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CLIMAX INTERNATIONAL COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 439)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

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 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 September	
		2010	2009
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Continuing operation			
Revenue	3	60,000	86,752
Cost of sales		(59,084)	(85,990)
Gross profit		916	762
Other income		505	240
Administrative expenses		(3,464)	(3,715)
Gain/(loss) on changes in fair value of held for trading investments		285	(3,882)
Finance costs		(1)	—
Loss before tax		(1,759)	(6,595)
Income tax expense	4	—	—
Loss for the period from continuing operation		(1,759)	(6,595)

		Six months ended	
		30 September	
		2010	2009
<i>Notes</i>		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Discontinued operation			
Loss for the period from discontinued operation	5	—	(10,322)
Loss for the period and other comprehensive expenses for the period	6	<u>(1,759)</u>	<u>(16,917)</u>
Loss for the period and other comprehensive expenses for the period attributable to:			
– Owners of the Company		(1,759)	(16,917)
– Non-controlling interests		—	—
		<u>(1,759)</u>	<u>(16,917)</u>
Basic and diluted loss per share (in Hong Kong cents)	7		
– From continuing operation		(0.15 cent)	(0.57 cent)
– From discontinued operation		—	(0.90 cent)
		<u>(0.15 cent)</u>	<u>(1.47 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2010 <i>HK\$'000</i> (Unaudited)	At 31 March 2010 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current asset			
Plant and equipment		<u>271</u>	<u>303</u>
Current assets			
Trade receivables	9	17,269	39,494
Deposits, prepayments and other receivables		850	431
Held for trading investments		4,767	4,482
Deposits in other financial institution		118	63
Bank balances and cash		<u>66,641</u>	<u>69,722</u>
		<u>89,645</u>	<u>114,192</u>
Current liabilities			
Trade and other payables	10	18,983	41,800
Obligation under finance leases			
– amount due within one year		<u>5</u>	<u>5</u>
		<u>18,988</u>	<u>41,805</u>
Net current assets		<u>70,657</u>	<u>72,387</u>
Total assets less current liabilities		<u>70,928</u>	<u>72,690</u>
Non-current liability			
Obligations under finance leases			
– amount due after one year		<u>21</u>	<u>24</u>
Net assets		<u><u>70,907</u></u>	<u><u>72,666</u></u>
Capital and reserves			
Share capital		11,486	11,486
Reserves		<u>59,421</u>	<u>61,180</u>
Total equity attributable to the owners of the Company		70,907	72,666
Non-controlling interests		<u>–</u>	<u>–</u>
Total equity		<u><u>70,907</u></u>	<u><u>72,666</u></u>

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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) 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 do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2010.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRS”) issued by HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Right Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
Hong Kong (International Financial Reporting Interpretations Committee (“HK (IFRIC)”) – Interpretation (“Int”) 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ²
HKFRS 7	Financial Instruments: Disclosures –Transfers of Financial Assets ⁴
HKFRS 9	Financial Instruments ⁵
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 July 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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

3. REVENUE AND SEGMENT INFORMATION

(a) Segment revenue and results

The Group's operating segments, based on information reported to the chief operating decision maker for the purpose of resource allocation and performance assessment are as follows:

Electronic products – trading of electronic products

Paper products – design, development, production and marketing of paper products

Paper products segment was discontinued with effect from 17 March 2010.

The following is an analysis of the Group's revenue and results by operating segment of continuing operation for the period under review:

For the six months ended 30 September

Continuing operation

	Electronic products	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
SEGMENT REVENUE		
External sales	60,000	86,752
Segment profit	916	762
Unallocated corporate items		
Unallocated corporate income	324	75
Unallocated corporate expenses	(3,464)	(3,715)
Interest income	181	165
Gain/(loss) on changes in fair value of held for trading investments	285	(3,882)
Finance costs	(1)	–
Loss for the period	(1,759)	(6,595)

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' emoluments, interest income, finance costs and investment revenue. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

3. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

	30 September 2010 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Audited)
Segment assets		
Continuing operation:		
Electronic products	17,269	39,494
Unallocated corporate assets	72,647	75,001
Consolidated assets	89,916	114,495
Segment liabilities		
Continuing operation:		
Electronic products	16,353	38,623
Unallocated corporate liabilities	2,656	3,206
Consolidated liabilities	19,009	41,829

4. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising in Hong Kong for both periods.

No provision for tax in other jurisdictions has been made as the Group did not have any assessable profits in the respective jurisdictions for both periods.

