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**CLIMAX INTERNATIONAL CO. LTD.**

*(Stock Code: 439) Incorporated in Bermuda with limited liability*

# 2006-07

Interim Report

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

KAN Shiu Cheong, Frederick (*Chairman*)  
CHAN Hoi Lam (*Chief Executive Officer*)  
YAU Kang Nam  
JIANG Hai Qing

#### Independent Non-executive Directors

NG Sui Keung  
LAI Kin Keung  
YUEH Yung Hsin

### COMPANY SECRETARY

LAW Sau Lai, Lydia

### AUDIT COMMITTEE

NG Sui Keung (*Chairman*)  
LAI Kin Keung  
YUEH Yung Hsin

### REMUNERATION COMMITTEE

KAN Shiu Cheong, Frederick (*Chairman*)  
CHAN Hoi Lam  
NG Sui Keung  
LAI Kin Keung  
YUEH Yung Hsin

### AUDITORS

Deloitte Touche Tohmatsu  
*Certified Public Accountants*

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 303 Festival Walk Tower  
80 Tat Chee Avenue  
Kowloon Tong  
Hong Kong

Tel: (852) 2210 0100  
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E-mail: [info@climax-intl.com](mailto:info@climax-intl.com)  
Website: [www.climax-intl.com](http://www.climax-intl.com)

### REGISTRARS

#### Hong Kong

Secretaries Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai, Hong Kong

#### Bermuda

The Bank of Bermuda Limited  
6 Front Street  
Hamilton HM11  
Bermuda

### SOLICITORS

Anthony Chiang & Partners  
Hastings & Co.

### PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited  
CITIC Ka Wah Bank Limited  
DBS Bank (Hong Kong) Limited

### STOCK CODE

439

The board of directors (the “Board”) of Climax International Company Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2006 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30th September,	
		2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Turnover	3	<b>162,685</b>	166,782
Cost of sales		<b>(138,679)</b>	(140,623)
Gross profit		<b>24,006</b>	26,159
Other income		<b>6,100</b>	2,036
Distribution costs		<b>(7,767)</b>	(8,176)
Administrative expenses		<b>(18,411)</b>	(20,775)
Finance costs		<b>(2,994)</b>	(2,412)
Profit (loss) for the period attributable to shareholders of the Company	4	<b>934</b>	(3,168)
Earnings (loss) per share	6		
– Basic		<b>HK0.299 cent</b>	(HK1.089 cents)
– Diluted		<b>HK0.292 cent</b>	N/A
Interim dividend	7	–	–

**CONDENSED CONSOLIDATED BALANCE SHEET**

		<b>At 30th September,</b>	At 31st March,
		<b>2006</b>	2005
	Notes	<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Audited)
<b>ASSETS AND LIABILITIES</b>			
Non-current assets			
Property, plant and equipment	8	<b>70,459</b>	64,689
Prepaid rentals		<b>27,430</b>	28,550
Available-for-sale investments		<b>9,500</b>	9,500
		<b>107,389</b>	102,739
Current assets			
Inventories		<b>84,097</b>	74,916
Debtors, deposits and prepayments	9	<b>64,331</b>	50,576
Amount due from a related company		<b>3,360</b>	3,360
Bank balances and cash		<b>3,952</b>	4,541
		<b>155,740</b>	133,393
Current liabilities			
Creditors and accrued charges	10	<b>74,753</b>	48,095
Bills payable		<b>3,012</b>	692
Amounts due to directors		<b>1,739</b>	4,200
Obligations under finance leases			
– amount due within one year	11	<b>9,700</b>	9,117
Bank borrowings			
– amount due within one year	12	<b>45,933</b>	55,251
		<b>135,137</b>	117,355
Net current assets		<b>20,603</b>	16,038
Total assets less current liabilities		<b>127,992</b>	118,777
Non-current liabilities			
Obligations under finance leases			
– amount due after one year	11	<b>8,094</b>	8,440
Net assets		<b>119,898</b>	110,337
<b>CAPITAL AND RESERVES</b>			
Share capital	13	<b>3,371</b>	59,310
Reserves		<b>116,526</b>	51,026
Total equity attributable to shareholders of the Company		<b>119,897</b>	110,336
Minority interest		<b>1</b>	1
		<b>119,898</b>	110,337

