CLIMAX INTERNATIONAL COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 439)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2007

The board of directors (the "Directors") of Climax International Company Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2007, together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	2	**258,910**	267,176
Cost of sales		**(240,913)**	(234,313)
Gross profit		**17,997**	32,863
Other income		**10,176**	4,043
Distribution costs		**(16,127)**	(13,728)
Administrative expenses		**(59,903)**	(42,058)
Impairment loss recognised in respect of available-for-sale investments		**(6,000)**	–
Finance costs		**(5,854)**	(4,882)
Loss before taxation		**(59,711)**	(23,762)
Income tax expenses	3	**–**	–
Loss for the year attributable to equity holders of the Company	4	**(59,711)**	(23,762)
Loss per share – basic	5	**(HK17.72 cents)**	(HK1.21 cents)

CONSOLIDATED BALANCE SHEET
At 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment		**63,852**	64,689
Prepayment		**26,311**	28,550
Available-for-sale investments		**3,500**	9,500
		93,663	102,739
Current assets			
Inventories		**51,087**	74,916
Debtors, deposits and prepayments	6	**60,912**	50,576
Amount due from a related company		**–**	3,360
Bank balances and cash		**17,594**	4,541
		129,593	133,393
Current liabilities			
Creditors and accrued charges	7	**70,316**	48,095
Bills payable		**–**	692
Amounts due to directors		**1,130**	4,200
Obligations under finance leases – amount due within one year		**9,146**	9,117
Short-term bank borrowings		**51,904**	55,251
		132,496	117,355
Net current (liabilities) assets		**(2,903)**	16,038
Total assets less current liabilities		**90,760**	118,777
Non-current liability			
Obligations under finance leases – amount due after one year		**4,183**	8,440
		86,577	110,337
Capital and reserves			
Share capital		**6,180**	59,310
Reserves		**80,396**	51,026
Total equity attributable to equity holders of the Company		**86,576**	110,336
Minority interests		**1**	1
		86,577	110,337

Notes:

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on a going concern basis notwithstanding that the Group had net current liabilities of approximately HK$2,903,000 at 31 March 2007 as the Company has undergone several share placing arrangements subsequent to the balance sheet date, and consequently raised additional funds of approximately HK$76,643,000 in aggregate for financing the working capital of the Group. With such additional funds raised and the cash flow generated from the normal course of business of the Group, the directors are of the opinion that the Group will be able to meet its financial liabilities as they fall due for the foreseeable future.

The consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments which are measured in fair value.

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

In the current year, the Group has applied, for the first time, a number of new standards, amendment and interpretations (the "new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 April 2006. The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures [1]
HKAS 23 (Revised)	Borrowing costs [2]
HKFRS 7	Financial instruments: Disclosures [1]
HKFRS 8	Operating segments [2]
HK(IFRIC) – Interpretation ("INT") 8	Scope of HKFRS 2 [3]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives [4]
HK(IFRIC) – INT 10	Interim financial reporting and impairment [5]
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions [6]
HK(IFRIC) – INT 12	Service concession arrangements [7]
HK(IFRIC) – INT 13	Customer Loyalty Programmes [8]
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [7]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 May 2006.
[4] Effective for annual periods beginning on or after 1 June 2006.
[5] Effective for annual periods beginning on or after 1 November 2006.
[6] Effective for annual periods beginning on or after 1 March 2007.
[7] Effective for annual periods beginning on or after 1 January 2008.
[8] Effective for annual periods beginning on or after 1 July 2008.

2. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances.

Business segments

The Group's operation is regarded as a single business segment, being engaged in manufacturing and trading of OEM paper products.

