CLIMAX INTERNATIONAL COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 439)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2013

The board of directors (the "Board") of Climax International Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2013 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Notes	**2013** **HK$'000**	2012 HK$'000
Continuing operations			
Turnover	3	**81,178**	–
Cost of sales		**(64,725)**	–
Gross profit		**16,453**	–
Other operating income	3	**3,641**	2,504
Selling and distribution expenses		**(2,862)**	–
Administrative expenses		**(13,030)**	(7,981)
(Loss) gain on changes in fair value of held for trading investments		**(195)**	828
Gain on changes in fair value of investment properties		**1,250**	–
Finance costs	5	**(1,777)**	(1)
Profit (loss) before tax		**3,480**	(4,650)
Income tax expense	6	**(1,248)**	–
Profit (loss) for the year from continuing operations	7	**2,232**	(4,650)
Discontinued operation			
Loss for the year from discontinued operation		**–**	(140)
Profit (loss) for the year		**2,232**	(4,790)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*
For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Profit (loss) for the year		**2,232**	(4,790)
Other comprehensive income			
Exchange differences arising on translating of foreign operations and total other comprehensive income for the year		**1,350**	–
Total comprehensive income (expense) for the year		**3,582**	(4,790)
Profit (loss) for the year attributable to owners of the Company			
— from continuing operations		**2,232**	(4,650)
— from discontinued operations		**–**	(140)
		2,232	(4,790)
Total comprehensive income (expense) for the year attributable to owners of the Company			
— from continuing operations		**3,582**	(4,650)
— from discontinued operations		**–**	(140)
		3,582	(4,790)
EARNINGS (LOSS) PER SHARE			
Basic and diluted earnings (loss) per share (in Hong Kong cents)	8		
— from continuing operations		**0.20**	(4.72)
— from discontinued operation		**–**	(0.14)
		0.20	(4.86)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Plant and equipment		**33,872**	627
Investment properties		**27,500**	–
Prepaid lease payments		**8,859**	–
Goodwill		**84,054**	–
		154,285	627
Current assets			
Inventories	*10*	**14,669**	–
Trade receivables, deposits and other receivables	*11*	**26,515**	15,225
Prepaid lease payments		**214**	–
Held for trading investments		**4,932**	5,127
Cash and cash equivalents		**67,756**	46,760
		114,086	67,112
Current liabilities			
Trade and other payables	*12*	**16,877**	4,216
Amount due to a related company		**15**	–
Promissory note		**55,000**	–
Obligations under finance lease — amount due within one year		**1,438**	6
Bank borrowings		**7,016**	–
Income tax payable		**3,654**	–
		84,000	4,222
Net current assets		**30,086**	62,890
Total assets less current liabilities		**184,371**	63,517
Non-current liabilities			
Obligations under finance lease — amount due after one year		**2,974**	12
Deferred tax liabilities		**175**	–
		3,149	12
		181,222	63,505
Capital and reserves			
Share capital		**12,079**	574
Reserves		**169,143**	62,931
Equity attributable to owners of the Company		**181,222**	63,505

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

1. GENERAL

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

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company and those subsidiaries incorporated in Hong Kong and the British Virgin Islands (the "BVI"). The functional currency for those subsidiaries established in the PRC is Renminbi ("RMB").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs that issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets
Amendments to Hong Kong Accounting Standard ("HKAS") 12	Deferred Tax: Recovery of Underlying Asset

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors of the Company reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors of the Company have determined that the 'sale' presumption set out in the amendments to HKAS 12 is not rebutted.

The application of the amendments to HKAS 12 has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

2. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")** *(Continued)*

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets *(Continued)*

The change in amendments to HKAS 12 has no effect to the Group's deferred taxation as at 1 April 2011 and 31 March 2012, and the Group's income tax expense, loss for the year and basic and diluted loss per share for the year ended 31 March 2012 as the Group had no investment properties as at 1 April 2011 and 31 March 2012.

