CLIMAX INTERNATIONAL COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 439)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2009

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 2009 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 March	
		2009	2008
	NOTES	***HK$'000***	*HK$'000*
Turnover	2	**70,116**	167,321
Cost of sales		**(91,451)**	(153,241)
Gross (loss) profit		**(21,335)**	14,080
Other income	3	**7,110**	9,741
Selling and distribution expenses		**(4,299)**	(10,720)
Administrative expenses		**(45,523)**	(47,096)
Impairment loss recognised in respect of plant and equipment		**(10,408)**	(446)
Impairment loss recognised in respect of available-for-sale investments		**—**	(3,500)
Impairment loss recognised in respect of deposits, prepayments and other receivables		**(18,985)**	—
Gain on redemption of financial assets at fair value through profit or loss		**187**	—
Gain on changes in fair value of financial assets at fair value through profit or loss		**131**	—
Loss on changes in fair value of held for trading investments		**(4,526)**	(643)
(Loss) gain on disposal of held for trading investments		**(1,540)**	60
Finance costs		**(358)**	(2,852)
Loss before taxation		**(99,546)**	(41,376)
Income tax expense	4	**(76)**	(2,232)
Loss for the year attributable to equity holders of the Company	5	**(99,622)**	(43,608)
Loss per share — basic (in Hong Kong cents)	7	**(9.01)**	(4.82)

CONSOLIDATED BALANCE SHEET

	NOTES	**31 March 2009** *HK$'000*	31 March 2008 *HK$'000*
Non-current assets			
Plant and equipment		**4,113**	32,665
Prepayments		**10,217**	24,071
Available-for-sale investments		**—**	—
Financial assets at fair value through profit or loss		**—**	12,357
		14,330	69,093
Current assets			
Inventories		**200**	15,160
Trade receivables	8	**7,224**	8,766
Deposits, prepayments and other receivables		**8,861**	24,795
Held for trading investments		**9,820**	—
Amounts due from related companies		**63**	—
Deposits in other financial institution		**69,803**	53,697
Bank balances and cash		**2,737**	3,226
		98,708	105,644
Current liabilities			
Trade and other payables	9	**57,844**	45,596
Amounts due to directors		**—**	161
Tax payables		**2,330**	2,232
Obligations under finance leases — amount due within one year		**492**	1,794
Short-term bank borrowings		**82**	3,898
		60,748	53,681
Net current assets		**37,960**	51,963
Total assets less current liabilities		**52,290**	121,056
Non-current liability			
Obligations under finance leases — amount due after one year		**—**	951
		52,290	120,105
Capital and reserves			
Share capital		**11,486**	9,576
Reserves		**40,803**	110,528
Total equity attributable to equity holders of the Company		**52,289**	120,104
Minority interests		**1**	1
Total Equity		**52,290**	120,105

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("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 (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the HKICPA which are or have become effective.

Hong Kong Accounting Standard ("HKAS") 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) — Interpretation ("INT") 12	Service Concession Arrangements
HK(IFRIC) — INT 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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 or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Financial Instruments Disclosures — Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC) — INT 9 & HKAS 39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC) — INT 13	Customer Loyalty Programmes[6]
HK(IFRIC) — INT 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) — INT 16	Hedges of a Net Investment in a Foreign Operation[7]
HK(IFRIC) — INT 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC) — INT 18	Transfers of Assets from Customers[8]

1. BASIS OF PREPARATION (Continued)

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
[2] Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 January 2009.
[4] Effective for annual periods beginning on or after 1 July 2009.
[5] Effective for annual periods ending on or after 30 June 2009.
[6] Effective for annual periods beginning on or after 1 July 2008.
[7] Effective for annual periods beginning on or after 1 October 2008.
[8] Effective for transfers of assets from customers received on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised 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

During the year ended 31 March 2008, the Group's entire turnover is contributed by its paper business and therefore no business segment analysis is presented for 2008.