Geographical segments

The Group's operations are located in mainland China and Hong Kong. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Turnover by geographical market Year ended 31 March	
	2007	2006
	HK$'000	*HK$'000*
United States of America	**152,292**	139,110
Europe	**61,029**	74,489
Asia-Pacific (excluding Hong Kong)	**33,382**	39,376
Hong Kong	**3,322**	4,847
Others	**8,885**	9,354
	258,910	267,176

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical areas in which the assets are located:

	Carrying amount of segment assets As at 31 March		**Additions to property, plant and equipment Year ended 31 March**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China	**162,030**	185,282	**13,810**	4,847
Hong Kong	**36,864**	41,186	**2,482**	268
Others	**24,362**	9,664	**–**	–
	223,256	236,132	**16,292**	5,115

3. INCOME TAX EXPENSES

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not have any assessable profit for both years.

The applicable income tax rate for subsidiaries operating in the PRC is 33% (2006: 33%). No provision for PRC Enterprise Income Tax has been made in the consolidated financial statements as the Group did not have any assessable profit for both years.

On 16 March 2007, the Enterprise Income Tax Law (the "new EIT law") was passed at the Fifth Session of the Tenth National People's Congress of the PRC. The new EIT law will be effective as of 1 January 2008, and the "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises" and "Provisional Regulations of the PRC on Enterprise Income Tax" both of which the Group was originally subjected to will be abrogated simultaneously. The Group has already commenced an assessment of the impact of the new EIT law but is not yet in a position to state the accurate impact on the Group's results of operations in the future.

4. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	2007	2006
	HK$'000	*HK$'000*
Loss for the year attributable to equity holders of the Company has been arrived at after charging:		
Release of prepayment	**2,239**	2,239
Depreciation on:		
– own assets	**6,079**	5,946
– assets held under finance leases	**3,613**	3,794

5. LOSS PER SHARE – BASIC

The calculation of the basic loss per share is computed based on the following data:

	2007	2006
	HK$'000	*HK$'000*
Loss:		
Loss for the year attributable to equity holders of the Company for the purposes of basic loss per share	**(59,711)**	(23,762)

	2007	2006
Number of shares:		
Weighted average number of shares for the purpose of basic loss per share	**336,912,036**	19,602,663

No diluted earning per share have been presented because the exercise price of the Company's options was higher than the average market price of shares for both years.

The weighted average number of ordinary shares for the year ended 31 March 2006 for the purpose of basic and diluted earnings per share has been adjusted for the share consolidation which took effect on 11 April 2006.

6. DEBTORS, DEPOSITS AND PREPAYMENTS

At 31 March 2007, the balance of debtors, deposits and prepayments included trade debtors of approximately HK$39,937,000 (2006: HK$28,958,000).

The aged analysis of trade debtors at the balance sheet date is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 –30 days	**28,034**	21,040
31 – 60 days	**1,188**	2,536
61 – 90 days	**1,188**	254
91 – 120 days	**826**	922
Over 120 days	**8,701**	4,206
	39,937	28,958

The Group allows a credit period of 30 – 120 days (2006: 30 – 120 days) to its trade debtors.

7. CREDITORS AND ACCRUED CHARGES

At 31 March 2007, the balance of creditors and accrued charges included trade creditors of approximately HK$43,889,000 (2006: HK$27,065,000). The aged analysis of trade creditors at the balance sheet date is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**18,407**	17,036
31 – 60 days	**4,599**	1,125
61 – 90 days	**4,283**	2,077
91 – 120 days	**5,060**	1,524
Over 120 days	**11,540**	5,303
	43,889	27,065

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 March 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Performance Review

For the year ended 31 March 2007 ("2007"), the Group's turnover was HK$259 million, decreased by 3% as comparing with HK$267 million for the year ended 31 March 2006 ("2006"). Gross profit margin reduced to 7% (2006: 12%) with loss attributable to equity holders of the Company increased to HK$60 million (2006: HK$24 million loss).

With keen competition in the industry, 2007 was a challenging year to the Group, the bargaining power of customers was increasing by demanding for lower prices with more value-added services from the Group. On the contrary, the rise in raw material costs, the increase in minimum wages rate in the mainland China and the gradual appreciation of Renminbi put extra burden on material costs and manufacturing expenses of the Group.

