

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CLIMAX INTERNATIONAL COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 439)

APPLICATION FOR RESUMPTION OF TRADING

Trading in the shares of the Company has been suspended at the request of the Company since 31 July 2007 pending the release of an announcement relating to the Company's annual results for the year ended 31 March 2007. The suspension was required due to the further time required by the Company to complete the audit of the 2007 Financial Statements and the subsequent work required to strengthen the internal control of the Group.

The Company published its outstanding annual results for the year ended 31 March 2007 on 19 December 2007 and the interim results of the Company for the six months ended 30 September 2007 were published on 21 December 2007. The Company has made an application to the Exchange for resumption of trading in the shares of the Company from 9:30 a.m. on 13 March 2008.

On 31 July 2007, the Company announced that, at the request of the Company, trading of the shares of the Company had been suspended pending the release of an announcement relating to the annual results of the Company for the year ended 31 March 2007.

BACKGROUND

As set out in the Company's announcement dated 27 August 2007, the Former Auditors raised queries with the Audit Committee on 18 July 2007 in respect of the PRC Expenses. The PRC Expenses totaling HK\$10.54 million were paid by the Group for the following reasons:

- (i) HK\$6 million for the payment of the Deposit to secure supply of raw materials used by the Group;
- (ii) HK\$3 million for the Refurbishment and Advertising Expenses; and
- (iii) HK\$1.54 million for the Entertainment Expenses.

The concerns raised by the Former Auditors in relation to the PRC Expenses arose during the conduct of the audit of the 2007 Financial Statements including because the Former Auditors were not satisfied with the explanations and supporting documents provided by the Assistant Financial Controller in respect of the PRC Expenses. The concerns of the Former Auditors in respect of the PRC Expenses related to:

- (i) payments in cash for the PRC Expenses; and
- (ii) a cash reimbursement of HK\$2 million to a Director and cash payments totaling HK\$750,000 to a senior officer of the Company.

In light of the Former Auditors' queries, the Audit Committee engaged the Independent Accountant to investigate the above matters and the First Report was issued by the Independent Accountant on 26 July 2007.

On 27 July 2007, the Former Auditors wrote to the Audit Committee. They considered that the First Report was far from sufficient to address the Former Auditors' concerns. On the scope of work to be performed by the Independent Accountant, the Former Auditors' specific comments included, but not limited to:

- (i) emphasis should be on obtaining explanations from a third party;
- (ii) Independent Accountant's work should go beyond the areas conducted in the audit;
- (iii) interview the PRC Deposit Vendor, the PRC Refurbishment and Advertising Expenses Vendors and the PRC Entertainment Expenses Vendors;
- (iv) determine the commercial reasons for the payment of cash in Hong Kong dollars instead of Renminbi to the PRC Deposit Vendor, the PRC Refurbishment and Advertising Expenses Vendors and the PRC Entertainment Expenses Vendors; and
- (v) determine whether the PRC Expenses were incurred on normal commercial terms.

The instructions to the Independent Accountant in relation to the this further work were formulated on the basis of the Former Auditors' letter dated 27 July 2007 and discussions with the Former Auditors and the Audit Committee. The Independent Accountant was verbally instructed on 27 July 2007 by the Board to proceed with their work while the Board and the Audit Committee continued to liaise with the Former Auditors in respect of the matters raised by them. The Audit Committee reviewed and agreed to the instructions to the Independent Accountant on 30 July 2007.

On 20 August 2007, the Former Auditors tendered its resignation as auditor of the Group. Events leading to the resignation was stated in the Company's announcement dated 27 August 2007.

On 22 August 2007, the Board resolved:

- (i) to appoint the Independent Accountant to continue the investigation in respect of the issues raised by the Former Auditors;
- (ii) to authorise the Independent Accountant to carry out further investigation work in respect of the PRC Deposit Vendor; and
- (iii) to instruct the Independent Accountant to perform an internal control assessment of the Group's purchase and expenses cycle and treasury payment cycle (together "Control Cycles").

The instructions to the Independent Accountant were formalised on 27 August 2007.

The Control Cycles chose by the Board as they are related to the PRC Expenses. The instructions by the Audit Committee and the Board to the Independent Accountant did not encompass a broader review of the financial reporting system and overall control procedures of the Group as they were not directly relevant to the matters being reviewed in relation to the PRC Expenses and no other problem had been identified in relation to these controls. The Second Report was issued by the Independent Accountant on 7 November 2007.