During the year ended 31 March 2009, the Group is organised into two operating division — paper products and electronic products. The divisions which are the basis on which the Group reports its primary segment information are as follows.

Principal activities are as follows:

Paper products	—	design, development, production and marketing of paper products
Electronic products	—	trading of electronic products

2. TURNOVER AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

Segment information about these businesses is presented below:

For the year ended 31 March 2009

	Paper products *HK$'000*	Electronic products *HK$'000*	Total *HK$'000*
REVENUE	**66,169**	**3,947**	**70,116**
SEGMENT RESULT	**(25,666)**	**32**	**(25,634)**
Gain on disposal of plant and equipment	**1,365**	—	**1,365**
Scrap sales of raw materials and finished goods	**847**	—	**847**
Unallocated corporate income			**4,898**
			7,110
Gain on redemption of financial assets at fair value through profit or loss			**187**
Gain on changes in fair value of financial assets at fair value through profit or loss			**131**
Impairment loss recognised in respect of plant and equipment	**(10,408)**	—	**(10,408)**
Impairment loss recognised in respect of deposits, prepayments and other receivables	**(13,391)**	—	**(13,391)**
Unallocated amount			**(5,594)**
			18,985
Loss on changes in fair value of held for trading investments			**(4,526)**
Loss on disposal of held for trading investments			**(1,540)**
Depreciation of plant and equipment	**(990)**	—	**(990)**
Loss on written off of plant and equipment	**(3,813)**	—	**(3,813)**
Allowance for bad and doubtful debts	**(2,303)**	—	**(2,303)**
Unallocated corporate expenses			**(38,417)**
			(45,523)
Finance costs			**(358)**
Loss before taxation			**(99,546)**
Income tax expense			**(76)**
Loss for the year			**(99,622)**

2. TURNOVER AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

As at 31 March 2009

	Paper products *HK$'000*	Electronic products *HK$'000*	Total *HK$'000*
ASSETS			
Segment assets	**22,418**	**3,947**	**26,365**
Unallocated corporate assets			**86,673**
			113,038
LIABILITIES			
Segment liabilities	**48,852**	**3,915**	**52,767**
Unallocated corporate liabilities			**7,981**
			60,748
For the year ended 31 March 2009			
OTHER INFORMATION			
Capital expenditure	**(300)**	**—**	**(300)**
Unallocated amount			**(33)**
			(333)
Depreciation of plant and equipment	**(4,417)**	**—**	**(4,417)**
Unallocated amount			**(340)**
			(4,757)
Gain on disposal of plant and equipment	**1,339**	**—**	**1,339**
Unallocated amount			**26**
			1,365
Allowance on bad and doubtful debts	**(2,303)**	**—**	**(2,303)**
Loss on written off of plant and equipment	**(3,813)**	**—**	**(3,813)**
Allowance for inventories	**(9,660)**	**—**	**(9,660)**
Deposits forfeited for early termination of a rental agreement	**1,600**	**—**	**1,600**

2. TURNOVER AND SEGMENT INFORMATION (Continued)

Geographical segments

The Group's operations are located in PRC and Hong Kong. The following table provides an analysis of the Group's turnover by geographical market based on the geographical location of customers, irrespective of the origin of the goods:

	Turnover by geographical market Year ended 31 March	
	2009	2008
	HK$'000	*HK$'000*
United States of America	**33,630**	78,890
Europe	**19,178**	51,398
Asia-Pacific (excluding Hong Kong)	**14,810**	25,136
Hong Kong	**497**	1,157
Others	**2,001**	10,740
	70,116	167,321

The following is an analysis of the carrying amount of segment assets, and capital expenditure, analysed by the geographical areas in which the assets are located:

	Carrying amount of segment assets As at 31 March		Capital expenditure Year ended 31 March	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**16,966**	92,068	**—**	1,218
Hong Kong	**93,146**	75,978	**333**	357
Others	**2,926**	6,691	**—**	—
	113,038	174,737	**333**	1,575

3. OTHER INCOME

	2009	2008
	HK$'000	*HK$'000*
Other income consisted of:		
Dividend income	**134**	—
Gain on disposal of plant and equipment	**1,365**	—
Interest income	**1,161**	1,409
Rental income, gross	**3,004**	3,551
Scrap sales of raw materials	**847**	3,729
Others	**599**	1,052
	7,110	9,741

4. INCOME TAX EXPENSE

	2009	2008
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**76**	443
PRC Enterprise Income Tax ("EIT")	**—**	1,789
	76	2,232

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year.