The adoption of the amendments to HKAS 12 has resulted in the Group's income tax expense for the year ended 31 March 2013 being decreased by approximately HK$206,000 and hence resulted in profit for the year ended 31 March 2013 being increased by approximately HK$206,000. In addition, the Group's basic and diluted earnings per share for the year ended 31 March 2013 are increased by 0.02 Hong Kong cents after the adoption.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements 2009–2011 Cycle[2]
Amendments to HKFRS 1	Government Loans[2]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC)-Interpretation ("Int") 20	Stripping Costs in the Production Phase of a Surface Mine[2]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[3]
HK(IFRIC) Int 21	Levies[3]

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2014.
[4] Effective for annual periods beginning on or after 1 January 2015.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors of the Company do not anticipate that the application of these five standards will have significant impact on amounts reported in the consolidated financial statements as all subsidiaries are wholly owned by the Company.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors of the Company anticipate that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material effect on the Group's consolidated financial statements.

3. TURNOVER AND OTHER OPERATING INCOME

Turnover represents amount received and receivable from sales of paper packaging products, paper gift items and paper promotional materials, net of discounts allowed and sales related taxes, and gross rental income received during the year. An analysis of the Group's turnover and other operating income recognised during the year is as follows:

	2013	2012
Continuing operations	***HK$'000***	*HK$'000*
Turnover		
Sales of goods	**80,825**	–
Gross rental income	**353**	–
	81,178	–
Other operating income		
Interest income	**740**	855
Sale of scrap materials	**436**	–
Dividend income	**182**	171
Management fee income	**660**	–
Net exchange gain	**774**	1,478
Other rental income	**66**	–
Written-back of other payables	**760**	–
Others	**23**	–
	3,641	2,504
	84,819	2,504

4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision-makers (the "CODMs"), for the purpose of resources allocation and performance assessment focuses on types of goods or services delivered or provided.

In prior years, the Group reported a single operating segment of trading of electronic products. The electronic product segment was discontinued on 31 March 2012 as trading of electronic products was ceased during the year ended 31 March 2012. Accordingly, no reportable segment for trading of electronic products is presented for the year ended 31 March 2012.

After the completion of the acquisition of Sky Will Printing and Packaging (Holdings) Limited ("Sky Will Holdings") and its subsidiaries ("Sky Will Group"), which was completed on 3 May 2012, the Group engaged in the manufacturing and trading of paper packaging products, paper gift items and paper promotional materials. The CODMs regard it as the principal business of the Group and as a single operating segment of paper business. Since August 2012, the Group acquired an investment property and the entire interest of Fanda Pacific Limited and its subsidiary ("Fanda Group") which resulted in an acquisition of another investment property. Thereafter, the Group has two reportable and operating segments for financial reporting purposes, comprising paper business and property investment, for the year ended 31 March 2013.

4. **SEGMENT INFORMATION** *(Continued)*

Segment revenue and results

For the year ended 31 March

	Paper business		Property investment		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**80,825**	–	**353**	–	**81,178**	–
Segment profit	**7,653**	–	**1,562**	–	**9,215**	–
Unallocated corporate income					**3,205**	3,332
Unallocated corporate expenses					**(7,163)**	(7,981)
Finance costs					**(1,777)**	(1)
Profit (loss) before tax					**3,480**	(4,650)

Segment profit represents the profit earned by each segment without allocation of central corporate income and expense, directors' remuneration, certain other income, dividend income and finance costs. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

Segment assets

	2013	2012
	HK$'000	*HK$'000*
Paper business	**167,419**	–
Property investment	**27,841**	–
Total segment assets	**195,260**	–
Unallocated corporate assets	**73,111**	67,739
Consolidated assets	**268,371**	67,739

Segment liabilities

	2013	2012
	HK$'000	*HK$'000*
Paper business	**14,749**	–
Property investment	**255**	–
Total segment liabilities	**15,004**	–
Unallocated corporate liabilities	**72,145**	4,234
Consolidated liabilities	**87,149**	4,234

4. SEGMENT INFORMATION *(Continued)*

For the purposes of monitoring segment performance and allocating resources between segments:

— all assets are allocated to operating segments other than held for trading investment, cash and cash equivalents and other assets for corporate use including certain plant and equipment, deposits and other receivables; and

— all liabilities are allocated to operating segments other than promissory note, bank borrowings, income tax payable, deferred tax liabilities, obligations under finance lease and certain other payables.

