CLIMAX INTERNATIONAL COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 00439)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2008

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 2008, together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000*
Turnover	*2*	**167,321**	258,910
Cost of sales		**(153,241)**	(240,913)
Gross profit		**14,080**	17,997
Other income		**9,801**	10,176
Selling and distribution expenses		**(10,720)**	(16,127)
Administrative expenses		**(47,096)**	(59,903)
Impairment loss recognised in respect of available-for-sale investments		**(3,500)**	(6,000)
Impairment loss on property, plant and equipment		**(446)**	—
Decrease in fair value of financial assets at fair value through profit or loss		**(643)**	—
Finance costs		**(2,852)**	(5,854)
Loss before taxation		**(41,376)**	(59,711)
Income tax expenses	*3*	**(2,232)**	—
Loss for the year attributable to equity holders of the Company	*4*	**(43,608)**	(59,711)
Loss per share — basic (in Hong Kong cents)	*5*	**(4.82)**	(17.72)

CONSOLIDATED BALANCE SHEET

At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**32,665**	63,852
Prepayments		**24,071**	26,311
Available-for-sale investments		**—**	3,500
Financial assets at fair value through profit or loss		**12,357**	—
		69,093	93,663
Current assets			
Inventories		**15,160**	51,087
Trade receivables	6	**8,766**	39,937
Deposits, prepayments and other receivables		**24,795**	20,975
Amount due from a related company		**—**	—
Deposits in other financial institution		**53,697**	—
Bank balances and cash		**3,226**	17,594
		105,644	129,593
Current liabilities			
Trade and other payables	7	**45,596**	70,316
Amounts due to directors		**161**	1,130
Tax payables		**2,232**	—
Obligations under finance leases — amount due within one year		**1,794**	9,146
Short-term bank borrowings		**3,898**	51,904
		53,681	132,496
Net current assets/(liabilities)		**51,963**	(2,903)
Total assets less current liabilities		**121,056**	90,760
Non-current liability			
Obligations under finance leases — amount due after one year		**951**	4,183
		120,105	86,577
Capital and reserves			
Share capital		**9,576**	6,180
Reserves		**110,528**	80,396
Total equity attributable to equity holders of the Company		**120,104**	86,576
Minority interests		**1**	1
		120,105	86,577

Notes:

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis 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, the following new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2007.

Hong Kong Accounting Standard ("HKAS") 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Interpretation ("Int") 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — Int 12	Service Concession Arrangements[3]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

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

The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less discounts and sales related taxes.

Business segments

The Group's operation is regarded as a single business segment, being 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	
	2008	2007
	HK$'000	*HK$'000*
United States of America	**78,890**	152,292
Europe	**51,398**	61,029
Asia-Pacific (excluding Hong Kong)	**25,136**	33,382
Hong Kong	**1,157**	3,322
Others	**10,740**	8,885
	167,321	258,910

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**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China	**92,068**	162,030	**1,218**	13,810
Hong Kong	**75,978**	36,864	**357**	2,482
Others	**6,691**	24,362	**—**	—
	174,737	223,256	**1,575**	16,292

3. INCOME TAX EXPENSES

	2008	2007
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits tax	**443**	—
PRC Enterprise Income tax	**1,789**	—
	2,232	—

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year.

Tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The applicable income tax rate for subsidiaries operating in the PRC is 33% (25% effective from 1 January 2008) (2007: 33%).

No provision for both Hong Kong Profits Tax and PRC income tax has been provided for the year ended 31 March 2007 as the Group did not have any assessable profits for both jurisdictions in that year.

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

	2008	2007
	HK$'000	*HK$'000*
Loss for the year attributable to equity holders of the Company has been arrived at after charging:		
Release of non-current prepayments	**2,240**	2,239
Depreciation on:		
own assets	**6,187**	6,079
assets held under finance leases	**3,072**	3,613

5. LOSS PER SHARE — BASIC

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

	2008	2007
	HK$'000	*HK$'000*
Loss:		
Loss for the year attributable to equity holders of the Company for the purposes of basic loss per share	**(43,608)**	(59,711)

	2008	2007
Number of shares:		
Weighted average number of shares for the purpose of basic loss per share	**905,231,626**	336,912,036

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

6. TRADE RECEIVABLES

The aged analysis of trade receivables net of allowance for bad and doubtful debts at the balance sheet date is as follow:

	2008	2007
	HK$'000	*HK$'000*
0–30 days	**4,249**	28,034
31–60 days	**1,694**	1,188
61–90 days	**897**	1,188
91–120 days	**447**	826
Over 120 days	**1,479**	8,701
	8,766	39,937

The Group allows a credit period of 30-120 days (2007: 30-120 days) to its customers.

7. TRADE AND OTHER PAYABLES

	2008	2007
	HK$'000	*HK$'000*
Trade payables	**30,233**	43,889
Other payables	**1,347**	—
Accruals	**14,016**	26,427
	45,596	70,316

Aging analysis of trade payables is as follows:

	2008	2007
	HK$'000	*HK$'000*
0–30 days	**4,854**	18,407
31–60 days	**2,909**	4,599
61–90 days	**2,753**	4,283
91–120 days	**2,745**	5,060
Over 120 days	**16,972**	11,540
	30,233	43,889

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 March 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Performance Review

For the year ended 31 March 2008 ("2008"), the Group's turnover was HK$167 million, decreased by 36% as comparing with HK$259 million for the year ended 31 March 2007 ("2007"). Notwithstanding the significant decrease in turnover in 2008, the gross profit margin slightly raised to 8% (2007: 7%) with loss attributable to equity holders of the Company reduced to HK$44 million (2007: HK$60 million loss).