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Acc- umulated profits (losses) HK\$'000	Total HK\$'000	Minority interest HK\$'000	Total HK\$'000
At 1st April, 2005	39,416	839	-	(819)	17,900	47,297	9,037	113,670	1	113,671
Issue of new shares upon exercise of share options	124	99	-	-	-	-	-	223	-	223
Recognition of equity-settled share based payments	-	-	1,392	-	-	-	-	1,392	-	1,392
Loss for the period	-	-	-	-	-	-	(3,168)	(3,168)	-	(3,168)
At 30th September, 2005	39,540	938	1,392	(819)	17,900	47,297	5,869	112,117	1	112,118
Rights issue of shares	19,770	-	-	-	-	-	-	19,770	-	19,770
Transaction costs attributable to issue of new shares	-	(1,334)	-	-	-	-	-	(1,334)	-	(1,334)
Loss for the period	-	-	-	-	-	-	(20,594)	(20,594)	-	(20,594)
Exchange differences on translation of foreign operations recognised directly in equity	-	-	-	377	-	-	-	377	-	377
At 31st March, 2006	59,310	(396)	1,392	(442)	17,900	47,297	(14,725)	110,336	1	110,337
Issue of new shares upon exercise of share options	315	189	-	-	-	-	-	504	-	504
Issue of new shares upon placing	390	7,800	-	-	-	-	-	8,190	-	8,190
Transaction cost attributable to issue of new shares upon placing	-	(290)	-	-	-	-	-	(290)	-	(290)
Recognition of equity-settled share based payments	-	-	223	-	-	-	-	223	-	223
Capital reduction	(56,644)	-	-	-	-	56,644	-	-	-	-
Profit for the period	-	-	-	-	-	-	934	934	-	934
At 30th September, 2006	3,371	7,303	1,615	(442)	17,900	103,941	(13,791)	119,897	1	119,898

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Six months ended 30th September,</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash generated from operating activities	<b>15,436</b>	952
Net cash (used in) generated from investing activities		
Purchase of property, plant and equipment	<b>(5,734)</b>	(1,874)
Proceeds from disposal of property, plant and equipment	<b>2,207</b>	46
Repayment from a related company	<b>–</b>	3,440
	<b>(3,527)</b>	1,612
Net cash used in financing activities		
Net cash (outflow) inflow from trust receipt, import loans and export loans	<b>(4,326)</b>	5,715
Principal repayment for obligations under finance leases	<b>(5,263)</b>	(5,880)
(Decrease) increase in bank overdrafts	<b>(2,829)</b>	3,373
Interest on bank borrowings paid	<b>(2,240)</b>	(1,667)
Finance leases charges paid	<b>(631)</b>	(745)
Issue of shares for cash upon exercise of share options	<b>504</b>	223
Issue of shares for cash upon placing	<b>7,900</b>	–
Repayment of loan from directors	<b>(3,450)</b>	–
Repayments of bank loans	<b>(2,163)</b>	(2,502)
	<b>(12,498)</b>	(1,483)
Net (decrease) increase in cash and cash equivalents	<b>(589)</b>	1,081
Cash and cash equivalents at beginning of the period	<b>4,541</b>	5,573
Cash and cash equivalents at end of the period	<b>3,952</b>	6,654
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<b>3,952</b>	6,654

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31st March, 2006 except as described below:

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for accounting periods beginning on or after 1st December, 2005, 1st January, 2006 or 1st March, 2006. The application of these new HKFRSs has had no material effect on how the results for the current and 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 HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the applications of these new HKFRSs will have no material impact on the results and financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures <sup>1</sup>
HKFRS 7	Financial instruments: Disclosures <sup>1</sup>
HK (IFRIC) – INT 8	Scope of HKFRS 2 <sup>2</sup>
HK (IFRIC) – INT 9	Reassessment of embedded derivatives <sup>3</sup>
HK (IFRIC) – INT 10	Interim financial reporting and impairment <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1st May, 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1st June, 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1st November, 2006.

### 3. TURNOVER AND SEGMENT INFORMATION

The Group’s operation is mainly engaged in manufacturing of OEM paper products which constitutes over 96% of the Group’s turnover, segment results and total assets. Accordingly, no segment information is presented.