As set out in the Company's announcement dated 22 November 2007, the Company appointed the Present Auditors as auditor of the Group following the resignation of the Former Auditors.

During the course of audit of the 2007 Financial Statements, the Present Auditors reviewed the First Report and the Second Report and met with the Independent Accountant to understand their instructions, the work undertaken by them and their conclusions. Additional information which was provided by the Management to the Board and Audit Committee (as detailed in the section below) was also provided to the Present Auditors during the course of their audit of the 2007 Financial Statements. The Present Auditors have also performed certain of the work undertaken by the Independent Accountant in respect of the First Report and the Second Report and carried out additional work in relation to the PRC Expenses. The Present Auditors have not raised any qualification in their opinion to the 2007 Financial Statements in respect of the PRC Expenses or anything else.

The Company published its outstanding annual results for the year ended 31 March 2007 on 19 December 2007 and the interim results of the Company for the six months ended 30 September 2007 were published on 21 December 2007.

FIRST REPORT OF THE INDEPENDENT ACCOUNTANT

The Independent Accountant was initially engaged to assist the Audit Committee to address the queries of the Former Auditors in respect of:

- (i) the PRC Expenses;
- (ii) cash payments in respect of the PRC Expenses;
- (iii) cash reimbursement of HK\$2 million to a Director on 2 August 2006 and five petty cash payments totalling HK\$750,000 made to a senior officer of the Company; and
- (iv) review of cash payment procedures of the Group.

In order to address the queries of the Former Auditors as set out in the above, the Independent Accountant has undertaken the following work:

- (a) collected and reviewed the available supporting documents;
- (b) compared the available documents with the Group's payment procedures;
- (c) discussed the PRC Expenses with the relevant Directors and Management;
- (d) sought confirmation from the ultimate recipients of the PRC Expenses; and
- (e) reviewed other cash payments made by the Group for the financial year ended 31 March 2007.

During the course of their work, the Independent Accountant identified the following:

- (1) the Former Auditors concerns in relation to the PRC Expenses arose because the Former Auditors were not satisfied with the explanations and information provided by the Assistant Financial Controller during the course of their audit of the 2007 Financial Statements as all the supporting documentation in respect of the PRC Expenses were not made available to the Assistant Financial Controller until the middle of July 2007;
- (2) payments of the PRC Expenses did not comply with the Group's cash payment procedures as insufficient supporting documentation was provided by the Directors for these payments at the time when the payments were approved and paid;
- (3) the supporting documents for the PRC Expenses were not provided to the financial controller of the Company and the Assistant Financial Controller in a timely manner; and

- (4) during the financial year ended 31 March 2007 a number of transactions were made by the Company without appropriate supporting documents including those made directly to the senior Management. However, those transactions were otherwise properly authorized by the Directors and senior Management in accordance with the Group's cash payment procedures.

On the basis of the information provided to the Independent Accountant and the work undertaken by them as described above, the Independent Accountant concluded that:

- (1) the PRC Expenses of HK\$10.54 million were valid authorized expenses of the Group;
- (2) the cash reimbursement of HK\$2 million to a Director on 2 August 2006 and five petty cash payments totaling HK\$750,000 made to a senior officer of the Company were valid authorized expenses of the Group; and
- (3) other cash, cash remittance and cash cheque payments made during the financial year ended 31 March 2007 without sufficient supporting documents and/or made directly to the senior Management were valid authorized expenses of the Group.

The Independent Accountant also indicated in the First Report that a key cause of the Auditor's concerns in respect to the PRC Expenses was the lack of compliance with the Group's the cash payment procedures and in particular, payments being processed without appropriate supporting documentation and delays in collating the necessary supporting documentation.

DEPOSIT WITH THE PRC DEPOSIT VENDOR AND SUBSEQUENT EVENTS

On 15 October 2006, CPC entered into the Contract with the PRC Deposit Vendor for the purchase of gloss art paper and one of the terms of the Contract required a payment of the Deposit.

The key purpose of the Contract (and thereby, the resultant Deposit) was to secure suitable quality gloss art paper, one of the main raw materials used by the Group, at a reasonable set price at a time when the prices were expected to (and subsequently did) increase.