Other segment information

2013

	Paper business HK$'000	Property investment HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets:				
Addition to investment properties	–	14,250	–	14,250
Addition to investment properties through acquisition of a subsidiary	–	12,000	–	12,000
Addition to plant and equipment	2,246	324	–	2,570
Addition to plant and equipment through acquisition of a subsidiary	34,051	–	–	34,051
Addition to prepaid lease payments through acquisition of a subsidiary	9,174	–	–	9,174
Depreciation and amortisation	4,201	17	512	4,730
Gain on changes in fair value of investment properties	–	(1,250)	–	(1,250)
Loss on disposal of plant and equipment	5	–	–	5
Amounts regularly provided to the CODMs but not included in the measure of segment profit or loss or segment assets:				
Income tax expense	1,228	20	–	1,248
Interest expense on bank borrowings	186	65	–	251
Interest expense on obligations under finance leases	210	–	1	211
Interest expense on promissory note	–	–	1,315	1,315
Loss on changes in fair value of held for trading investments	–	–	195	195
Dividend income	–	–	(182)	(182)
Interest income	–	–	(740)	(740)
Net exchange gain	–	–	(774)	(774)
Written-back of other payables	–	–	(760)	(760)

4. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in Hong Kong ("HK") and the PRC.

Information about the Group's turnover from external customers is presented based on the customers' main operation location. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Turnover from external customers 2013 *HK$'000*	**Non-current assets 2013** *HK$'000*
HK (Country of domicile)	**54,578**	**121,464**
PRC	**11,339**	**32,821**
Europe	**15,182**	**–**
Others	**79**	**–**
Total	**81,178**	**154,285**

5. FINANCE COSTS

Continuing operations	**2013** *HK$'000*	2012 *HK$'000*
Interest expenses on:		
— Bank borrowings wholly repayable within five years	**251**	–
— Obligations under finance lease	**211**	1
— Promissory note	**1,315**	–
Total finance costs	**1,777**	1

6. INCOME TAX EXPENSE

Continuing operations	**2013** *HK$'000*	2012 *HK$'000*
Current tax		
Hong Kong Profits Tax	**598**	–
Overprovision of Hong Kong Profits Tax in prior years	**(175)**	–
PRC Enterprise Income Tax ("EIT")	**745**	–
	1,168	–
Deferred tax	**80**	–
	1,248	–

During the year ended 31 March 2013, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

7. PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year has been arrived at after charging:

Continuing operations	2013 HK$'000	2012 HK$'000
Directors' emoluments	**720**	218
Other staff costs	**25,071**	525
Retirement benefits scheme contributions for staff	**471**	16
Total staff costs	**26,262**	759
Cost of inventories recognised as an expense	**64,714**	–
Amortisation of prepaid lease payment	**159**	–
Auditor's remuneration	**780**	420
Depreciation for plant and equipment	**4,571**	429
Loss on disposal of plant and equipment	**5**	–
Loss on written off of plant and equipment	**–**	184
Operating lease rental on land and buildings	**1,688**	270

8. EARNINGS (LOSS) PER SHARE

From continuing operations

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

	2013 HK$'000	2012 HK$'000
Profits (loss)		
Profits (loss) for the year attributable to the owners of the Company	**2,232**	(4,790)
Less:		
Loss for the year from discontinued operation	**–**	(140)
Profits (loss) for the purpose of basic and diluted earnings (loss) per share from continuing operation	**2,232**	(4,650)

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

	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**1,110,653,008**	98,456,669[1]

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

[1] Adjusted for bonus issue

8. EARNINGS (LOSS) PER SHARE *(Continued)*

From discontinued operation

For the year ended 31 March 2012, basic and diluted loss per share for the discontinued operation was 0.14 Hong Kong cents per share, based on the loss for the year from the discontinued operation of approximately HK$140,000.