5. DISCONTINUED OPERATION

On 8 October 2009, the Group entered into a sale agreement with Good Billion Holdings Limited, a company wholly owned by Mr. Tse On Kin, who is a substantial shareholder of the Group, to dispose of its subsidiaries, Climax Investments Limited and its subsidiaries (collectively referred to as the "CIL Group"), which carried out the Group's paper products business.

The disposal was effected in order to generate cash flows for the expansion of the Group's electronic products business. The disposal was completed on 17 March 2010, on which date control of the CIL Group passed to the acquirer.

5. DISCONTINUED OPERATION (Continued)

The results of the paper products operation for the period from 1 April 2009 to 30 September 2009, which have been included in the condensed consolidated statement of comprehensive income, were as follows:

	Six months ended 30 September 2009 HK\$'000 (Unaudited)
Revenue	12,768
Cost of sales	<u>(13,339)</u>
Gross loss	(571)
Other income	1,347
Selling and distribution expenses	(811)
Administrative expenses	(10,273)
Finance costs	<u>(14)</u>
Loss before tax	(10,322)
Income tax expense	<u>—</u>
Loss for the period	<u><u>(10,322)</u></u>

6. LOSS FOR THE PERIOD

Continuing operation

	Six months ended 30 September 2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Loss for the period has been arrived at after charging:		
Depreciation of plant and equipment	32	188
Minimum lease payment in respect of rented premises	300	1,830
and after crediting:		
Dividend income	78	—
Interest income	<u><u>181</u></u>	<u><u>165</u></u>

7. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to the owners of the Company and loss for the purposes of basic loss per share	<u>(1,759)</u>	<u>(16,917)</u>
	'000	'000

Number of shares:

Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>1,148,661</u>	<u>1,148,661</u>
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From continuing operation

The calculation of the basic and diluted loss per share from continuing operation attributable to the owners of the Company is based on the following data:

Loss figures are calculated as follows:

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to the owners of the Company	(1,759)	(16,917)
Less:		
Loss for the period from discontinued operation	<u>—</u>	<u>(10,322)</u>
Loss for the purpose of basic and diluted loss per share from continuing operation	<u>(1,759)</u>	<u>(6,595)</u>

The denominators used are the same as those detailed above for both basic and diluted loss per share.

7. LOSS PER SHARE (Continued)

From discontinued operation

For the six months ended 30 September 2009, basic and diluted loss per share for the discontinued operation is HK0.90 cent per share, based on the loss for the period from the discontinued operation of approximately HK\$10,322,000 and the denominator used is the same as detailed above for both basic and diluted loss per share.

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares during the two periods ended 30 September 2010 and 2009.

8. INTERIM DIVIDEND

No dividends were paid, declared or proposed during the reported period. The directors do not recommend the payment of an interim dividend for both periods.

9. TRADE RECEIVABLES

The Group allows an average credit period of 90 days to its trade customers.

The following is an analysis of trade receivables by age, presented based on the invoice date net of allowance for doubtful debts:

	30 September 2010 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Audited)
0–30 days	16,461	34,099
31–60 days	304	4,961
61–90 days	11	252
91–120 days	45	171
Over 120 days	448	11
	17,269	39,494

10. TRADE AND OTHER PAYABLES

	30 September 2010 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Audited)
Trade payables	16,353	38,381
Other payables and accrued charges	2,630	3,419
	<u>18,983</u>	<u>41,800</u>

The following is an analysis of trade payables by age, presented based on the invoice date.

	30 September 2010 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Audited)
0–30 days	16,201	33,604
31–60 days	–	4,777
61–90 days	–	–
91–120 days	–	–
Over 120 days	152	–
	<u>16,353</u>	<u>38,381</u>

The average credit period for purchases are 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

11. COMPARATIVES

The comparative figures of condensed consolidated statement of comprehensive income have been re-presented to conform with the current period's presentation as a result of the discontinued operation in accordance with HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations.

12. POST BALANCE SHEET EVENTS

On 27 July 2010, the Group entered into a sale and purchase agreement (the "S&P Agreement") with an independent third party (the "Vendor") to purchase the entire issued share capital of companies engaging in the businesses of sales, design, installation and repair of audio visual equipment and trading of electronic products for a consideration of HK\$45 million, payable by way of the issue of convertible notes on the completion of the acquisition. For details, please refer to the announcement of the Company dated 1 September 2010.