On 9 August 2007, the Former Auditors provided the Audit Committee with a business search report in respect of the PRC Deposit Vendor indicating that the PRC Deposit Vendor was not a registered company in PRC and recommending not to conduct any business with the PRC Deposit Vendor. The Company immediately undertook its own business search to verify the standing of the PRC Deposit Vendor in PRC and confirmed that the PRC Deposit Vendor did not appear to be a company registered with the Administration for Industry and Commerce of Shenzhen. On 10 August 2007 the Directors resolved to cancel the Contract. On 14 August 2007, the Group wrote to the PRC Deposit Vendor cancelling the Contract and requesting a refund of the Deposit. Following negotiations between the Directors and the PRC Deposit Vendor, the Deposit was refunded in full to the Group by the PRC Deposit Vendor on 6 November 2007.

The decision taken by the Directors and the Audit Committee to cancel the Contract and request a full refund of the Deposit followed the Company's concerns in relation to the PRC Deposit Vendor not being registered with the Administration for Industry and Commerce of Shenzhen. In light of the Company's concerns with the development, the cancellation of the Contract (and relationship) with the PRC Deposit Vendor was considered a prudent cause of action.

EXTENDED ENGAGEMENT AND SECOND REPORT OF THE INDEPENDENT ACCOUNTANT

The Independent Accountant was engaged by the Audit Committee on 27 August 2007 to further investigate the PRC Expenses in accordance with the extended scope of work prepared by the Independent Accountant on 27 July 2007 and to review the Control Cycles and make any recommendations it considered necessary or appropriate.

The work undertaken by the Independent Accountant in relation to the Second Report included the following:

- (i) trying to meet the PRC Deposit Vendor, PRC Entertainment Expenses Vendors and PRC Refurbishment and Advertising Expenses Vendors;
- (ii) attending the Five Brothers Factory to identify the work undertaken by the PRC Refurbishment and Advertising Expenses Vendors;
- (iii) obtaining comparative quotes in relation to the PRC Expenses;
- (iv) working with a Director and Management and to obtain information in relation to the payment of the PRC Expenses;
- (v) reviewing and discussing with the Management, the Group's purchase and expenses payment manual in relation to the Control Cycles; and
- (vi) conducting a random walkthrough of transactions of the Company and two of its major operating subsidiaries to assess the Control Cycles.

Despite the numerous attempts of the Independent Accountant to meet with the PRC Refurbishment and Advertising Expenses Vendors and PRC Entertainment Expenses Vendors, the requests of the Independent Accountant were declined on the basis that the PRC Refurbishment and Advertising Expenses Vendors and the PRC Entertainment Expenses Vendors had already provided sufficient assistance to the Group, did not have any ongoing relationship with the Group and had no obligation to attend the requests of the Independent Accountant.

As a result, in the Second Report, the Independent Accountant stated, amongst other things, that they were unable to conclude whether the Refurbishment and Advertising Expenses and Entertainment Expenses were genuinely incurred for the purposes of and necessary for the business operations of the Group.

The Board considers that the qualification by the Independent Accountant arose because the instructions to the Independent Accountant envisaged the cooperation of those associated with the Refurbishment and Advertising Expenses and Entertainment Expenses. However, such cooperation was not forthcoming in the manner envisaged and as a result, on the basis of the work required of the Independent Accountant, the Independent Accountant was unable to conclude whether the Refurbishment and Advertising Expenses and Entertainment Expenses were genuinely incurred for the purposes of and necessary for the business operations of the Group. The Board considers that the conclusions reached in the Second Report (prepared strictly in accordance with the instructions to the Independent Accountant) do not detract from or contradict the conclusion in the First Report that the PRC Expenses which include the Refurbishment and Advertising Expenses and Entertainment Expenses were valid authorised expenses of the Group. The key difference is that the Independent Accountant's instructions required the comprehensive assistance of the relevant parties which was not forthcoming.

The Independent Accountant also set out the following in the Second Report:

- (a) on the basis of their work, there was insufficient evidence to conclude the existence of any fraud in respect of the Group's 2007 Financial Statements; and
- (b) overall, the Control Cycles were sufficient for the Group's business.

However, the Independent Accountant also identified the following deficiencies

- (1) trilateral review and approval procedures required to confirm the purchase orders were not strictly followed – the documents available indicate only one approval was obtained before the purchase orders were issued;
- (2) some payments were made without any indication of them being reviewed by the Assistant Financial Controller or an assistant accounting manager of the Company; and
- (3) some expense payments were processed before dual approval by the department head and Directors.