The diluted earnings (loss) per share is equal to the basic profit (loss) per share as there were no dilutive potential ordinary shares as at 31 March 2013 and 2012.

9. DIVIDEND

No dividend was paid, declared or proposed during the years ended 31 March 2013 and 2012, nor has any dividend been proposed since the end of the reporting period.

10. INVENTORIES

	2013	2012
	HK$'000	*HK$'000*
Raw materials	**8,115**	–
Work in progress	**5,596**	–
Finished goods	**958**	–
	14,669	–

11. TRADE RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**25,005**	–
Deposits and other receivables	**1,203**	15,034
Prepayments	**307**	191
	26,515	15,225

Included in trade receivables as at 31 March 2013 is an amount of HK$18,025,000 due from a related company, New Spring Label & Packaging Limited, of which a director of the Company is a shareholder. The amount is unsecured, non-interest bearing and of trading nature with credit period of 60 days.

Included in deposits and other receivables as at 31 March 2012 was a refundable deposit of HK$15,000,000 paid for acquisition of Sky Will Group. The acquisition was completed during the year ended 31 March 2013 and the deposit was used to settle part of the consideration.

For the year ended 31 March 2013, the Group allowed an average credit period of 30 to 60 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximate the respective revenue recognition date.

11. TRADE RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Ageing of trade receivables

	2013	2012
	HK$'000	*HK$'000*
0 – 30 days	**13,850**	–
31 – 60 days	**2,774**	–
61 – 90 days	**4,906**	–
91 – 120 days	**1,480**	–
121 – 365 days	**1,995**	–
	25,005	–

Ageing of trade receivables which are past due but not impaired based on due date

	2013	2012
	HK$'000	*HK$'000*
0 – 30 days	**4,906**	–
31 – 60 days	**1,480**	–
61 – 365 days	**1,995**	–
	8,381	–

Trade receivables which are past due but not impaired related to customers that had good track records with the Group. There has not been a significant change in the credit quality and the balances were still considered fully recoverable.

12. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**11,377**	–
Other payables and accruals	**5,400**	4,216
Deposit received from customers	**86**	–
Receipt in advance	**14**	–
	16,877	4,216

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**5,290**	–
31 – 60 days	**2,263**	–
61 – 90 days	**1,880**	–
Over 90 days	**1,944**	–
	11,377	–

The average credit period on purchases of goods was 30 to 60 days. The Group had financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

13. ACQUISITION OF A SUBSIDIARY

On 3 May 2012, the Company acquired the entire issued capital of Sky Will Group which is engaged in the manufacture and trading of paper packaging products, paper gift items and paper promotional materials. The aggregate consideration for the acquisition was approximately HK$112,447,000 ("Consideration") and was satisfied in the forms of (i) cash of HK$35,000,000; (ii) issuance of the consideration shares; and (iii) issuance of a promissory note. The acquisition has been accounted for using acquisition method. The amount of goodwill arising as a result of the acquisition was approximately HK$84,054,000.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Plant and equipment	34,051
Inventories	15,244
Trade receivables, deposits and other receivables	26,595
Bank balances and cash	2,415
Trade and other payables	(13,000)
Amount due to related companies	(10,817)
Amount due to a director	(6,028)
Obligations under finance leases	(5,812)
Bank borrowings	(10,814)
Deferred tax liabilities	(95)
Income tax payables	(3,346)
Net identifiable assets	28,393

Goodwill arising on acquisition:

	HK$'000
Consideration transferred:	
— Cash	35,000
— Fair value of consideration shares	23,762
— Fair value of promissory note	53,685
	112,447
Less: Net assets acquired	(28,393)
Goodwill arising on acquisition	84,054

Pursuant to the S&P Agreement, the Vendor has undertaken to the Company that the net profit of Sky Will Group for the year ended 31 March 2012 would not be less than HK$16,000,000 ("Profit Guarantee"). For any shortfall from HK$16,000,000, the Consideration would be adjusted downward by an amount equal to the shortfall multiplied by 6.875 and would be offset against the promissory note on a dollar for dollar basis and limited to HK$55,000,000. Upon the receipt of the audited accounts of Sky Will Group for the year ended 31 March 2012, the Profit Guarantee was met, hence, no consideration adjustment was made.

