CLIMAX INTERNATIONAL COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 439)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

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 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 September **2008** *HK$'000* **(Unaudited)**	2007 *HK$'000* (Unaudited)
Turnover	3	**47,973**	101,095
Cost of sales		**(51,827)**	(99,034)
Gross (loss)/profit		**(3,854)**	2,061
Other income		**4,267**	4,918
Selling and distribution costs		**(2,489)**	(8,072)
Administrative expenses		**(18,964)**	(25,727)
Impairment loss recognised in respect of financial assets at fair value through profit or loss		**—**	(239)
Impairment loss on property, plant and equipment		**(1,914)**	—
Profit on disposal of financial assets at fair value through profit or loss		**318**	—
Changes in fair value of investments at fair value through profit or loss		**(5,667)**	—
Finance costs		**(298)**	(1,698)
Loss before taxation		**(28,601)**	(28,757)
Income tax expenses	4	**(927)**	—
Loss for the period attributable to equity holders of the company	5	**(29,528)**	(28,757)
Loss per share *(in Hong Kong cents)*	6		
— Basic		**(2.77 cents)**	(3.65 cents)
Interim dividend	7	**—**	—

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 30 September 2008 HK$'000 (Unaudited)	At 31 March 2008 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**24,101**	32,665
Prepayments		**22,952**	24,071
Financial assets at fair value through profit or loss		**—**	12,357
		47,053	69,093
Current assets			
Inventories		**9,684**	15,160
Trade receivables	8	**5,535**	8,766
Deposits, prepayments and other receivables		**30,603**	24,795
Investments at fair value through profit or loss		**20,348**	—
Deposits in other financial institution		**69,155**	53,697
Bank balances and cash		**290**	3,226
		135,615	105,644
Current liabilities			
Trade and other payables	9	**53,956**	45,596
Amount due to directors		**60**	161
Tax payables		**3,192**	2,232
Obligation under finance leases — amount due within one year		**1,771**	1,794
Short-term bank borrowings		**1,200**	3,898
		60,179	53,681
Net current assets		**75,436**	51,963
Total assets less current liabilities		**122,489**	121,056
Non-current liability			
Obligations under finance leases — amount due after one year		**34**	951
Net assets		**122,455**	120,105
Capital and reserves			
Share capital		**11,486**	9,576
Reserves		**110,968**	110,528
Total equity attributable to equity holders of the company		**122,454**	120,104
Minority interests		**1**	1
		122,455	120,105

Notes:

1. **BASIS OF PREPARATION**

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").

2. **PRINCIPAL ACCOUNTING POLICIES**

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 (the "HKFRSs") issued by the HKICPA. In addition, the condensed 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.

The Group has not early adopted or applied the following new and amended HKFRSs that have been issued but are not yet effective. The directors are currently assessing the impact of these new and amended HKFRSs on the Group's operation but are not yet in a position to state whether they would have any material financial impact.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 (Amendment)	Financial Instruments: Reclassification of financial assets[3]
HKAS 39	Financial Instruments: Recognition and Measurement — Eligible Hedged Items[3]
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement — Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 1 and HKAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combination[3]
HKFRS 7 (Amendment)	Financial Instruments: Reclassification of financial assets[3]
HKFRS 8	Operating Segments[1]
HK (IFRIC) — Interpretation 13	Customer Loyalty Programmes[2]
HK (IFRIC) — Interpretation 15	Agreements for the Construction of Real Estate[1]
HK (IFRIC) — Interpretation 16	Hedges of a Net Investment in a Foreign Operation[4]
HK (IFRIC) — Interpretation 17	Distribution of Non–Cash Assets to Owners[4]

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

3. **TURNOVER AND SEGMENT INFORMATION**

The Group's operation is regarded as a single business segment, being manufacturing and trading of OEM paper products. Accordingly, no segment information is presented.

4. INCOME TAX EXPENSES

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	**927**	—

The Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profits for the period.

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

No provision for PRC Enterprise Income Tax has been provided in the condensed consolidated financial statements for the six months ended 30 September 2008 as the Group did not have any assessable profits for the jurisdiction in that period.

5. LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period attributable to equity holders of the company has been arrived at after charging:		
Release of non-current prepayments	**1,119**	1,120
Allowance for/(Reversal of) inventories	**1,685**	(372)
Depreciation of property, plant and equipment	**2,750**	4,517
Loss on disposal of property, plant and equipment	**113**	2,613
and after crediting:		
Dividend income	**134**	—
Interest income	**591**	24
Profit on disposal of financial assets at fair value through profit or loss	**318**	—
Profit on disposal of investments at fair value through profit or loss	**865**	—

6. LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 30 September 2008 and 2007 is computed based on the following data:

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period attributable to equity holders of the company and loss for the purposes of basic loss per share	**(29,528)**	(28,757)
	'000	*'000*
Number of shares:		
Weighted average number of shares for the purpose of basic loss per share	**1,065,164**	791,228

No diluted loss per share has been presented because the exercise prices of the Company's outstanding share options were higher than the average market price of the Company's shares for both periods and the exercise of the Company's outstanding share options was anti-dilutive.

7. INTERIM DIVIDEND

The Board has resolved not to declare any Interim Dividend for the six months ended 30 September 2008 (Nil for the six months ended 30 September 2007).