Although the Group has diversified its customer base in book printing business to minimize the seasonal impact on the Group, additional start-up costs were incurred for the diversification. As the Company announced on 23 August 2006, the Group entered into an agreement to leaseback its factory premises in Shenzhen and accordingly ceased the Group's Shenzhen manufacturing operations. The production lines in Shenzhen have been relocated to the Group's factories in Dongguan since October 2006. In the course of the relocations, certain production operations were interrupted with extra one-off costs were incurred for factory premises refurbishment, labour redundancy, materials and equipment written off, sub-contracting and production lines relocation. All these extra costs negatively affected the Group's profit margin in 2007.

Outlook

The relocation of production lines were completed in July 2007. The management expected that production efficiency will be improved and fixed manufacturing costs will be reduced after the streamlining of operating procedures and the consolidation of production lines to the Group's two nearby factories in Dongguan. In addition to the savings in occupancy costs, the leaseback of Shenzhen factory will also bring extra stable rental income stream to the Group in the coming years.

It is foreseeable that the keen competition in the industry, the unfavourable economic environment and government policies for the Group's manufacturing operations in the mainland China will continue. The Group will take continuous efforts to enhance its value-added activities, redesign its existing products and develop new product lines in order to improve the Group's profitability. With strong sentiment of the Hong Kong stock market after the balance sheet date, the Company conducted several equity raising exercises, which have substantially strengthened the Group's capital base and financial position. The Group will continue to explore more new business opportunities to sustain its growth momentum and broaden its revenue stream.

Share Capital

During 2007, the share capital of the Company had the following changes:

On 7 April 2006, 31,500,000 ordinary shares of HK$0.01 each in the capital of the Company were issued for the exercises of share option by a director of the Company.

On 11 April 2006, the Company undertook a capital reorganization of consolidating every twenty shares of par value of HK$0.01 each in the issued ordinary share capital of the Company into one consolidation share (the “Consolidated Share”) of par value of HK$0.20; and cancelling the paid up capital of each Consolidating Share in issue to the extent of HK$0.19 on the nominal value of HK$0.20 of each Consolidated Share so as to form one reorganized share of par value of HK$0.01 each.

On 26 July 2006, 39,000,000 ordinary shares of HK$0.01 each in the capital of the Company were issued pursuant to placing and subscription agreements in relation to placing of existing shares and subscription for new shares of the Company.

On 15 March 2007, 280,936,879 ordinary shares of HK$0.01 each in the capital of the Company were issued by way of an open offer on the basis of five open offer shares for every six existing shares held by the qualifying shareholders on the record date.

After the balance sheet date, the following equity raising exercises had been conducted:

On 26 April 2007, 33,000,000 ordinary shares of HK$0.01 each in the capital of the Company were issued pursuant to placing and subscription agreements in relation to placing of existing shares and subscription for new shares of the Company.

On 8 May 2007, 33,000,000 ordinary shares of HK$0.01 each in the capital of the Company were issued pursuant to placing and subscription agreements in relation to placing of existing shares and subscription for new shares of the Company.

On 5 July 2007, 136,800,000 ordinary shares of HK$0.01 each in the capital of the Company were issued pursuant to placing and subscription agreements in relation to placing of existing shares and subscription for new shares of the Company.

As the Company announced on 6 June 2007, 24 August 2007 and 26 November 2007, the Company conditionally agreed to place, through Kingston Securities Limited (the “Placing Agent”) on a best effort basis, a maximum of 273,600,000 ordinary shares of HK$0.01 each in the capital of the Company by two equal tranches. Completion of the tranche I placing took placed on 26 July 2007 that the Placing Agent has fully placed a total of 136,800,000 tranche I placing shares. Up to 24 November 2007, being the latest completion date of the tranche II placing, none of the tranche II placing shares have been placed by the Placing Agent, accordingly, the tranche II placing has expired and ceased after 24 November 2007.

Liquidity and Financial Resources

As at 31 March 2007, the Group shareholders' equity was HK$87 million (2006: HK$110 million), the current assets and current liabilities of the Group amounted to HK$130 million (2006: HK$133 million) and HK$132 million (2006: HK$117 million) respectively. The Group's working capital turned to HK$3 million net current liabilities (2006: HK$16 million net current assets).

