CLIMAX INTERNATIONAL COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 439)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

The board of directors (the "Board") of Climax International Company Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	*2*	**101,095**	162,685
Cost of sales		**(99,034)**	(138,679)
Gross profit		**2,061**	24,006
Other income		**4,918**	6,100
Distribution costs		**(8,072)**	(7,767)
Administrative expenses		**(25,727)**	(18,411)
Impairment loss recognised in respect of investment at fair value through profit or loss		**(239)**	–
Finance costs		**(1,698)**	(2,994)
(Loss) profit for the period attributable to equity holders of the Company	*3*	**(28,757)**	934
(Loss) earnings per share	*5*		
– Basic		**(HK3.65 cents)**	HK0.299 cents
– Diluted		**N/A**	HK0.292 cents
Interim dividend		**–**	–

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 30 September 2007 HK$'000 (Unaudited)	At 31 March 2007 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**51,716**	63,852
Prepayment		**25,191**	26,311
Investment at fair value through profit or loss		**12,761**	–
Available-for-sale investments		**3,500**	3,500
		93,168	93,663
Current assets			
Inventories		**20,643**	51,087
Debtors, deposits and prepayments	*6*	**54,294**	60,912
Bank balances and cash		**55,520**	17,594
		130,457	129,593
Current liabilities			
Creditors and accrued charges	*7*	**64,032**	70,316
Amounts due to directors		**560**	1,130
Obligations under finance leases			
– amount due within one year		**5,161**	9,146
Short-term bank borrowings		**18,080**	51,904
		87,833	132,496
Net current assets (liabilities)		**42,624**	(2,903)
Total assets less current liabilities		**135,792**	90,760
Non-current liability			
Obligations under finance leases			
– amount due after one year		**1,720**	4,183
		134,072	86,577
Capital and reserves			
Share capital		**9,577**	6,180
Reserves		**124,494**	80,396
Total equity attributable to equity holders of the Company		**134,071**	86,576
Minority interests		**1**	1
		134,072	86,577

Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. In addition, the condensed 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 period, 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 effective for accounting periods beginning on or after 1 April 2007. 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 23 (Revised)	Borrowing costs [1]
HKFRS 8	Operating segments [1]
HK(IFRIC) – Interpretation ("INT") 12	Service concession arrangements [2]
HK(IFRIC) – INT 13	Customer Loyalty Programmes [3]
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [2]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 January 2008.
[3] Effective for annual periods beginning on or after 1 July 2008.

2. TURNOVER AND SEGMENT INFORMATION

The Group's operation is mainly engaged in manufacturing of OEM paper products which constitutes over 92% of the Group's turnover, segment results and total assets. Accordingly, no segment information is presented.

3. (LOSS) PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	Six months ended 30 September	
	2007	2006
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss) profit for the period attributable to equity holders of the Company has been arrived at after charging:		
Release of prepaid rentals	**1,120**	1,120
Depreciation of property, plant and equipment	**4,517**	4,835
Loss on disposal of property, plant and equipment	**2,613**	–
and after crediting:		
Interest income	**24**	12
Gain on disposal of property, plant and equipment	**–**	1,596

4. TAXATION

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

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 periods.

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.

5. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share for the six months ended 30 September 2007 and 2006 is computed based on the following data:

	Six months ended 30 September	
	2007	2006
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss) earnings for the period attributable to equity holders of the Company and (loss) earnings for the purposes of basic and diluted (loss) earnings per share	**(28,757)**	934

	'000	*'000*
Number of shares:		
Weighted average number of shares for the purpose of basic (loss) earnings per share	**788,750**	312,351
Effect of dilutive potential shares:		
Share options	**N/A**	7,801
Weighted average number of shares for the purpose of diluted earnings per share	**N/A**	320,152

No diluted loss per share has been presented for the six months ended 30 September 2007 as the exercise price of the Company's outstanding share options was higher than the average market price of the Company's shares.

6. DEBTORS, DEPOSITS AND PREPAYMENTS

At 30 September 2007, the balance of debtors, deposits and prepayments included trade debtors of HK$31,085,000 (HK$39,937,000 at 31 March 2007). The aged analysis of trade debtors at the reporting date is as follow:

	30 September 2007	31 March 2007
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**24,127**	28,034
31 – 60 days	**270**	1,188
61 – 90 days	**1,024**	1,188
91 – 120 days	**1,191**	826
Over 120 days	**4,473**	8,701
	31,085	39,937

The Group allows credit period of 30 days to 120 days (30 days to 120 days for the year ended 31 March 2007) to its trade customers.

7. **CREDITORS AND ACCRUED CHARGES**

At 30 September 2007, the balance of creditors and accrued charges included trade creditors of HK$41,051,000 (HK$43,899,000 at 31 March 2007). The aged analysis of trade creditors at the reporting date is as follow:

	30 September 2007	31 March 2007
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**9,924**	18,407
31 – 60 days	**3,660**	4,599
61 – 90 days	**4,373**	4,283
91 – 120 days	**4,560**	5,060
Over 120 days	**18,534**	11,540
	41,051	43,889

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2007 (Nil for the six months ended 30 September 2006).