The significant decrease in turnover in 2008 was largely due to the decrease in orders from customers in the United States of America that generally adopted a more cautious approach in placing orders and requested more accommodating pricing for their orders given the uncertainty in consumer sentiment as a result of the sub-prime mortgage tremors. The decrease in orders affected the paper products industry at large, as a result of which competition became more intensified. Simultaneously, the operating environment for the manufacturing business of the Group in the PRC has been increasingly difficult with the further raising in material costs and labour wages, introduction of the new PRC labour law as well as the ongoing appreciation of the Renminbi.

During 2008, the Group took cautious sales strategy by directing its resources to customers and products with better profit margin and in the meantime took efforts in reducing the Group's fixed costs and manufacturing overhead. The Group ceased all its manufacturing operations in Shenzhen and handed over the factory premises in June 2007 for the leaseback purpose as announced on 23 August 2006. In the course of cessation of the Shenzhen manufacturing operations, certain materials and equipment were written off, together with other extra costs of the cessation, which negatively affected the Group's results for 2008.

Outlook

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 PRC will be continuing, the Group will reduce its reliance on manufacturing activities and explore other business opportunities and propositions that will deliver long-term sustainable growth for the Group. To this end, the Group will re-deploy its operations and assets as well as realize certain under-utilized assets to make funds available for other business operations and investments when suitable opportunities arise.

Share Capital

During 2008, the share capital of the Company had the following changes:

On 26 April 2007, 33,000,000 ordinary shares of HK$0.01 each at placing price of HK$0.171 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 at placing price of HK$0.180 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 at placing price of HK$0.260 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 at placing price of HK$0.230 per placing share. Up to 24 November 2007, none of the tranche II placing shares have been placed and the tranche II placing agreement has expired and ceased thereafter.

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

On 23 June 2008, 191,000,000 ordinary shares of HK$0.01 each in the capital of the Company were issued pursuant to a placing agreement in relation to placing of new shares of the Company at the placing price of HK$0.159 per placing share. The net proceeds of approximately HK$29 million from the placing is intended to be mainly used for general working capital of the Group.

Liquidity and Financial Resources

As at 31 March 2008, the Group shareholders' equity was HK$120 million (2007: HK$87 million), the current assets and current liabilities of the Group amounted to HK$106 million (2007: HK$130 million) and HK$54 million (2007: HK$132 million) respectively. The Group's working capital turned to HK$52 million net current assets (2007: HK$3 million net current liabilities).

During 2008, the Group recorded cash generated from operations of HK$18 million (2007: HK$1 million cash outflow) and the gearing ratio as of 31 March 2008, defined as the percentage of total interest bearing debt to net asset value, substantially reduced to 6% (2007: 75%).

Most of the Group's banking facilities are dominated in Hong Kong dollars with interest charged at certain percentage over the 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 and US dollars, foreign exchange risk is relatively low under the currency peg of Hong Kong dollar and US dollar.

Investment Position and Planning

During 2008, the Group spent approximately HK$1.6 million (2007: HK$16.3 million) for the acquisition of property, plant and equipment and impairment losses of approximately HK$0.4 million (2007: Nil) were recognised in respect of machinery and equipment.

The leaseback of factory premises in Shenzhen as announced by the Company on 23 August 2006 has generated a stable income stream for the Group. During 2008, HK$3.6 million (2007: HK$1.2 million) was recognized as rental income.

During 2008, 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 the balance sheet date, the CN was valued at approximately HK$12.4 million.

During 2008, the Group recognised a further impairment loss of HK$3.5 million (2007: HK$6.0 million) in respect of its investment in Vevion Hong Kong Limited, a company engaged in the photo-finishing business and trading and sales of photographical and audio-visual products.

Save as disclosed above, 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 2008.

Employees

As at 31 March 2008, the Group had 463 employees, with 39 staff in Hong Kong and 424 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 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 year with deviation from the code provisions A.4.1 of the CG Code.

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The terms of appointments of the non-executive Directors appointed during the year including, Mr. Tse On Po, Vincent and Mr. Tse On Kin as non-executive directors and Dr. Wong Yun Kuen and Ms. Chan Hoi Ling as independent non-executive directors have not been determined from their respective dates of appointments until 28 December 2007, the date that their terms of appointment were first determined.

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 2008.

By Order of the Board
Climax International Company Limited
Wong Hin Shek
Executive Director

Hong Kong, 21 July 2008

As at the date of this announcement, the Board consists of two executive directors, namely Mr. Wong Hin Shek and Ms. Chan Hoi Ling; two non-executive directors, namely Mr. Tse On Po, Vincent and Mr. Tse On Kin; and three independent non-executive directors, namely Dr. Wong Yun Kuen, Mr. Lau Man Tak and Mr. Man Kwok Leung.