During 2007, the Group recorded cash generated from operations of HK$2 million (2006: HK$17 million cash outflow) and the gearing ratio as of 31 March 2007, defined as the percentage of total interest bearing debt to net asset value, was 75% (2006: 66%).

Most of the Group's banking facilities are dominated in Hong Kong dollars with interest charged at certain percentage over the HIBOR and Hong Kong prime rate. Except for certain machinery financed by medium term finance leases, the Group pledges no assets to banks or financial institutions for the facilities.

As all borrowings are in Hong Kong dollars and the Group's businesses are carried out mainly in Hong Kong dollars, US dollars and Renminbi. The exchange rate of US dollar/Hong Kong dollars is relatively stable due to the currency peg system adopted in Hong Kong. On the other hand, the Renminbi denominated sales revenue of the Group helps to reduce the Group's commitments in Renminbi denominated operating expenses.

Investment Position and Planning

During 2007, the Group spent approximately HK$16 million (2006: HK$5 million) for the acquisition of property, plant and equipment to diversify the Group's operations.

In August 2006, the Group entered into an agreement to leaseback its factory premises in Shenzhen to the lessor of the factory premises. The leaseback will accordingly generate a stable stream of cash inflow for the Group.

In 2006, the Group acquired 19% of the issued share capital of Vevion Hong Kong Limited ("Vevion") at a consideration of HK$9.5 million, a company engaged in the photo-finishing business, trading and sales of photographical and audio-visual products. During 2007, Vevion had issued further share capital while the Group had not subscribed for any new share capital in Vevion, accordingly, the Group's interest in Vevion was diluted to 8.26%. According to a valuation performed by a professional valuer, the fair value of the Group's interest in Vevion at the balance sheet date was reduced to HK$3.5 million.

The Group did not have any significant investment position in stocks, bonds and any other financial derivatives, and there are no acquisition or disposal of subsidiaries and associated company during 2007.

Charges on the Group's Assets and Contingent Liabilities

As at 31 March 2007, approximately 56% (2006: 56%) of the Group's property, plant and equipment were pledged to financial institutions to secure the Group's obligation under finance leases.

As at 31 March 2007, the Group had no significant contingent liabilities (31 March 2006: Nil).

Employees

As at 31 March 2007, the Group had 1,451 employees, with 49 staff in Hong Kong and 1,402 staff and workers in the Group's factories in mainland China. The Group provides competitive remuneration packages to employees with attractive discretionary bonus payable to those with outstanding performance and contribution to the Group.

CORPORATE GOVERNANCE

The Company has fully complied with the applicable code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "CG Code") during the year with deviation from the code provision E.1.2 of the CG Code.

Under the code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting. Mr. Kan Shiu Cheong, Frederick, the chairman of the Board is the chairman of the remuneration committee of the Company, has attended and arranged for the chairman and other members of the audit committee of the Company, to attend the annual general meeting of the Company held on 29 August 2006 but they were unable to attend due to other business engagements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management and the external auditors the Group's audited consolidated financial statements for the year ended 31 March 2007.

By Order of the Board
Climax International Company Limited
Kan Shiu Cheong, Frederick
Chairman

Hong Kong, 19 December 2007

As at the date of this announcement, the Board consists of seven executive directors, namely Mr. Kan Shiu Cheong, Frederick, Mr. Chan Hoi Lam, Mr. Yau Kang Nam, Mr. Jiang Hai Qing, Mr. Wong Hin Shek, Ms. Chan Siu Mun and Ms. Lo Miu Sheung, Betty; two non-executive directors, namely Mr. Tse On Po, Vincent and Mr. Tse On Kin; and five independent non-executive directors, namely Mr. Ng Sui Keung, Professor Lai Kin Keung, Mr. Yueh Yung Hsin, Dr. Wong Yun Kuen and Ms. Chan Hoi Ling.