#### 4. PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

	Six months ended 30th September,	
	2006	2005
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to shareholders of the Company has been arrived at after charging:		
Release of prepaid rentals	1,120	1,120
Depreciation of property, plant and equipment	4,853	4,923
Loss on disposal of property, plant and equipment	-	3
and after crediting:		
Interest income	12	18
Gain on disposal of property, plant and equipment	<u>1,596</u>	<u>-</u>

#### 5. TAXATION

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group incurred tax losses in the current period.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements in prior period as the estimated assessable profit of the Group was wholly absorbed by tax losses brought forward from previous years.

No deferred tax asset has been recognised relating to tax losses due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

## 6. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share for the six months ended 30th September, 2006 and 2005 is computed based on the following data:

	<b>Six months ended 30th September,</b>	
	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Earnings (loss) for the period attributable to shareholders of the Company and earnings (loss) for the purposes of basic and diluted earnings (loss) per share	<b>934</b>	<b>(3,168)</b>
	<b>'000</b>	<b>'000</b>
Number of shares:		
Weighted average number of shares for the purpose of basic earnings (loss) per share	<b>312,351</b>	<b>290,832</b>
Effect of dilutive potential shares:		
Share options	<b>7,801</b>	<b>N/A</b>
Weighted average number of shares for the purpose of diluted earnings (loss) per share	<b>320,152</b>	<b>N/A</b>

No diluted loss per share has been presented for the six months ended 30th September, 2005 as the exercise of the Company's outstanding share options would reduce the loss per share for the period.

The denominator for the purposes of calculating basic loss per share for the six months ended 30th September, 2005 has been adjusted to reflect the consolidation of shares in April 2006 on the basis that twenty shares were consolidated into one share and rights issue of shares in March 2006.

## 7. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30th September, 2006 (Nil for the six months ended 30th September, 2005).

## 8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30th September, 2006, the Group spent approximately HK\$11,234,000 (HK\$3,422,000 for the six months ended 30th September, 2005) for the acquisition of property, plant and equipment to expand its operations.

**9. DEBTORS, DEPOSITS AND PREPAYMENTS**

At 30th September, 2006, the balance of debtors, deposits and prepayments included trade debtors of HK\$44,206,000 (HK\$28,958,000 at 31st March, 2006). The aged analysis of trade debtors at the reporting date is as follows:

	<b>30th September.</b> <b>2006</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31st March, 2006 HK\$'000 (Audited)
0 – 30 days	<b>33,464</b>	21,040
31 – 60 days	<b>335</b>	2,536
61 – 90 days	<b>1,488</b>	254
91 – 120 days	<b>810</b>	922
Over 120 days	<b>8,109</b>	4,206
	<hr/> <b>44,206</b> <hr/>	<hr/> 28,958 <hr/>

The Group allows an average credit period of 35 days (35 days for the year ended 31st March, 2006) to its trade customers.

**10. CREDITORS AND ACCRUED CHARGES**

At 30th September, 2006, the balance of creditors and accrued charges included trade creditors of HK\$44,989,000 (HK\$27,065,000 at 31st March, 2006). The aged analysis of trade creditors at the reporting date is as follows:

	<b>30th September.</b> <b>2006</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31st March, 2006 HK\$'000 (Audited)
0 – 30 days	<b>32,671</b>	17,036
31 – 60 days	<b>3,967</b>	1,125
61 – 90 days	<b>2,606</b>	2,077
91 – 120 days	<b>1,893</b>	1,524
Over 120 days	<b>3,852</b>	5,303
	<hr/> <b>44,989</b> <hr/>	<hr/> 27,065 <hr/>

**11. OBLIGATIONS UNDER FINANCE LEASES**

For the six months ended 30th September, 2006, the Group entered into finance lease arrangements in respect of property, plant and equipment amounting to approximately HK\$5,500,000 (HK\$1,548,000 for the six months ended 30th September, 2005).

