and expenses of the Placing. The net price to the Company of each Subscription Share is approximately HK\$0.272.

The Directors are of the view that the Subscription Price is fair and reasonable.

Mandate to issue the Subscription Shares:

The Subscription Shares will be issued pursuant to the General Mandate granted to the Directors by the written resolutions of all the Shareholders passed on 21 September 2009. The Directors were authorised to allot and issue up to 96,000,000 Shares pursuant to the General Mandate. Accordingly, the issue of the Subscription Shares is not subject to any approval by the shareholders of the Company.

Ranking:

The Subscription Shares, when fully paid, will rank pari passu in all respects with the existing issued Shares.

Conditions of the Subscription:

The Subscription is conditional upon (i) the completion of the Placing; (ii) the Stock Exchange granting listing of and permission to deal in the Subscription Shares; and (iii) the Executive granting a waiver to the Vendor under Note 6 on dispensations from Rule 26 of the Takeovers Code from an obligation to make a general offer under Rule 26 of the Takeovers Code arising from the Subscription.

The Company will apply to the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

Completion:

Under Rule 20.31(3)(d) of the GEM Listing Rules, the Subscription must be completed within 14 days from the date of the Placing Agreement, that is, on or before 20 April 2010.

If completion of the Subscription does not take place within 14 days after the date of the Placing Agreement, it will constitute a connected transaction for the Company and the Company is required to comply with all the requirements in relation to connected transaction under the GEM Listing Rules.

Further announcement will be made by the Company upon completion of the Placing and the Subscription.

TAKEOVERS CODE IMPLICATIONS

As at the date of this announcement, the Vendor Concert Group is interested in 240,000,000 Shares, representing 50.0% of the existing issued share capital of the Company. The shareholding interest of the Vendor Concert Group will decrease to 35% immediately upon completion of the Placing and will then increase to approximately 43.48% immediately upon completion of the Subscription, which will have the effect of increasing the holding of voting rights of the Vendor Concert Group in the Company by more than 2% from its lowest percentage holding in the 12 month period immediately after the Placing. Accordingly, the Vendor Concert Group has an obligation to make a general offer for the Shares pursuant to Rule 26 of the Takeovers Code. An application has been made by the Vendor to the Executive under Note 6 on dispensations from Rule 26 of the Takeovers Code for a waiver from an obligation to make a general offer under Rule 26 of the Takeovers Code arising from the Subscription.

REASONS FOR THE PLACING AND SUBSCRIPTION

The net proceeds to the Company from the Subscription will be approximately HK\$19.6 million. The Directors consider various ways of raising funds and consider that the Placing and the Subscription represent an opportunity to enlarge the equity base of the Company and provide additional funding for the expansion of its business of the design and sale of a board range of fine jewelry products to encompass trading of diamonds and as general working capital for the Group.

The Directors consider that the terms of each of the Placing Agreement and the Subscription Agreement are fair and reasonable based on the current market conditions and in the interests of the Company and its shareholders as a whole.

GRANT OF OPTION UNDER THE SERVICE AGREEMENT

After trading hours on 7 April 2010, the Company and Galaxy Capital entered into the Service Agreement, the principal terms of which are set out below.

Parties

- (1) The Company; and
- (2) Galaxy Capital. To the best knowledge, information and belief of the Directors, Galaxy Capital is independent of and not connected to the Company and its connected persons (as defined in the GEM Listing Rules) and not acting in concert with the Vendor and its concert parties.

The Services

Galaxy Capital shall (i) advise the Company generally on its future development and strategic move; (ii) introduce business contacts or strategic partners and/or the acquisition target(s) to the Company in order to increase the shareholders' value of the Company, if necessary; and (iii) advise on certain capital market activities including the possible fundraising for the Company.

Grant of Option

In consideration for the services of Galaxy Capital, the Company has conditionally agreed to grant to Grantee (as nominated by Galaxy Capital) the Option to subscribe for up to 24,000,000 Shares at the Exercise Price of HK\$0.28 per Option Share. The Grantee and its ultimate beneficial owners will be independent of and not connected with the Company and its connected persons (as defined in the GEM Listing Rules).

Option Shares

The number of 24,000,000 Option Shares represents: (i) 5% of the existing issued share capital of the Company; and (ii) approximately 4.17% of the existing issued share capital of the Company as enlarged by the issue of the Option Shares and the Subscription Shares.

The number of the Option Shares shall be subject to adjustment in the event that the issued share capital of the Company is altered as a result of any consolidation or subdivision of the share capital of the Company or bonus issue of shares of the Company.

Exercise Price

The Exercise Price of HK\$0.28 per Option Share was determined after arm's length negotiation between the Company and Galaxy Capital and represents a discount of approximately 17.65% to the closing price of HK\$0.34 per Share as quoted on the Stock Exchange on 7 April 2010, being the date of the Service Agreement and a discount of approximately 18.37% to the average closing price of HK\$0.343 per Share as quoted on the Stock Exchange for the last five trading days immediately preceding the date of the Service Agreement.