The Group carries out manufacturing activities in the PRC through its subsidiaries and under the terms of a processing agreement with a third party factories, and has substantial involvement in these manufacturing activities undertaken in the PRC. The profits earned are thus considered to be partly arising and derived from the manufacturing activities carried out in the PRC and partly from other activities performed in Hong Kong. Accordingly, the Group claimed a 50: 50 offshore concession in respect of Hong Kong Profits Tax.

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

The subsidiaries established in the PRC are subject to the EIT at rate of 25% (2008: 33%). No provision for EIT has been made for these subsidiaries established in the PRC for the year as they did not generate any assessable profits during the year.

On 16 March 2007, the PRC promulgated the Law of the PRC on EIT (the "New Law") by Order No.63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulation, the EIT rate of the Group's subsidiaries in the PRC reduced from 33% to 25% from 1 January 2008 onwards. The relevant tax rates for the Group's subsidiaries in the PRC at 25% (2008: 33%).

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

	2009	2008
	HK$'000	*HK$'000*
Loss for the year attributable to equity holders of the Company has been arrived at after charging (crediting):		
Directors' emoluments	**1,001**	5,249
Other staff costs	**24,109**	32,064
Share-based payment	**1,695**	675
Retirement benefit scheme contributions for staff	**794**	1,151
Severance payments to workers	**1,663**	603
Forfeited contributions utilised to offset employers' contributions	**(172)**	(441)
Total staff costs	**29,090**	39,301
Allowance for bad and doubtful debts	**2,303**	1,383
Allowance for (reversal of) inventories (included in cost of sales)	**9,660**	(435)
Auditor's remuneration	**1,002**	861
Release of non-current prepayments	**1,941**	2,240
Cost of inventories recognised as expenses	**91,451**	153,241
Deposits forfeited for early termination of a rental agreement	**1,600**	—
Depreciation on:		
— own assets	**4,278**	6,187
— assets held under finance leases	**479**	3,072
Loss on disposal of plant and equipment	**—**	3,710
Loss on written off of plant and equipment	**3,813**	—
Loss on non-current prepayments upon sales of right of use and management of premises	**5,255**	—
Minimum lease payment in respect of		
— rented premises	**8,944**	9,764
— hire of equipment	**—**	130
Net exchange loss	**432**	2,075
Provision for litigation	**671**	—
and after crediting:		
Rental income, net of outgoings included in administrative expenses of HK$1,941,000 (2008: HK$2,240,000)	**1,063**	1,311

6. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2009, nor has any dividend been proposed since the balance sheet date (2008: HK$nil).

7 LOSS PER SHARE — BASIC

The calculation of the basic loss per share is based on the loss for the year attributable to equity holders of the Company for the year of approximately HK$99,622,000 (2008: HK$43,608,000) and the following data:

	2009	2008
Number of shares:		
Weighted average number of shares for the purpose of basic loss per share	**1,105,228,260**	905,231,626

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.

8. TRADE RECEIVABLES

Trade receivables consisted of:

	2009 ***HK$'000***	2008 *HK$'000*
Trade receivables	**14,261**	13,500
Less: Allowance for bad and doubtful debts	**(7,037)**	(4,734)
	7,224	8,766

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

	2009 ***HK$'000***	2008 *HK$'000*
0–30 days	**6,062**	4,249
31–60 days	**1,123**	1,694
61–90 days	**16**	897
91–120 days	**16**	447
Over 120 days	**7**	1,479
	7,224	8,766

The Group allows a credit period of 30–120 days (2008: 30–120 days) to its customers.