The directors of the Company considered the Vendor and its beneficial owners were independent third parties to the Company before the acquisition. Upon the issuance of consideration shares, the Vendor became a substantial shareholder of the Company.

Since its acquisition by the Group, the acquired business contributed turnover of approximately HK$80,825,000 and a profit of approximately HK$6,274,000 to the Group's turnover and profit for the year ended 31 March 2013 respectively.

13. ACQUISITION OF A SUBSIDIARY *(Continued)*

Goodwill arose on acquisition represents the control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the anticipated profitability from the continued expansion of the Group's business, future market development and the knowledgeable and experienced key management personnel of Sky Will Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

14. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

(i) Miracle True Investments Limited and its subsidiary ("Miracle True Group")

On 5 July 2012, Sky Will Holdings, the Company's subsidiary, has entered into a contract with a related company, Glory Wing Investments Limited, in which Mr. Ng has the beneficial interest, to acquire the entire equity interest of Miracle True Group. The aggregate consideration for the acquisition was approximately HK$9,400,000 and to be satisfied in the form of cash.

Miracle True Group is principally engaged in investment holding of a land located in Huizhou. At the time of the acquisition, Miracle True Group had not actively engaged in any business. In the opinion of the directors of the Company, the acquisition of Miracle True Group does not constitute a business combination but an acquisition of assets and liabilities through acquisition of subsidiaries.

(ii) Fanda Group

On 26 October 2012, the Company entered into a contract with an independent third party to acquire the entire equity interest of Fanda Group. The aggregate consideration for the acquisition was approximately HK$12,066,000 and was satisfied in the form of cash.

Fanda Group is principally engaged in property investment in Hong Kong for rental income. At the time of the acquisition, the business activities performed by Fanda Group were not significant. In the opinion of the directors, the acquisition of Fanda Group does not constitute a business combination but an acquisition of assets and liabilities through acquisition of subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE REVIEW

For the year ended 31 March 2013, the Group recorded a turnover of approximately HK$81,178,000 (2012: Nil) and the Group's profit attributable to owner was approximately HK$2,232,000 (2012: loss attributable to owner of approximately HK$4,790,000).

BUSINESS REVIEW

On 3 May 2012, the Group has completed the acquisition of Sky Will Printing & Packaging (Holdings) Limited ("Sky Will Holdings") and its subsidiaries ("Sky Will Group") which are engaged in the manufacture and sale of paper packaging products and paper gift items and the printing of paper promotional materials (the "Paper Business"). Information about the acquired Paper Business were disclosed in the circular of the Company dated 5 March 2012. In August and October 2012, the Group acquired residential properties for property investment and rental purposes, respectively. Thus, the Group has two reportable segments for financial reporting purposes, comprising paper business and property investment.

Paper Business

The Paper Business is the principal business of the Group. The major customers are primarily distributors, manufacturers of consumer products and advertising agencies based in the USA, Europe, Hong Kong and the PRC. For the year ended 31 March 2013, approximately HK$80,825,000 of the Group's turnover was contributed by the Paper Business and segment profit after relevant tax expenses of approximately HK$6,425,000 was recorded.

Property Investment

The Group intends to hold the properties for investment purpose with a view that it can establish an additional stream of recurring rental income, while capture any possible future capital appreciation. For the year ended 31 March 2013, leasing income of approximately HK$353,000 and a gain on changes in fair value of investment properties of approximately HK$1,250,000 were recognised.

OUTLOOK

The world economy continues to face exceptional uncertainties, in particular the debt crisis in Europe and the United States of America, and market sentiments will most likely remain weak during the ensuring year. The year of 2013 and 2014 will be very significant to the revamped development of the Group as we will be faced with unpredictable and unprecedented challenges. Despite the difficulties ahead, the Group will closely monitor the conditions of paper product market and the property market and prepare, be able to respond swiftly and take advantage of the market adversities to seize upon further suitable investment opportunities to provide tremendous value-added to shareholders.