RECOMMENDATIONS BY THE INDEPENDENT ACCOUNTANT

The Recommendations set out in the First Report and the Second Report in respect of the Group's cash payment procedures, purchase and expenses cycle and the treasury payment cycle are summarised as follows:

1. no payments be approved or made without appropriate supporting documentation;
2. cash payments made by the Group to be kept to a minimum and only be made upon receipt of appropriate supporting documentation;
3. improved or heightened approval processes be implemented for each cash payment;
4. details of cash payments by the Group be provided to the Audit Committee on a regular basis;
5. all purchase orders be subject to trilateral review and approval before being processed;
6. payments only be made after review by the Assistant Financial Controller or an assistant accounting manager of the Company;
7. payments not be processed before the dual approval by the department head and a Director; and
8. the appointment of an internal auditor to monitor the internal controls of the Group on a regular basis.

THE BOARD'S AND THE AUDIT COMMITTEE'S OPINION TO THE REPORTS OF THE INDEPENDENT ACCOUNTANT

The Board has considered the First Report and the Second Report prepared by the Independent Accountant and is satisfied that the Independent Accountant has investigated all the issues raised by the Former Auditors.

At the Audit Committee and the Board meetings on 19 December 2007, the Board and Audit Committee agreed and adopted the conclusions of the Independent Accountant as set out in the First Report and the Second Report save for the statement in the First Report in relation to the lack of compliance with the Group's cash payment procedures in respect of the PRC Expenses.

The Board and the Audit Committee consider that the Group's cash payment procedures for the PRC Expenses did not represent a "lack of compliance" with the Group's cash payment approval procedures for the reasons set out in the following paragraphs.

The Board considers that it was not unusual for the supporting documentation for expenses such as the PRC Expenses to not be available when the payments were actually made. However, the Board did not anticipate such a long delay in collating the necessary supporting documentation in respect of the PRC Expenses. The delays arose from the work and delays associated with the relocation of the Group's production plant from Shenzhen to Dongguan. The payment of the PRC Expenses was authorised by the Authorized Directors who were authorized to approve payment requisitions in accordance with the Group's procedures on the following basis:

- (a) minutes of the Board;
- (b) oral representations from Management that the payments were made for and on behalf of CPC in accordance with the Group's usual practice;
- (c) the Authorized Directors' knowledge of the refurbishment work being carried out at the factory premises of the Five Brothers Factory to make the factory premises suitable for leasing and to advertise the leasing of the factory premises; and
- (d) the Authorized Directors' knowledge of the expenses necessary for the lease back arrangements and negotiations in respect of the Five Brothers Factory.

The refurbishment work of the Five Brothers Factory assisted the Group with the negotiations for the leasing back arrangements with the landlord as announced by the Company on 23 August 2006 which resulted annual rental income of the Group of approximately RMB5 million per year.

The Deposit, Entertainment Expenses and the Refurbishment and Advertising Expenses were paid in cash to the PRC Deposit Vendor, the PRC Entertainment Expenses Vendors and the PRC Refurbishment and Advertising Expenses Vendors as a result of the negotiations between the Group and the various vendors in order to secured better trading terms.

The cash remittance of HK\$2 million to the bank account of a Director on 2 August 2006 represents a reimbursement of his payment of Refurbishment and Advertising Expenses on behalf of the Company. HK\$750,000 of cash payments made by the Group to a senior officer of the Company related to payments paid to PRC Deposit Vendor in respect of the Deposit.

Nevertheless, the Board has acknowledged that there were delays in collating the necessary supporting documentation in respect of the PRC Expenses which resulted in the Former Auditors' concerns raised with the Audit Committee. The Board and Audit Committee have accepted all the Recommendations.

FURTHER WORK UNDERTAKEN BY THE BOARD

Following the issuance of the Second Report, the Board continued to liaise with the parties associated with the PRC Expenses to seek their assistance in respect of the PRC Expenses but has been unable to secure any further assistance from the parties associated with the Refurbishment and Advertising Expenses.

The Board and the Audit Committee have also undertaken their own further enquiries in relation to the PRC Expenses including at Audit Committee and Board meetings on 19 December 2007 where additional information and clarification was sought from Management.