On 23 November 2010, after arm's length negotiation, the Group and the Vendor entered into a termination agreement to terminate the S&P Agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

Performance review

For the six months ended 30 September 2010 (the “Interim Period”), the Group’s turnover from electronic business was HK\$60 million, decreased by 31% as comparing with HK\$87 million for the six months ended 30 September 2009 (“2009”).

The Group recorded a gross profit of approximately HK\$916,000 from electronic products business (2009: gross profit of approximately HK\$762,000).

In view of the keen competition and poor operating environment and performance, the Group has disposed of the entire paper products segment at the end of the year ended 31 March 2010, thus no turnover recorded for the Interim Period. The Group recorded a gross loss of approximately HK\$571,000 from paper products business in 2009.

Loss attributable to owners of the Company decreased to HK\$1.8 million (2009: loss attributable to owners of the Company: HK\$17 million).

Outlook

The Board will use its best endeavour to formulate a plan for the resumption of trading of the shares of the Company so as to protect the interest of the shareholders of the Company.

The Group will continue to enlarge the customer base and improve the quality of products in achieving the aim of profitability in electronic products business.

Besides, the Group will closely monitor the condition of electronic market and take advantage of the market adversities and seize upon suitable investment opportunities to provide tremendous value-added to shareholders.

Capital structure

The Group had no change in capital structure during the Interim Period.

Liquidity and financial resources

As at 30 September 2010, the total shareholders fund of the Group amounted to HK\$71 million (31 March 2010: HK\$73 million), total assets of HK\$90 million (31 March 2010: HK\$114 million) and total liabilities of HK\$19 million (31 March 2010: HK\$42 million).

The gearing ratio as of 30 September 2010, defined as the percentage of total interest bearing debt to net asset value, was 0.04% (31 March 2010: 0.04%).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Liquidity and financial resources (Continued)

The Group's business operation and investment are in Hong Kong and most assets, liabilities and transactions of the Group are denominated in Hong Kong dollar and United States dollar. The directors did not consider the Group was exposed to any significant foreign currency exchange risk.

Investment position and planning

During the Interim Period, the Group had no addition of plant and equipment (2009: Nil).

The Group has invested in shares that are traded over the Stock Exchange. As at 30 September 2010, the Group held shares with fair value of approximately HK\$4.8 million (31 March 2010: HK\$4.5 million).

On 27 July 2010, the Group entered into the S&P Agreement with the Vendor to purchase the entire issued share capital of companies engaging in the businesses of sales, design, installation and repair of audio visual equipment and trading of electronic products for a consideration of HK\$45 million, payable by way of the issue of convertible notes on the completion of the acquisition. For details, please refer to the announcement of the Company dated 1 September 2010.

On 23 November 2010, after arm's length negotiation, the Group and the Vendor entered into a termination agreement to terminate the S&P Agreement.

Save as disclosed above, the Group did not have any significant investment and there are no other material acquisition or disposal of subsidiaries and associated companies during the Interim Period.

Charges on the Group's assets and contingent liabilities

As at 30 September 2010, the Group did not pledge any asset (31 March 2010: Nil).

As at 30 September 2010, the Group had no significant contingent liabilities (31 March 2010: Nil).

Employees and remuneration policy

As at 30 September 2010, the Group had 5 employees. The Group provides competitive remuneration packages to employees with attractive discretionary bonus payable to those with outstanding performance and contribution to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Connected Transactions

There are no transactions which would need to be disclosed as connected transactions in accordance with the requirement of the Listing Rules.

CORPORATE GOVERNANCE

Code on corporate governance practices

The Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Listing Rules during the Interim Period. The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

Model code of securities transactions

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the directors. Having made specific enquiry of the directors, the directors confirmed that they have complied with the code throughout the six months ended 30 September 2010.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

REVIEW OF INTERIM RESULTS

The audit committee has reviewed with the management the appropriateness and consistent application of significant accounting principles and policies adopted by the Group, and discussed judgement issues, accounting estimates, adequacy of disclosures and internal consistency of the interim financial report for the six months ended 30 September 2010.

By order of the Board
Climax International Company Limited
Tse On Kin
Chairman

Hong Kong, 25 November 2010

As at the date of this announcement, the Board comprises of two executive directors, Mr. Tse On Kin and Mr. Wong Hin Shek and three independent non-executive directors, Dr. Wong Yun Kuen, Mr. Lau Man Tak and Mr. Man Kwok Leung.