CAPITAL STRUCTURE

During the year ended 31 March 2013, the share capital of the Company had the following changes:

On 3 May 2012, 200,000,000 consideration shares of HK$0.01 each were issued pursuant to the sale and purchase agreement dated 20 January 2011 (the "S&P Agreement") and supplemented on 30 September 2011 and 29 February 2012 respectively in relation to the acquisition of the Paper Business at the issue price of HK$0.10 per consideration share. The fair value of the consideration shares was approximately HK$23,762,000.

On 3 May 2012, 450,000,000 shares of HK$0.01 each were issued pursuant to the subscription agreement dated 29 February 2012 at the subscription price of HK$0.10 per subscription share.

On 3 May 2012, 459,464,456 shares of HK$0.01 each were issued under the open offer at the subscription price of HK$0.10 per offer share on the basis of eight offer shares for every share held by the qualifying shareholders on 10 April 2012.

On 3 May 2012, 41,023,612 shares of HK$0.01 each were issued under the bonus issue on the basis of five bonus shares for every seven shares held by the qualifying shareholders on 10 April 2012.

Subsequently on 5 June 2013, 241,580,000 shares of HK$0.01 each were issued at HK$0.1 per shares under the general mandate passed at the last annual general meeting which was held on 31 July 2012. The net proceed is approximately HK$23,460,000, after deducting related placing commission and other related expenses, which is intended to be used for working capital of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2013, the total shareholders' funds of the Group amounted to approximately HK$181,222,000 (31 March 2012: HK$63,505,000), total assets of approximately HK$268,371,000 (31 March 2012: HK$67,739,000) and total liabilities of approximately HK$87,149,000 (31 March 2012: HK$4,234,000).

As at 31 March 2013, the Group had cash and cash equivalents of approximately HK$67,756,000 (31 March 2012: HK$46,760,000). The gearing ratio as of 31 March 2013, defined as the percentage of the total interest bearing debt, including bank borrowings of approximately HK$7,016,000 (31 March 2012: Nil) and obligations under finance lease of approximately HK$4,412,000 (31 March 2012: HK$18,000), to net asset value, was approximately 6.31% (31 March 2012: 0.03%).

The Group's business operations and investments are in Hong Kong and Mainland China. Most of the assets, liabilities and transactions of the Group are primarily denominated in Hong Kong dollar and RMB. The group has not entered into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

INVESTMENT POSITION AND PLANNING

On 3 May 2012, the Group has completed the acquisition of Sky Will Group which is engaged in the manufacture and sale of paper packaging products and paper gift items and the printing of paper promotional materials at an aggregate consideration of HK$112,447,000. Pursuant to the S&P Agreement, the Vendor has undertaken to the Company that the net profit of Sky Will Group for the year ended 31 March 2012 would not be less than HK$16,000,000 ("Profit Guarantee"). For any shortfall from HK$16,000,000, the consideration would be adjusted downward by an amount equal to the shortfall multiplied by 6.875 and would be offset against the promissory note on a dollar for dollar basis and limited to HK$55,000,000. Upon the receipt of the audited accounts of Sky Will Group for the year ended 31 March 2012, the Profit Guarantee was met, hence, no consideration adjustment was made.

Furthermore, the Company has completed the subscription, the open offer and the bonus issue, as mentioned in the section of Capital Structure, on 3 May 2012. These transactions together with the acquisition mentioned formed part of the resumption proposal of the Company which was approved by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 December 2011 and the shares of the Company resumed trading on the Stock Exchange on 7 May 2012.

On 6 July 2012, the Group acquired the entire issued capital of Miracle True Investment Limited and its subsidiary ("Miracle True Group") at cash consideration of approximately HK$9,400,000. Miracle True Group owns a land use right of a parcel of land with area of approximately 18,246 square meters located in Huizhou City, Guangdong Province, the PRC (the "Land"). The Group intends to use the Land for the construction and setting up of a production plant which provides the Group with additional space or future operational expansion to further enhance the Group's manufacturing capacity.