Details of the additional information provided to the Board and Audit Committee are summarised as follows:

- (a) the composition of the HK\$3 million Refurbishment and Advertising Expenses, being payments for engineering, accessories, materials, advertising and signpost expenses for the Five Brothers Factory's factory premises;
- (b) photographs of the above factory premises in 2006 and December 2007 demonstrating the significant changes to the factory premises after the refurbishment work;
- (c) a summary showing the Relevant Costs incurred by various factories and offices of the Group for the 4 financial years ended 31 March 2004 to 2007 and an analysis that the Relevant Costs incurred by Five Brothers Factory for the financial year ended 31 March 2007 compared to the other factories of the Group;
- (d) the terms of the leasing arrangement of the Five Brothers Factory, including the rental income payable to the Group;
- (e) reasons for the lack of cooperation from the PRC Entertainment Expenses Vendors and PRC Refurbishment and Advertising Expenses Vendors in Shenzhen which limited the additional work undertaken by the Independent Accountant in respect of the Refurbishment and Advertising Expenses;
- (f) discussions with Management, the Present Auditors and others in relation to travel and entertainment expenses and arrangements;
- (g) an analysis of entertainment expenses of the Group for the 4 financial years ended 31 March 2004 to 2007; and
- (h) additional work undertaken by the Present Auditors in respect of the PRC Expenses.

The Board have advised that the key cause of increase in the Entertainment Expenses were due to the increased competition in the industry and the Entertainment Expenses were incurred in respect of the Group's customers and business associates for business promotion purposes.

Upon obtaining the additional information and clarification from Management, neither the Audit Committee nor the Board had any further queries in respect of the Refurbishment and Advertising Expenses and Entertainment Expenses. The Board and the Audit Committee are satisfied that the PRC Expenses were necessary and were genuinely incurred for the business operations of the Group.

IMPLEMENTATION OF THE RECOMMENDATIONS MADE BY THE INDEPENDENT ACCOUNTANT

At the Board meeting on 19 December 2007, the Follow Up Committee was formed to ensure the implementation and monitoring of the Recommendations as set out in the First Report and the Second Report.

The Follow Up Committee has undertaken the following work to ensure the implementation of the Recommendations:

- (a) reviewed a summary of all payments of the Group during the Review Period;
- (b) scrutinized payment vouchers and supporting documentation for payments exceeding various limits;
- (c) reviewed the cash payments made by the Group during the Review Period and 1 October 2006 to 31 December 2006;
- (d) reviewed the results of the work carried out by the Audit Committee in relation to cash payments made by the Group during the Review Period exceeding various limits and scrutinized the payment vouchers and supporting documentation for those payments;
- (e) reviewed purchase orders of the Group for the Second Period;
- (f) reviewed payments made by the Group during the Second Period exceeding various limits, and scrutinized the payment vouchers and supporting documentation associated with those payments; and
- (g) considered the appointment of an in-house internal auditor or an external professional firm to monitor the internal controls of the Group on a regular basis.

The Follow Up Committee is satisfied that:

- (i) for payments exceeding an agreed limit for the Review Period, no payments were approved or made without appropriate supporting documentation. Recommendation No. 1 has been adopted and implemented by the Group.
- (ii) there was a substantial decrease in the number of cash payments made by the Group in the Review Period as compared with the same period last year and the Follow Up Committee is satisfied that for payments exceeding the agreed limit, no payments were approved or made without appropriate documentation. Recommendation No. 2 has been adopted and implemented by the Group.

- (iii) all payments exceeding the agreed limit during the Review Period were reviewed and endorsed by the financial controller of the Company. The Follow Up Committee is satisfied that Recommendation No. 3 has been adopted and implemented by the Group.
- (iv) details of cash payments by the Group were provided to the Audit Committee on a regular basis and, no irregular payments were identified by the Audit Committee. The Follow Up Committee is satisfied that Recommendation No. 4 has been adopted and implemented by the Group;
- (v) all purchase orders of the Group for the Second Period were subject to the trilateral review and approval process. The Follow Up Committee is satisfied that Recommendation No. 5 has been adopted and implemented by the Group; and
- (vi) all payments exceeding an agreed limit during the Second Period were approved by the relevant department head and a Director and reviewed by the Assistant Financial Controller or an assistant accounting manager of the Company. The Follow Up Committee is satisfied that Recommendation Nos. 6 and 7 have been adopted and implemented by the Group.

The Follow Up Committee, the Audit Committee and the Board are satisfied that the Recommendations made by the Independent Accountant, save for the Recommendation in respect of the appointment of an internal auditor to monitor the internal controls of the Group on a regular basis, have been implemented and adopted by the Group.

The Company is currently finalizing the terms of engagement with a CPA firm to monitor the internal controls of the Group on a regular basis. Upon confirmation of the engagement, the Group will have implemented all the Recommendations made by the Independent Accountant.