**12. BANK BORROWINGS**

	<b>30th September.</b> <b>2006</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31st March, 2006 HK\$'000 (Audited)
Export loans	<b>3,940</b>	13,368
Discounted bills	<b>5,891</b>	4,423
Trust receipts and import loans	<b>25,128</b>	21,494
Short term bank loans	<b>1,165</b>	3,328
Bank overdrafts	<b>9,809</b>	12,638
	<b>45,933</b>	55,251
<i>Less: Amount due within one year shown under current liabilities</i>	<b>(45,933)</b>	(55,251)
Amount due after one year	<b>-</b>	-

The bank borrowings are unsecured.

**13. SHARE CAPITAL**

	<b>Number</b> <b>of shares</b>	<b>Share</b> <b>capital</b> HK\$'000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1st April, 2006	5,930,985,107	59,310
Issue of new shares upon exercise of share options (note 1)	31,500,000	315
Capital reduction (note 2)	(5,664,360,852)	(56,644)
Issue of new shares upon placing (note 3)	39,000,000	390
At 30th September, 2006	<b>337,124,255</b>	<b>3,371</b>

Notes:

- On 7th April, 2006, the Company issued 31,500,000 shares at exercise price of HK\$0.016 each upon exercise of share options.

**13. SHARE CAPITAL (Continued)**

2. On 11th April, 2006, the Company undertook the following capital reorganisation:
- (a) every twenty shares of par value of HK\$0.01 each in the issued ordinary share capital of the Company had been consolidated into one consolidation share (the “Consolidation Share”) of par value of HK\$0.20;
  - (b) the paid up capital of each Consolidation Share in issue cancelled to the extent of HK\$0.19 on the nominal value of HK\$0.20 of each Consolidation Share so as to form one reorganised share of par value of HK\$0.01 each; and
  - (c) the credit arising from the capital reorganisation was transferred to the contributed surplus account of the Company.
3. On 14th July, 2006, Mr. Chan Hoi Lam, who is the director of the Company and as the vendor, entered into a placing agreement pursuant to which the placing agent and as agent for and on behalf of the vendor, Kingston Securities Limited, had agreed to procure on a fully underwritten basis, independent places for up to 39,000,000 shares at a price of HK\$0.21 per share (“Placing”). On the same date, the Company entered into a subscription agreement with the vendor whereby, the vendor agreed, upon completion of the Placing and subject to certain conditions, to subscribe for 39,000,000 new shares which is equal to the Placing of shares actually placed by the placing agent at a price of HK\$0.21 per share.

**14. CAPITAL COMMITMENTS**

	<b>30th September, 2006 HK\$'000 (Unaudited)</b>	31st March, 2006 HK\$'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<b>4,964</b>	7,764

**15. RELATED PARTY TRANSACTIONS**

During the six months ended 30th September, 2006, the Group had paid emoluments to directors of the Company amounted to HK\$1,228,000 (six months ended 30th September, 2005: HK\$1,792,000), who are also considered as the key management of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PERFORMANCE REVIEW

For the six months ended 30th September, 2006 (the “Interim Period”), the Group’s turnover was HK162.7 million (2005: HK\$166.8 million), representing a decrease of 2.5% over the same period of last year. Gross profit margin slightly reduced to 14.8% (2005: 15.7%) while profit attributable to shareholders of the Company turned to HK\$0.9 million (2005: HK\$3.2 million loss).

The Group’s turnover was in line with the strategy of restructuring its customer profile by redirecting the Group’s resources to higher margin products, which despite that with a slightly decrease in short-term turnover. Although the high level of raw material costs and the gradual appreciation in Renminbi pressed profit margins of the Group’s products, the turnaround in results were achieved as expected. During the Interim Period, the management has taken enormous effort to streamline the operating procedures and to reduce the operating expenses, which had contributed to the Group’s results significantly.

### OUTLOOK

Further to the reallocation of one of the Group’s factories from Liaobu, Dongguan to Changan, Dongguan in December 2005 and the leaseback of the Group’s factory premises in Shenzhen as announced by the Company on 23rd August, 2006, the management has planned to substantially scale down the manufacturing operations in its Shenzhen factory by reallocating production lines to the Group’s two nearby factories in Changan, Dongguan and to vacant more portion of the Shenzhen factory premises for leasing purposes.

The management also expected that the recently expanded book printing business would mitigate the peak and off-peak seasonality by better utilizing the Group’s production resources in slow seasons.