The net price to the Company of each Option Share, which is calculated by dividing the net proceeds from the exercise of the subscription rights attached to the Option by the total number of the Option Shares, is approximately HK\$0.276.

Option Period

The Option Period will commence from the date of grant and for a period of one year.

Conditions

The grant of the Option is conditional upon the Stock Exchange granting the listing of, and permission to deal in, the Option Shares.

In the event that any of the conditions referred to above is not fulfilled within 60 days after the date of the Service Agreement, the Service Agreement shall lapse and cease to have any effect and no party shall have any claim against the other.

Transfer

The Option shall not be transferable or assignable and Galaxy Capital and the Grantee shall not in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to the Option or any part thereof or enter into any agreement so to do. Any breach of the foregoing shall entitle the Company to cancel the Option.

Ranking of the Option Shares

The Option Shares, when issued, will rank pari passu in all respects with all other Shares in issue at the date of issue and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of issue.

Voting

The Grantee will not be entitled to attend or vote at any meetings of the Company by reason only of it being the holder of the Option and will not be entitled to receive notice of any meetings of the Company.

Mandate

The Option Shares will be issued pursuant to the General Mandate.

Application for listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Option Shares.

Use of proceeds

The net proceeds to be received by the Company upon the exercise of the Option in full are estimated to be about HK\$6.6 million and are intended to be used by the Company for the expansion of its business to trading of diamonds and as general working capital.

REASONS FOR THE SERVICE AGREEMENT AND THE GRANT OF THE OPTION

The grant of the Option to the Grantee (as nominated by Galaxy Capital) serves as remuneration to Galaxy Capital to provide the consultancy and advisory services to the Group as stated in the paragraph headed “The Services” above.

The grant of the Option as an incentive will not have any adverse impact on the cashflow of the Group while the shareholder base of the Company will be enlarged and the Company can receive subscription money upon exercise of the Option. The Directors believe that the terms of the Service Agreement (including the grant of the Option and the Exercise Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE OF THE COMPANY IMMEDIATELY BEFORE AND AFTER THE PLACING AND SUBSCRIPTION AND IMMEDIATELY AFTER THE EXERCISE OF THE OPTION IN FULL

Save for the Option conditionally granted by the Company, the Company has no warrants, options or other convertible securities which are still outstanding as at the date of this announcement.

The following table sets out the shareholding structure of the Company immediately before and after completion of the Placing and the Subscription (assuming that the maximum number of Placing Shares is placed by the Placing Agent) and immediately after the exercise of the Option in full:

	Existing shareholding		Shareholding immediately after the Placing (assuming that the maximum number of Placing Shares is placed by the Placing Agent)		Shareholding immediately after the Placing and Subscription (assuming that the maximum number of Placing Shares is placed by the Placing Agent)		Shareholding immediately after the Placing and Subscription (assuming that the maximum number of Placing Shares is placed by the Placing Agent) and the exercise of the option in full	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
The Vendor								
Concert Group								
(note)	240,000,000	50.00%	168,000,000	35.00%	240,000,000	43.48%	240,000,000	41.66%
The Placees	–*	–*	72,000,000	15.00%	72,000,000	13.04%	72,000,000	12.5%
Galaxy Capital or its nominees	–	–	–	–	–	–	24,000,000	4.17%
Other public	240,000,000	50.00%	240,000,000	50.00%	240,000,000	43.48%	240,000,000	41.67%
Total	480,000,000	100.00%	480,000,000	100.00%	552,000,000	100.00%	576,000,000	100.00%

* Subject to verification by the Placing Agent.

Note: At the date of this announcement, the Vendor Concert Group comprises the Vendor, King Honor and Prime New and their respective ultimate beneficial owners, being Mr. Cheung, Mr. So and Mr. Cheng. Currently, each of the Vendor, King Honor and Prime New holds 80,000,000 Shares, representing approximately 16.66% of the existing issued share capital of the Company.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

The Company has not conducted any equity fund raising exercise in the past 12-month period immediately before the date of this announcement except for (i) the issue of HK\$20 million convertible bonds to Billion Right Limited according to the subscription agreement dated 2 July 2009; and (ii) the placing as stated in the Prospectus.