MANAGEMENT DISCUSSION AND ANALYSIS

Performance Review

For the six months ended 30 September 2007 (the "Interim Period"), the Group's turnover was HK$101 million (2006: HK$163 million), representing a decrease of 38% over the same period of last year. Gross profit margin reduced to 2% (2006: 15%) with a loss attributable to equity holders of the Company turned to HK$29 million (2006: HK$1 million profit).

With continuing keen competition in the industry, the Interim Period was still a challenging period to the Group. Customers were putting increasing pressure on price and more cautious in placing orders. On the other hand, with further rise in raw material costs, labour wages and benefit in the mainland China as well as the ongoing appreciation of Renminbi, the profit margin of the Group for the Interim Period was intensively pressed. During the Interim Period, the Group took cautious sales strategy by redirecting its resources to customers and products with better profit margin while the turnover for the Interim Period was negatively affected.

Subsequent to the Group entered into an agreement to leaseback its factory premises in Shenzhen as announced by the Company on 23 August 2006, the Group ceased all its manufacturing operations in Shenzhen and handed over the factory premises in June 2007. In the course of cessation of the Shenzhen manufacturing operations, certain materials and equipment were written off and the related extra costs constituted a negative effect to the Group's results for the Interim Period.

Outlook

With the completion of relocation and consolidation of the Group's production lines from Shenzhen to the Group's two nearby factories in Dongguan in July 2007, fixed manufacturing costs of the Group were reduced accordingly. The management will make further effort to streamline the operating procedures and it is expected that the production efficiency would be further improved in the coming future.

It is foreseeable that the intensive competition in the industry, the unfavourable economic environment and government policies for the Group's manufacturing operations in the mainland China will be continuing, the Group will put continuous efforts on enhancing its value-added activities, redesigning its existing products and developing new product lines to improve the Group's profitability and to capture more business opportunities in the competitive and dynamic environment to broaden the Group's revenue stream.

Share Captial

During the Interim Period, the share capital of the Company had the following changes:

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 a placing and subscription agreement 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 30 September 2007, the Group equity holders' equity was HK$134 million (31 March 2007: HK$87 million), the current assets and current liabilities of the Group amounted to HK$130 million (31 March 2007: HK$130 million) and HK$88 million (31 March 2007: HK$132 million) respectively. The Group's working capital positively turned to HK$43 million (31 March 2007: HK$3 million net current liabilities).

During the Interim Period, the Group recorded a stream of HK$13 million generated from operations (2006: HK$15 million) and the gearing ratio as of 30 September 2007, defined as the percentage of total interest bearing debt to net asset value, significantly decreased to 19% (31 March 2007: 75%).

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 dollars/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 the Interim Period, the Group spent approximately HK$1 million (2006: HK$11 million) for the acquisition of property, plant and equipment.

The leaseback of the Group's Shenzhen factory premises has generated a stable income stream for the Group. During the Interim Period, HK$1.6 million (2006: Nil) was recognized as rental income.

During the Interim Period, the Group has subscribed for convertible notes at principal amount of HK$13 million (the "CN") issued by a company listed in Hong Kong (the "CN Issuer") at a total consideration equal to the principal amount. Under the terms of the CN, the Group entitles to convert the CN at an initial conversion price of HK$0.58 per share into the ordinary shares of the CN Issuer. The maturity date of the CN is the date falling on the second anniversary of the date of issue of the CN. The interest of the CN is 1% per annum payable half yearly in arrears. As at 30 September 2007, the CN was valued at HK$12.8 million.

As at 30 September 2007, the Group's interest in Vevion Hong Kong Limited, a company engaged in the photo-finishing business and trading and sales of photographical and audio-visual products, was valued at HK$3.5 million (31 March 2007: HK$3.5 million).

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

Charges on the Group's Assets and Contingent Liabilities

As at 30 September 2007, approximately 56% (31 March 2007: 56%) of the Group's property, plant and equipment were pledged to financial institutions to secure the Group's obligation under the finance leases.

As at 30 September 2007, the Group had no significant contingent liabilities (31 March 2007: Nil).

Employees

As at 30 September 2007, the Group had 973 employees, with 49 staff in Hong Kong and 924 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.

CORPORATE GOVERNANCE

Corporate Governance Practices

The Board is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence.

The Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "CG Code") during the six months ended 30 September 2007, otherwise considered reasons are given below:

Code Provision A.4.1

The code provision stipulates that non-executive Directors should be appointed for a specific term, subject to re-election.

The non-executive Directors and independent non-executive Directors of the Company were appointed during the interim period (the "Newly Appointed Non-executive Directors") have no fixed term of services with the Company but subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Bye-laws of the Company.

To comply with this code provision, the Company will fix the term of services of the Newly Appointed non-executive Directors with the Company.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company, that they had complied with the required standard set out in the Model Code throughout the six months ended 30 September 2007.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2007.

REVIEW OF INTERIM RESULTS

The unaudited interim financial report of the Group for the six months ended 30 September 2007 has been reviewed by the Audit Committee of the Company.

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

Hong Kong, 21 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.