The Group will make continuous efforts in expanding into a larger pool of business opportunities by delivering higher quality products and cooperating with new and existing customers as well as searching for synergistic expansion which can bring along additional profit stream in the long run.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30th September, 2006, the Group shareholders' equity was HK\$119.9 million (31st March, 2006: HK\$110.3 million), the current assets and current liabilities of the Group amounted to HK\$155.7 million (31st March, 2006: HK\$133.4 million) and HK\$135.1 million (31st March, 2006: HK\$117.4 million) respectively. The amount of working capital rose to HK\$20.6 million (31st March, 2006: HK\$16.0 million).

During the Interim Period, the Group recorded an operating cash inflow of HK\$15.4 million (2005: HK\$1.0 million) and the gearing ratio as at 30th September, 2006, defined as the percentage of total interest bearing debt to net asset value, fell to 53% (31st March, 2006: 66%).

Most of the Group's banking facilities are dominated in Hong Kong dollars with interest charged at certain percentage over the HIBOR and 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 with US dollar.

## INVESTMENT POSITION AND PLANNING

During the Interim Period, the Group spent approximately HK\$11.2 million (2005: HK\$3.4 million) for the acquisition of property, plant and equipment to expand the Group's operation.

In August 2006, the Group entered into an agreement to leaseback part of its factory premises in Shenzhen to the lessor of the factory premises. The leaseback will generate a stable stream of cash inflow for the Group from 2007.

Further to the investment in Vevion Hong Kong Limited, a company conducting photo-finishing business and trading and sale of photographical and audio-visual products, the Group will continue to search for enhancement, expansion and diversification of its existing business.

The Group did not have any significant investment position in stocks, bonds and other financial derivatives and there were no acquisition and disposal of subsidiaries and associated company during the Interim Period.

## SHARE CAPITAL

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

On 7th April, 2006, 31,500,000 ordinary shares of HK\$0.01 each in the capital of the Company were issued for the exercise of share option by a director of the Company;

On 11th April, 2006, the Company undertook a capital reorganization of consolidating every twenty shares of par value of HK\$0.01 each in the issued ordinary share capital of the Company into one consolidation share (the "Consolidation Share") of par value of HK\$0.20; and canceling the paid up capital of each Consolidation Share in issue to the extent of HK\$0.19 on the nominal value of HK\$0.20 of each Consolidated Share so as to form one reorganized share of par value of HK\$0.01 each; and

On 26th July, 2006, 39,000,000 ordinary shares of HK\$0.01 each in the capital of the Company were issued pursuant to a placing agreement in relation to placing of existing shares and subscription for new shares of the Company.

## CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 30th September, 2006, approximately 61% (31st March, 2006: 56%) of the Group's property, plant and equipment were pledged to financial institutions to secure the Group's obligations under finance leases.

As at 30th September, 2006, the Group had no significant contingent liabilities (31st March, 2006: Nil).

## EMPLOYEES

As at 30th September, 2006, the Group had 1,878 employees, with 59 staff in Hong Kong and around 1,819 staff and workers in our mainland factories. The Group provides competitive remuneration packages to employees with attractive discretionary bonus payable to those with outstanding performance and contribution.



## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th September, 2006, the directors of the Company (the "Directors") had the following interests in the shares and underlying shares of the Company, as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance ("SFO"):

Name of Directors	Nature of Interest	Number of shares/underlying shares held			Approximate percentage of the issued share capital
		Beneficial interest in shares (Note 1)	Beneficial interest in underlying shares (Notes 1 & 2)	Total interests	
Kan Shiu Cheong, Frederick	Personal	10,272,074	2,221,875	12,493,949	3.71%
Chan Hoi Lam	Personal	59,718,071	2,221,875	61,939,946	18.37%
Yau Kang Nam	Personal	2,622,710	–	2,622,710	0.78%

Notes:

1. The interests stated above represent long positions.
2. These include the interests of Directors in the underlying shares of the Company in respect of the share options granted to them pursuant to the share option scheme adopted by the Company on 29th August, 2002. Each option gives the holder the right to subscribe for one ordinary share of the Company.

