



CLIMAX INTERNATIONAL COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 439)

CHANGE OF AUDITORS

The Board announces that Deloitte tendered its resignation on 20 August 2007 as auditors of the Group with immediate effect.

The Board is in the course of identifying suitable auditors to fill the vacancy but as at the date hereof, no suitable auditors have been identified. Further announcement will be made in relation to the appointment of new auditors, the expected date of announcement of the Annual Results and the despatch date of the annual report for the year ended 31 March 2007.

Trading in the shares of the Company has been suspended from 9:30 a.m. on 31 July 2007 and will remain suspended pending the release of the Annual Results.

The board of directors (the “Board”) of Climax International Company Limited (the “Company”) announces that Deloitte Touche Tohmatsu (“Deloitte”) tendered its resignation as auditors of the Company and its subsidiaries (“Group”) on 20 August 2007 with immediate effect.

On 18 July 2007, Deloitte raised a query with the Audit Committee of the Company (“Audit Committee”) on the validity of certain PRC expenditures of the Group in the aggregate sum of HK\$10,540,000 (“Sum”). In light of Deloitte’s query, the Audit Committee engaged an independent consultant (“Independent Consultant”) to investigate the matter. On 26 July 2007, an investigation report was issued by the Independent Consultant. On 27 July 2007, Deloitte wrote to the Audit Committee explaining that it considered necessary that the Independent Consultant’s work be extended. On the same day, the Audit Committee requested the Independent Consultant to expand the scope of work as suggested by Deloitte.

In an email dated 30 July 2007 to the Audit Committee, Deloitte said, among other things, the investigation by the Independent Consultant should not be characterized as being performed for audit purposes. In light of the email, while the Audit Committee agreed to extend the scope of the Independent Consultant’s work, it informed Deloitte by a letter dated 14 August 2007 that Deloitte had not provided the Audit Committee with any explanation or reasonable basis for refusing to complete its audit works and accordingly unless the Audit Committee received the concluded audit report by Wednesday, 15 August 2007, the Audit Committee would have no alternative but to recommend the board of the directors of the Company to conclude Deloitte’s engagement.

On 20 August 2007, Deloitte wrote to the Audit Committee and the board of directors of the Company stating that the report from the Independent Consultant was important to Deloitte as auditors in evidencing its work and conclusions. Deloitte further stated that with the apparent uncertainty about the future of the investigation process and with reference to Hong Kong Standard on Auditing 240 “The auditor’s responsibility to consider fraud in an audit of financial statements” issued by the Hong Kong Institute of Certified Public Accountants, Deloitte concluded that it was unable to complete its audit of the financial statements of the Group for the year ended 31 March 2007. Other than the matters set out above, Deloitte confirmed that there were no circumstances connected with its resignation that it consider ought to be brought to the attention of the members of the Company and those subsidiaries incorporated in Hong Kong.

Save as disclosed herein, the Board confirms that the Group does not have any disagreement with Deloitte.

The Board is in the course of identifying suitable auditors to fill the vacancy but as at the date hereof, no suitable auditors have been identified. Further announcement will be made in relation to the appointment of new auditors, the expected date of announcement of the audited annual results of the Group for the year ended 31 March 2007 (the “Annual Results”) and the despatch date of the annual report for the year ended 31 March 2007.

Trading in the shares of the Company has been suspended from 9:30 a.m. on 31 July 2007 and will remain suspended pending the release of the Annual Results.

By Order of the Board
Climax International Company Limited
Kan Shiu Cheong, Frederick
Chairman

Hong Kong, 27 August 2007

As at the date of this announcement, the Board consists of seven executive directors, Mr. Kan Shiu Cheong, Frederick, Mr. Chan Hoi Lam, Mr. Yau Kang Nam, Mr. Jiang Hai Qing, Mr. Wong Hin Shek, Ms. Chan Siu Mun and Ms. Lo Miu Sheung, Betty and five independent non-executive directors, namely Mr. Ng Sui Keung, Professor Lai Kin Keung, Mr. Yueh Yung Hsin, Dr. Wong Yun Kuen and Ms. Chan Hoi Ling.