Included in the Group's trade receivables balance are receivables with an aggregate carrying amount of approximately HK$346,000 (2008: HK$4,178,000) which are past due but not impaired at the reporting date for which the Group has not provided for impairment loss.

8. TRADE RECEIVABLES (Continued)

Aging of trade receivables which are past due but not impaired:

	2009 *HK$'000*	2008 *HK$'000*
0–30 days	**289**	1,565
31–60 days	**18**	636
61–90 days	**16**	151
91–120 days	**16**	347
Over 120 days	**7**	1,479
	346	4,178

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Movement in the allowance for bad and doubtful debts:

	2009 *HK$'000*	2008 *HK$'000*
Balance at beginning of the year	**4,734**	4,858
Allowance for bad and doubtful debts	**2,303**	1,383
Amount written off as uncollectible	**—**	(1,507)
Balance at end of the year	**7,037**	4,734

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of HK$7,037,000 (2008: HK$4,734,000) since the management considered the prolonged outstanding balances were uncollectible. The Group does not hold any collateral over these balances.

9. TRADE AND OTHER PAYABLES

	2009	2008
	HK$'000	*HK$'000*
Trade payables	**30,926**	30,233
Other payables	**4,533**	1,347
Provision for litigation	**671**	—
Accruals	**21,714**	14,016
	57,844	45,596

Ageing analysis of trade payables is as follows:

	2009	2008
	HK$'000	*HK$'000*
0–30 days	**5,395**	4,854
31-60 days	**412**	2,909
61–90 days	**31**	2,753
91–120 days	**452**	2,745
Over 120 days	**24,636**	16,972
	30,926	30,233

The average credit period for purchases ranged from 30 days to 120 days.

10. LITIGATION AND POST BALANCE SHEET EVENTS

As at 31 March 2009, a number of lawsuits and claims were lodged against the Group which remain outstanding as at the balance sheet date as follow:

(a) Golddoor Company Limited ("Golddoor")

On 27 August 2008, one of the Group's customers, Golddoor brought an action in High Court of Hong Kong under HCA 1606 of 2008 against a wholly-owned subsidiary of the Company, Climax Paper Converters, Limited ("CPCL") for the balance of deposit of approximately RMB1,435,000 (equivalent to approximately HK$1,624,000) together with interest, further and/or other relief and cost of this action. CPCL has already filed a defence on 13 October 2008.

On 29 October 2008, Golddoor also brought an action in the People's Court of Dongguan, Guangdong Province under (2008) 東法民四初字第1105號 against CPCL and Climax Paper Products Manufacturing (Dongguan) Co., Ltd. ("CPD") for the balance of deposit of RMB1,429,000 (equivalent to approximately HK$1,617,000). CPCL and CPD have already filed a defence on 2 December 2008.

Up to the date of this announcement, these actions are still in progress and no hearing date has been fixed. With the advice from the Group's legal adviser, the directors of the Company are of the opinion that the Group has proper and valid defence to Golddoor, accordingly, no provision for the claim has been made further to the deposit received recognised for the consolidated financial statements.

10. LITIGATION AND POST BALANCE SHEET EVENTS (Continued)

(b) Hang Seng Bank ("Hang Seng")

One of the Group's suppliers, Kai Sung Papers Co. Ltd. ("Kai Sung") entered into a factoring agreement with Hang Seng pursuant to which the ownership of any debts owed to Kai Sung to vest in Hang Seng. From May to August 2007, CPCL entered into various contracts with Kai Sung pursuant to which Kai Sung agreed to sell and deliver to CPCL and CPCL agreed to purchase goods from Kai Sung for the total purchase price of approximately HK$1,795,000. On 18 March 2009, Hang Seng brought an action in High Court of Hong Kong under HCA 769 of 2009 against CPCL for the outstanding balance of approximately HK$1,404,527 plus cost and interest on the said balance. Since no defence have been served by CPCL, judgment has been issued by High Court on 8 April 2009, pursuant to which CPCL should pay approximately HK$1,405,000 plus costs of HK$1,000 and interest of approximately HK$624,000 from 8 August 2007 to 1 June 2009 and continuing to accrue at the judgment rate until payment. For the year ended 31 March 2009, the Group had accrued for such outstanding balance plus cost and interest.