8. TRADE RECEIVABLES

Trade receivables consisted of:

	30 September 2008	31 March 2008
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**10,269**	13,500
Less: Allowance for bad and doubtful debts	**(4,734)**	(4,734)
	5,535	8,766

The aged analysis of trade receivables net of allowance for bad and doubtful debts at the reporting date is as follows:

	30 September 2008	31 March 2008
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0–30 days	**2,112**	4,249
31–60 days	**866**	1,694
61–90 days	**323**	897
91–120 days	**256**	447
Over 120 days	**1,978**	1,479
	5,535	8,766

The Group allows a credit period of 30 days to 120 days (30 days to 120 days for the year ended 31 March 2008) to its customers.

9. TRADE AND OTHER PAYABLES

At 30 September 2008, the balance of the trade and other payables included trade payables of HK $30,600,000 (HK$30,233,000 at 31 March 2008). The aged analysis of trade payables at the reporting date is as follows:

	30 September 2008	31 March 2008
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0–30 days	**1,864**	4,854
31–60 days	**2,737**	2,909
61–90 days	**2,784**	2,753
91–120 days	**2,584**	2,745
Over 120 days	**20,631**	16,972
	30,600	30,233

MANAGEMENT DISCUSSION AND ANALYSIS

Performance Review

For the six months ended 30 September 2008 (the "Interim Period"), the Group's turnover was HK$48 million, declined by 53% comparing with HK$101 million achieved for the six months ended 30 September 2007. The loss attributable to equity holders was about HK$30 million, that was HK$1 million higher than the loss of HK$29 million recorded for the six months ended 30 September 2007.

The current global financial turmoil continuously reduced the demand on the paper products. The customers were getting more and more cautious in placing purchase orders, thus lowered our sale orders received. In addition, higher raw material costs and production costs without corresponding increment in selling prices squeezed the profit margin and forced us to refuse certain unprofitable sale orders.

As a consequence of plunging sales volume, it drove down the production level of the group's manufacturing plant to below the economy scale of production. It resulted in higher manufacturing overhead cost per unit and adversely affected the overall gross profit.

To cope with the business downturn, the Group has been expanding its sales activities to cover paper products that could be produced more cost effectively through other external subcontractors. The Group has been streamlining its operation, reducing its excess manufacturing capacity through further downsizing its labour force and realising unnecessary plant and equipment. Moreover, the Group has also succeeded in carrying out stringent cost control measures to reduce the operating expenses, especially the administrative and selling expenses.

Outlook

It is hard to believe that the global economy will turn around in the coming few months. On the contrary, the business environment will grow worse and become far more challenging. The Group continues its plan of streamlining the business operation, reducing its own manufacturing scale but building up flexible production facilities through a network of external subcontractors. The Group leverages its advantage in technology knowledge and market knowledge, developing new products manufactured by new production technology for its customers.

The Group is also looking for other attractive business opportunities to diversify its core business and provide sustainable growth of the Group.

Share Capital

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

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 the placing of new shares of the Company at the price of HK$0.159 per placing share.

On 30 September 2008, 6 ordinary shares of HK$0.01 each in the capital of the Company were issued to an employee upon exercise of share options granted on 17 June 2008.

Liquidity and Financial Resources

As at 30 September 2008, the consolidated equity holders' equity was HK$122 million (31 March 2008: HK$120 million), the current assets and liabilities of the Group amounted to HK $136 million (31 March 2008: HK$106 million) and HK$60 million (31 March 2008: HK$54 million) respectively. The Group's working capital further increased to HK$75 million (31 March 2008: HK$52 million).

During the Interim Period, the Group recorded about HK$5 million outflow of cash used in operating activities, compared with HK$13 million inflow of cash generated from operating activities. The gearing ratio as at 30 September 2008, defined as the percentage of total interest bearing debt to net asset value, further decreased to 2% (31 March 2008: 6%).

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 the borrowings are in Hong Kong dollars and the Group's business are carried out mainly in Hong Kong dollars and US dollars, foreign exchange risk is relatively low assuming the peg rate of US dollars and Hong Kong dollars remains unchanged.

Investment Position and Planning

During the Interim Period, the Group had no addition of property, plant and equipment. The Group recognised an impairment loss of approximately HK$1.9 million in respect of the machinery.

The Group sold out all convertible notes to its issuer in September 2008, realising a profit of approximately HK$318,000.

The Group has invested certain portion of its surplus cash in the shares of some companies that are traded over Hong Kong Stock Exchange. As at 30 September 2008, the Group held a portfolio of shares with fair value of approximately HK$20 million, after recognising unrealised loss of approximately HK$6 million attributed from the lower market prices compared with the purchase price.

Charges on the Group's Assets and Contingent Liabilities

As at 30 September 2008, approximately 7% (31 March 2008: 13%) of the Group's property, plant and equipment were pledged to financial institutions to secure the Group's obligation under finance leases.

As at 30 September 2008, the Group had no significant contingent liabilities (31 March 2008: Nil).

Employees

As at 30 September 2008, the Group had 382 employees, with 43 staff in Hong Kong and 339 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

Code on 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 2008.

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 2008.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES AND REVIEW OF INTERIM RESULTS

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 2008.

Review of Interim Results

The unaudited interim financial report of the Group for the six months ended 30 September 2008 has been reviewed by the Audit Committee of the Company.

By order of the Board
Climax International Company Limited
CHAN HOI LING
Chairman

Hong Kong, 22 December 2008

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