Transaction type	Net proceeds raised	Intended use of proceeds	Actual use of proceeds up to 31 March 2010	Remaining balance as at 31 March 2010
The issue of HK\$20 million convertible bonds to Billion Right Limited according to the subscription agreement dated 2 July 2009	HK\$20 million	Repayment of shareholders' loan	Fully utilised	Not applicable
The placing as stated in the prospectus of the Company dated 29 September 2009 ("Prospectus")	HK\$16.0 million	– as to HK\$3.2 million for the product development	– HK\$0.8 million utilised up to 31 March 2010 as intended and as stated in the Prospectus	All unutilised net proceeds up to 31 March 2010 has been deposited to bank and will be used as intended and as stated in the Prospectus
		– as to HK\$3.7 million for expansion of sales network	– HK\$0.6 million utilised up to 31 March 2010 as intended and as stated in the Prospectus	
		– as to HK\$3.0 million for human resources deployment and staff training	– HK\$0.6 million utilised up to 31 March 2010 as intended and as stated in the Prospectus	
		– as to HK\$2.0 million for procurement and contract manufacturing	– HK\$0.4 million utilised up to 31 March 2010 as intended and as stated in the Prospectus	
		– as to HK\$2.5 million for enhancement of inventory level	– HK\$2.5 million utilised up to 31 March 2010 as intended and as stated in the Prospectus	
		– as to HK\$1.6 million for working capital	Nil	

DEFINITIONS

Unless the context requires otherwise, the following words and phrases used in this announcement have the following meanings:

“Associates”	has the meaning set out in the GEM Listing Rules
“Board”	the board of Directors
“Company”	Eternite International Company Limited, a company incorporated in the Bermuda with limited liability and the issued Shares of which are listed on GEM
“connected person”	has the meaning set out in the GEM Listing Rules
“Directors”	the directors of the Company
“Executive”	Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of his delegates
“Exercise Price”	HK\$0.28 per Share, subject to adjustments for any consolidation or sub-division of Shares or bonus issue of Shares
“Galaxy Capital”	Galaxy Capital Limited, a company with limited liability incorporated in Hong Kong and independent of and not connected to the Company and not acting in concert with the Vendor and its concert parties
“Grantee”	as nominated by Galaxy Capital
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate granted to the Directors by the written resolutions of all Shareholders passed on 21 September 2009 to allot or otherwise deal with the unissued Shares
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“King Honor”	King Honor Limited, a company incorporated in the British Virgin Islands, which is wholly and beneficially owned by Mr. So
“Mr. Cheng”	Mr. Cheng Kwong Sai, an executive Director and one of the founders of the Group
“Mr. Cheung”	Mr. Cheung Kwok Fan, an executive Director and one of the founders of the Group
“Mr. So”	Mr. So Chun Kai, an executive Director and one of the founders of the Group
“Option”	the option conditionally granted by the Company to the Grantee attached with it the right to subscribe for the Option Shares at the Exercise Price
“Option Period”	the period of one year from the date of grant
“Option Shares”	up to 24,000,000 Shares to be issued upon the exercise of the subscription rights attaching to the Options which Shares shall rank pari passu in all respects with the Shares in issue at the date of allotment of the Option Shares
“Placee(s)”	the placee(s) to be procured by the Placing Agent under the Placing
“Placing”	the placing of a maximum of 72,000,000 Shares beneficially owned by the Vendor pursuant to the Placing Agreement
“Placing Agent”	Cheong Lee Securities Limited, a company incorporated in Hong Kong, a licensed corporation licensed to carry on type 1 (dealing in securities), type 2 (dealings in future contracts), type 4 (advising on securities) and type 5 (advising on future contracts) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	a placing agreement between the Vendor, the Company and the Placing Agent dated 7 April 2010 in relation to the Placing
“Placing Price”	HK\$0.28 per Placing Share

“Placing Shares”	a total of 72,000,000 Shares beneficially owned by the Vendor and to be placed under the Placing
“PRC”	the Peoples’ Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Prime New”	Prime New Limited, a company incorporated in the British Virgin Islands, which is wholly and beneficially owned by Mr. Cheng
“Prospectus”	the prospectus of the Company dated 29 September 2009 in connection with the listing of its Shares on GEM
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Service Agreement”	the service agreement dated 7 April 2010 entered into between the Company and Galaxy Capital
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement between the Company and the Vendor dated 7 April 2010 in relation to the Subscription
“Subscription”	the subscription for the Subscription Shares pursuant to the Subscription Agreement
“Subscription Price”	HK\$0.28 per Subscription Shares
“Subscription Shares”	new Shares equivalent to the number of the Placing Shares to be subscribed by the Vendor
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor”	Grow Dragon Limited, a company incorporated in the British Virgin Islands, which is wholly and beneficially owned by Mr. Cheung
“Vendor Concert Group”	the Vendor, King Honor and Prime New and their respective ultimate beneficial owners, being Mr. Cheung, Mr. So and Mr. Cheng

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong
“%” per cent.

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

Hong Kong, 7 April 2010

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:

So Chun Kai (蘇鎮楷)
Cheng Kwong Sai, Paul (鄭廣世)
Cheung Kwok Fan (張國勳)

Independent non-executive Directors:

Chan Kin Wah, Billy (陳健華)
Ng Heung Yan (吳向仁)
Lei Hong Kuong (李雄光)

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on www.eternity-jewelry.com.