(c) Lockey Paper Products Factory Limited ("Lockey Paper")

On 30 March 2009, one of the Group's suppliers, Lockey Paper brought an action in District Court of Hong Kong under DCCJ 1606 of 2009 against a wholly-owned subsidiary of the Company, Shiu's Investments Limited ("SIL") for approximately HK$357,000 and an action in High Court of Hong Kong under HCA 889 of 2009 against CPCL for approximately HK$3,756,000 being the total outstanding balances of the price for goods sold and delivered to SIL and CPCL together with interest, further and/or other relief and cost. Since no defence has been given by SIL and CPCL, notices of intention to enter into judgment were served on SIL and CPCL on 20 April 2009. Subsequently, judgment have been issued by District Court and High Court on 15 July 2009 and 7 July 2009 respectively, pursuant to which SIL and CPCL do pay the sum of outstanding balances together with interest until payment and costs to Lockey Paper. For the year ended 31 March 2009, the Group had accrued for such outstanding balance plus cost of HK$2,000 and interest of HK$160.

(d) Champion Basic International Limited ("Champion Basic")

On 29 May 2009, one of the Group's suppliers, Champion Basic brought an action in District Court of Hong Kong under DCCJ 2551 of 2009 against a wholly-owned subsidiary of the Company, Climax Marketing Company Limited ("CMCL") for approximately HK$281,000 being the outstanding balance of the price for goods sold and delivered to CMCL together with interest, further and/or other relief and cost. Since no defence has been given by CMCL, notice of intention to enter judgment was served on CMCL on 10 July 2009. For the year ended 31 March 2009, the Group had accrued for such outstanding balance. This legal action is still in progress up to the date of the consolidated financial statements.

(e) Orix Asia Limited ("Orix")

By lease agreements dated 18 March 2005 and 7 April 2005 made between Orix and SIL, Orix agreed to let and SIL agreed to take on lease certain machines for a period of 48 months. The Company and CPCL have provided financial guarantees to SIL. On 5 March 2009, Orix brought an action in District Court of Hong Kong under DCCJ 693 of 2009 against the Company, SIL and CPCL for recovery of approximately HK$199,000 under the lease and guarantees agreements together with interest and costs. Since no defence have been given by the Company, SIL or CPCL, judgment has been issued by District Court on 16 April 2009, pursuant to which the Company, SIL and CPCL do jointly and severally pay the sum of outstanding balances together with interest until payment and costs to Orix. For the year ended 31 March 2009, the Group had accrued for such outstanding balances plus cost and interest.

10. LITIGATION AND POST BALANCE SHEET EVENTS (Continued)

(f) Fook Woo Assort Paper Co. Ltd. ("Fook Woo")

On 31 July 2008, one of the Group's suppliers, Fook Woo brought an action in High Court of Hong Kong under HCA 782 of 2008 against the Company for approximately HK$1,201,000 being the outstanding balance of the price for goods sold and delivered to the CPCL together with interest, further and/or other relief and cost. Since no defence have been given by the Company, judgment has been issued by High Court on 11 August 2008, pursuant to which the Company do pay the sum of outstanding balance together with interest until payment and costs to Fook Woo. However, no payment has been made and no further legal action taken by Fook Woo up to the date of these financial statements. For the year ended 31 March 2009, the Group had accrued for such outstanding balance plus cost and interest.