On 15 August 2012, the Group acquired a residential property at cash consideration of approximately HK$12,000,000. The property is situated in Hong Kong with a total gross area of approximately 2,100 square feet. Subsequently on 29 October 2012, the Group acquired another residential property with a saleable area of approximately 830 square feet in Hong Kong, through acquiring the entire issued capital of Fanda Pacific Limited and its subsidiary, at cash consideration of approximately HK$12,000,000, which was subject to a tenancy agreement until April 2013. The Group intends to hold the properties for investment and rental purposes.

The Group has invested in certain securities that are traded over the Stock Exchange. As at 31 March 2013, the Group held shares with fair value of approximately HK$4,932,000 (31 March 2012: HK$5,127,000).

Saved as disclosed above, the Group did not have any other significant investment and there are no other material acquisition or disposal of subsidiaries and associated company during the period.

CHARGES ON THE GROUP’S ASSETS AND CONTINGENT LIABILITIES

As at 31 March 2013, certain assets of the Group were pledged to secure banking facilities granted to the Group and obligation under finance lease as follows:

	2013	2012
	HK$’000	*HK$’000*
Investment properties	**15,000**	–
Plant and equipment under finance lease	**7,398**	17
Trade receivables	**1,092**	–
	23,490	17

As at 31 March 2013, the Group had no significant contingent liabilities (31 March 2012: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2013, the Group had approximately 550 employees. The Group provides competitive remuneration packages to employees with attractive discretionary bonus payable to those with outstanding performance and contribution to the Group.

FINAL DIVIDEND

The Board of the Company resolved not to pay any final dividend for the year ended 31 March 2013 (2012: Nil).

CORPORATE GOVERNANCE PRACTICES

The Board acknowledges the importance of the highest standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhance the shareholders’ value and safeguard the interests of shareholders. Accordingly, the Company has adopted sound corporate governance principles that emphasis an effective internal control and accountability to all shareholders.

The Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the “CG Code”) during the year under review, save for the deviations from code provisions A.2.1, A.4.1 and A.6.7 which are explained below. The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of “Chairman” since the resignation of the ex-chairman of the Company on 16 November 2011. Mr. Wong Hin Shek, who acts as the chief executive officer of the Company, also assumes the duties of the chairman during the year under review. The Board believes that vesting the roles of chairman and chief executive officer in the same individual provided the Group with strong and consistent leadership in the development and execution of long-term business strategies.

Under the code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. However, the non-executive director of the Company, Mr. Wong Hung Ki, is not appointed for specific terms but he is 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, which stipulates that one-third of the directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from the office by rotation at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code in this respect.

Under the code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Wong Hung Ki (non-executive director) and Mr. Lau Man Tak (independent non-executive director) did not attend the annual general meeting (the "AGM") and the special general meeting of the Company held on 31 July 2012 due to other work commitments, while Mr. Man Kwok Leung (independent non-executive director) did not attend the AGM was also due to other work commitments. The Company will strengthen its general meeting planning process, by giving all directors sufficient time to arrange their work in advance and providing any necessary support for their presence and participation in the meeting, so as to facilitate all directors attending the Company's future general meetings.

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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 year.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company. The Audit Committee has adopted terms of reference which are in line with the CG Code. The Audit Committee has reviewed the audited results for the year ended 31 March 2013 and agreed with the accounting treatment adopted. The Audit Committee is satisfied with the Group's internal control procedure and financial reporting disclosures.

SCOPE OF WORK OF AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2013 have been agreed by the Company's auditor, SHINEWING CPA (HK) Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING CPA (HK) Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING CPA (HK) Limited on the preliminary announcement.

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

Hong Kong, 26 June 2013

As at the date of this announcement, the Board comprises of two executive directors, Mr. Wong Hin Shek and Mr. Ng Man Chan; one non-executive director, Mr. Wong Hung Ki; and three independent non-executive directors, Dr. Wong Yun Kuen, Mr. Lau Man Tak and Mr. Man Kwok Leung.