Save as disclosed above, as at 30th September, 2006, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") or which are required to be entered in the register kept by the Company pursuant to section 352 of the SFO.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th September, 2006, the following persons (other than Directors) had interests in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Direct interest in shares held</b>	<b>Approximate percentage of the issued share capital</b>
First Century Holdings Limited (Note)	Beneficial Owner	102,943,494	30.54%
Ian Duncan Boyce	Beneficial Owner	17,500,000	5.19%

Note: Mr. Kan Shiu Cheong, Frederick and Mr. Chan Hoi Lam, both are directors of the Company, are also directors of First Century Holdings Limited.

Save as disclosed above, as at 30th September, 2006, the Company had not been notified of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

## SHARE OPTION SCHEME

On 29th August, 2002, the Company adopted a share option scheme (the “Scheme”) which complies with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) effective 1st September, 2001. During the period, no options were granted under the Scheme.

Details of the movements in the options under the Scheme during the period were as follows:

Name of category of participant	Date of grant (Notes 1 & 2)	Exercise period (Note 1)	Previous exercise price per share HK\$	Adjusted exercise price per share HK\$ (Note 4)	Number of share options				Weighted average closing price HK\$ (Note 3)	
					Outstanding at 1.4.2006	Exercised during the period	Lapsed during the period	Adjustment during the period (Note 4)		Outstanding at 30.9.2006
<b>Directors</b>										
Kan Shiu Cheong, Frederick	20.9.2005	20.9.2005 – 19.9.2008	0.0244	0.4880	44,437,500	-	-	(42,215,625)	2,221,875	-
Chan Hoi Lam	3.4.2003	3.4.2003 – 2.4.2006	0.0160	-	31,500,000	(31,500,000)	-	-	0	0.0140
	20.9.2005	20.9.2005 – 19.9.2008	0.0244	0.4880	44,437,500	-	-	(42,215,625)	2,221,875	-
Jiang Hai Qing	3.4.2003	3.4.2003 – 2.4.2006	0.0160	-	11,250,000	-	(11,250,000)	-	0	-
					<u>131,625,000</u>	<u>(31,500,000)</u>	<u>(11,250,000)</u>	<u>(84,431,250)</u>	<u>4,443,750</u>	
<b>Employees</b>										
In aggregate	3.4.2003	3.4.2003 – 2.4.2006	0.0160	-	23,062,500	-	(23,062,500)	-	0	-
	26.4.2005	26.4.2005 – 25.4.2008	0.0322	0.6640	43,875,000	-	-	(41,681,250)	2,193,750	-
					<u>66,937,500</u>	<u>-</u>	<u>(23,062,500)</u>	<u>(41,681,250)</u>	<u>2,193,750</u>	
Total					<u>198,562,500</u>	<u>(31,500,000)</u>	<u>(34,312,500)</u>	<u>(126,112,500)</u>	<u>6,637,500</u>	

### Notes:

- All dates are shown day/month/year.
- The vesting period of the options is from the date of grant until the commencement of the exercise period.
- The weighted average closing price of the Company’s shares immediately before the dates on which the options were exercised.
- The reorganization of share capital of the Company was approved by shareholders on 10th April, 2006 and became effective on 11th April, 2006. Pursuant to the terms of Share Option Scheme, the exercise price and number of shares that can be subscribed for under the Scheme are required to be adjusted upon the capital reorganization becoming effective.

Save as disclosed above, none of the Directors or their spouses and children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

## **CORPORATE GOVERNANCE**

### **Corporate Governance Practices**

The Board is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence.

For the six months ended 30th September, 2006, the Company has applied the principles and complied with the applicable code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

The Company's compliance with the provisions is set out in the Corporate Governance Report contained in the Company's 2006 Annual Report issued in July 2006.

### **Code of Conduct Regarding Securities Transactions By Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company, that they had complied with the required standard set out in the Model Code throughout the six months ended 30th September, 2006.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th September, 2006.

## REVIEW OF INTERIM RESULTS

The unaudited interim financial report of the Group for the six months ended 30th September, 2006 has been reviewed by the Audit Committee of the Company and the auditors, Deloitte Touche Tohmatsu.

By Order of the Board  
**CLIMAX INTERNATIONAL COMPANY LIMITED**  
**Kan Shiu Cheong, Frederick**  
*Chairman*

Hong Kong, 15th December, 2006