(g) 深圳市恆輝印刷包裝有限公司 ("Heng Hui")

On 17 February 2008, one of the Group's suppliers, Heng Hui brought an action in 深圳市寶安區人民法院 under (2009) 深寶法民二初字第752號 against the 東莞長安肇業文具制品廠 ("SILF", a factory held by SIL), SIL, CPD, CPCL and CMCL (collectively referred to as the "Defendants for Heng Hui") for approximately RMB1,002,000 being the outstanding balance of the price for goods sold and delivered to 東莞長安肇業文具制品廠 and CPD together with interest, further and/or other relief and cost. On 5 March 2009, three sets of machines of the Defendants for Heng Hui were temporarily sequestrated by 深圳市寶安區人民法院 upon application of Heng Hui (with net carrying value as at 31 March 2009 of nil). On 15 May 2009, judgment has been issued by 深圳市寶安區人民法院, pursuant to which the Defendants for Heng Hui should accept the delivery of remaining goods of approximately RMB443,000 (equivalent to approximately HK$501,000) and do pay the sum of outstanding balance together with interest until payment and costs to Heng Hui. The Defendants for Heng Hui have subsequently made an appeal to 深圳市中級人民法院 on 7 July 2009. This legal action is still in progress up to the date of the consolidated financial statements. For the year ended 31 March 2009, the Group had accrued for such outstanding balance plus cost RMB20,000 (equivalent to approximately HK$22,000) and interest.

(h) 東莞市華彰紙業有限公司 ("Hua Zhang")

On 6 March 2009, one of the Group's suppliers, Hua Zhang brought an action in 廣東省東莞市第二人民法院 under (2009) 東二法民四初字第188號 against SILF, SIL and CPD (collectively referred to as the "Defendants for Hua Zhang") for RMB558,000 (equivalent to approximately HK$632,000) being the outstanding balance of the price for goods sold and delivered to Defendants for Hua Zhang together with interest, further and/or other relief and cost. On 11 March 2009, 廣東省東莞市第二人民法院 issued judgment pursuant to which the bank account of CPD with a value of RMB558,000 (equivalent to approximately HK$632,000) should be frozen or machines and assets of SIL with equivalent value should be sequestrated upon application of Hua Zhang. On 18 March 2009, a bank balance of RMB129 (equivalent to approximately HK$146) was frozen and 11 machines were temporarily sequestrated (with net carrying value of eleven sets of machines as at 31 March 2009 of approximately HK$421,000). On 11 May 2009, Hua Zhang and Defendants for Hua Zhang reached an accommodation that the Defendants for Hua Zhang only need to repay RMB466,000 (equivalent to approximately HK$528,000) by three installments instead of RMB558,000 (equivalent to approximately HK$632,000). Hua Zhang agreed to release the sequestration of assets when the second installment is paid. On 21 May 2009, the properties (i.e. the bank balance and eleven sets of machines) arrested were released by 廣東省東莞市第二人民法院. For the year ended 31 March 2009, the Group had accrued for such outstanding balance.

(i) 北京康得新複合材料股份有限公司 ("Kang De Xin")

On 5 November 2008, one of the Group's suppliers, Kang De Xin brought an action in 北京市第一中級人民法院 under (2008) 中民初字第15766號 against SILF, CPC and CPD (collectively referred to as the "Defendants for Kang De Xin") for approximately RMB417,000 (equivalent to approximately HK$472,000) being the outstanding balance of the price for goods sold and delivered to Defendants for Kang De Xin together with interest, further and/or other relief and cost. The writ was served on Defendants for Kang De Xin on 10 February 2009. This legal action is still in progress up to the date of the consolidated financial statements. For the year ended 31 March 2009, the Group had accrued for the outstanding balance.

10. LITIGATION AND POST BALANCE SHEET EVENTS (Continued)

(j) 宋留坡 ("Song")

On 9 June 2009, one of the Group's employee, Song brought an action in 東莞市勞動爭議仲裁庭長安分庭 under (2009) 第1029號 against SILF for to approximately RMB863,000 (equivalent to approximately HK$978,000) being the compensation of medication and treatment as Song suffered from leukemia. On 15 June 2009, two machines of the SILF were temporarily sequestrated by 廣東省東莞市第二人民法院 upon application of Song. On 16 July 2009, judgment has been issued by 東莞市勞動爭議仲裁庭長安分庭 pursuant to which SILF do pay approximately RMB53,000 (equivalent to approximately HK$60,000) and withdraw the institute proceedings from Song to SILF. Up to the date of the consolidated financial statements, the two machines arrested have not been released by 廣東省東莞市第二人民法院.

(k) 廣州市榮天豪油墨塗料有限公司 ("Rong Tian Hao")

On 5 November 2008, one of the Group's suppliers, Rong Tian Hao brought an action in 廣東省東莞市人民法院 under (2009) 東二法執字第3320號 against SIL and SILF (collectively referred to as the "Defendants for Rong Tian Hao") for RMB107,000 (equivalent to approximately HK$121,000) being the outstanding balance of the price for goods sold and delivered to Defendants for Rong Tian Hao together with interest, further and/or other relief and cost. On 20 April 2009, Rong Tian Hao and Defendants for Rong Tian Hao reached an accommodation that the Defendants for Rong Tian Hao would pay an aggregate amount of RMB119,000 (equivalent to HK$135,000) by three installments. For the year ended 31 March 2009, the Group had accrued for the outstanding balance.

During the year ended 31 March 2009, trade and other payable of approximately HK$11,322,000 and provision for litigation of approximately HK$695,000 has been recorded for the above litigations against the Group.

INDEPENDENT AUDITOR'S REPORT

Extract of Independent Auditor's Report

Basis for disclaimer of opinion

Our report on the consolidated financial statements of the Group for the year ended 31 March 2009 was disclaimed in view of the significance of the limitations in the scope of our audit resulting from insufficiency of supporting documentation and explanations. The accounting books and records of a Group's subsidiary, namely Climax Paper Products Manufacturing (Dongguan) Co., Ltd. ("CPD") located in Dongguan, were lost during relocation of factory due to cessation of business and not be able to be recovered. As a result, we were unable to carry out audit procedures to satisfy ourselves as to whether the income, expenses, assets and liabilities relating to CPD which have been included in the consolidated financial statements of the Group as stated below have been accurately recorded and properly accounted for in the consolidated financial statements:

Income and expenses for the year ended 31 March 2009:

Turnover	HK$1,070,000
Cost of sales	HK$8,063,000
Other income	HK$2,569,000
Selling and distribution expenses	HK$44,000
Administrative expenses	HK$6,767,000
Impairment loss recognised in respect of deposits, prepayments and other receivables	HK$215,000

Assets and liabilities as at 31 March 2009 (in gross amount):

Deposits, prepayments and other receivables	HK$808,000
Bank balances and cash	HK$28,000
Trade and other payables	HK$2,036,000
Tax payables	HK$1,810,000

We were also unable to obtain sufficient reliable evidence to satisfy ourselves as to whether the Group has any significant contingent liabilities and commitment in respect of CPD that need to be adjusted for or disclosed in the consolidated financial statements.

There were no other satisfactory audit procedures that we could adopt to obtain sufficient evidence regarding the abovementioned matters. Accordingly, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Any adjustment to these figures may have a consequential significant effect on the loss for the year and net assets at 31 March 2009.

Disclaimer of opinion: Disclaimer on view given by limitation of scope

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of the Group's affairs as at 31 March 2009 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other aspects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

Performance Review

For the year ended 31 March 2009 ("2009"), the Group's turnover was HK$70 million, decreased by 58% as comparing with HK$167 million for the year ended 31 March 2008 ("2008"). With the significant decrease in turnover in 2009, the Group recorded a gross loss margin of 30% (2008: gross profit margin of 8%) with loss attributable to equity holders of the Company increased to HK$100 million (2008: HK$44 million).

The significant decrease in turnover in 2009 was largely due to the decrease in orders from customers. The customers generally adopted a more cautious approach in placing orders and requested more accommodating pricing for their orders. Given the keen competition in paper products market and the unfolding of the global recession, the operating environment for the manufacturing business of the Group has been increasingly difficult with the further raising in material costs and labour wages. The increase in operating costs without corresponding increment in selling prices squeezed the gross margin and forced us to refuse certain unprofitable sale orders.

The newly established business in electronic market at the end of 2009 has not yet made a great contribution to the results of the Group.

During 2009, the Group continued 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.

Outlook

It is believed that the competition in paper products market becoming more intense and the global economic situation will continue to be challenging and adversely affect our existing businesses, the Group continued to reduce its reliance on manufacturing through outsourcing production to subcontractors, streamlining its operation by further downsizing its labour force and realising under-utilised assets. On the other hand, the Group will excel in its new business in electronic market and take advantage of the market adversities and seize upon suitable investment opportunities to provide tremendous value-added to shareholders.

Share Capital

During 2009, the share capital of the Company had the following changes:

On 23 June 2008, 191,000,000 ordinary shares of HK$0.01each 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.

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

Liquidity and Financial Resources

As at 31 March 2009, the Group shareholders' equity was HK$52million (2008: HK$120 million), the current assets and current liabilities of the Group amounted to HK$99 million (2008: HK$106 million) and HK$61million (2008: HK$54 million) respectively. The Group's working capital turned to HK$38 million net current assets (2008: HK$52million).

Liquidity and Financial Resources (Continued)

During 2009, the Group recorded cash used in operations of HK$24 million (2008: cash generated from operation of HK$19 million) and the gearing ratio as of 31 March 2009, defined as the percentage of total interest bearing debt to net asset value, substantially reduced to 1% (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 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 2009, the Group spent approximately HK$0.3 million (2008: HK$1.6 million) for the acquisition of plant and equipment. As the Group had relied on outsourcing its production to subcontractors in order to reduce its operating costs, a significant impairment losses of approximately HK$10 million (2008: HK$0.4 million) and loss on written off of approximately HK$4 million (2008: HK$Nil) in respect of plant and equipment was recognised.

As announced by the Company on 23 January 2009, the Group transferred the rights of use and management of the first phase of the factory premises in Shenzhen for the period from 1January 2009 to 31December 2009 to a third party at a consideration of approximately HK$8 million. The remaining phase of the factory premises has continued to generate a stable income stream for the Group. During 2009, HK$3 million (2008: HK$3.6 million) was recognised as rental income.

The issuer of convertible notes has redeemed all convertible notes from the Group in September 2008 and the Group realized a gain of approximately HK$187,000.

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 31 March 2009, the Group had a portfolio of shares with fair value of approximately HK$10 million, after recognising unrealised loss of approximately HK$5 million attributed from the lower market prices compared with the purchase price.

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 2009.

Charges on the Group's Assets and Contingent Liabilities

As at 31 March 2009, the Group has pledged plant and equipment with carrying value of HK$Nil after full impairment of approximately HK$1.5 million (2008: HK$4 million) to financial institutions to secure the Group's obligation under finance leases.

As at 31 March 2009, the Group had no significant contingent liabilities (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Employees

As at 31 March 2009, the Group had 163 employees, with 32 staff in Hong Kong and 131 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 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 year ended 31 March 2009.

The Company has fully complied with the applicable code provisions of the CG Code during the year.

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, comprising of three independent non-executive directors. The current members of the Audit Committee are Mr. Lau Man Tak (who acts as Chairman of the committee), Dr. Wong Yun Kuen and Mr. Man Kwok Leung. All Audit Committee members have appropriate qualifications and experience to properly discharge its roles and responsibilities.

The Audit Committee has met to review the results of the Group for the year ended 31 March 2009 and the effectiveness of internal control system; and to approve the audit and non-audit services provided by the auditor for the year ended 31 March 2009.

By Order of the Board
Climax International Company Limited
Chan Hoi Ling
Chairman

Hong Kong, 29 July 2009

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