EFFECTIVENESS OF THE FINANCIAL REPORTING SYSTEM AND INTERNAL CONTROL PROCEDURES OF THE GROUP

On 19 March 2007, the financial controller of the Company completed the Internal Control Review Report, which covers items (aa), (dd), (ff) and (gg) of paragraph 3d(i) of Appendix 23 to the Listing Rules and items (a) to (d) of paragraph C.2.3 of Appendix 14 to the Listing Rules in relation to paragraph 3d(ii) of Appendix 23 to the Listing Rules.

The Internal Control Review Report was considered at the Board meeting on 23 March 2007 and no comment was made by the Board in respect of the opinion section of the report which stated, inter alia, "*It is considered that the Group maintains sound and effective internal controls to safeguard the shareholders' investment and the issuer's assets for the financial year 2006/2007*". No significant area of concern which may affect shareholders of the Company was raised in the report or at the Board meeting. There was no significant view or proposal put forward by the members of the Audit Committee at the meeting. Overall, the Board and the Audit Committee have conducted a review of the effectiveness of the system of internal control of the Group which covers all material controls, including financial, operational and compliance controls and risk management functions.

The Board and the Audit Committee are satisfied that the Group has an adequate and effective financial reporting system and internal control procedures which cover all material aspects of the Group, including financial, operational and compliance controls and risk management functions, including on the following basis:

- (a) the Group has internal control policies and procedures which cover all material controls, including financial, operational and compliance controls and risk management functions;
- (b) the results of the Internal Control Review Report;
- (c) the results of the review by the Independent Accountant of the Control Cycles; and
- (d) the implementation of all of the Recommendations of the Independent Accountant set out in the First Report and the Second Report save for the appointment of internal auditor.

APPLICATION OF RESUMPTION OF TRADING

Trading in the shares of the Company has been suspended at the request of the Company since 31 July 2007 pending the release of an announcement relating to the Company's annual results for the year ended 31 March 2007. The suspension was required due to the further time required by the Company to complete the audit of the 2007 Financial Statements and the subsequent work required to strengthen the internal control of the Group.

The Company published its outstanding annual results for the year ended 31 March 2007 on 19 December 2007 and the interim results of the Company for the six months ended 30 September 2007 were published on 21 December 2007.

The Board has considered the First Report and the Second Report and is satisfied that Independent Accountant has investigated all the issues raised by the Former Auditors, the Audit Committee and the Board. The Board has adopted all of the Recommendations of Independent Accountant set out in the First Report and the Second Report save for the appointment of internal auditor which is under consideration.

The Board and the Audit Committee are satisfied that the Group has implemented measures necessary to strengthen its internal controls and considers that the Group has adequate financial reporting systems and internal control procedures in place to enable it to meet its obligations under the Listing Rules and safeguard the Group's assets. The Company has applied to the Exchange for the resumption of trading in its shares from 9:30 a.m. on 13 March 2008.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“2007 Financial Statements”	financial statements of the Group for the year ended 31 March 2007
“Assistant Financial Controller”	assistant financial controller of the Company
“Audit Committee”	the audit committee of the Company
“Authorized Directors”	two directors of the Company who were authorized to approve the payment requisitions of the Group
“Board”	the board of Directors
“Company”	Climax International Company Limited, a company incorporated in Bermuda, the shares of which are listed on the main board of the Exchange
“Contract”	Contract between the PRC Deposit Vendor and CPC in relation to the supply of C2S gloss art paper, a raw materials purchased by the Group
“CPC”	Climax Paper Converters, Limited, a wholly owned subsidiary of the Company
“Deposit”	HK\$6 million deposit paid to the PRC Deposit Vendor pursuant to the Contract
“Director”	a director of the Company
“Entertainment Expenses”	Travel and entertainment expenses totaling HK\$1.54 million reimbursed to the Directors and senior management of the Group for the financial year ended 31 March 2007
“Exchange”	The Stock Exchange of Hong Kong Limited
“First Report”	the Independent Accountant first report to the Audit Committee dated 26 July 2007

“Five Brother Factory”	Five Brothers Stationery Manufacturer, a CPC factory formerly in Shenzhen
“Follow Up Committee”	a special committee which comprises of all members of the Audit Committee, the chief executive officer and the financial controller of the Company
“Former Auditors”	Deloitte Touche Tohmatsu, the former auditors of the Group
“Group”	the Company and its subsidiaries
“Independent Accountant”	the independent accountant, Borrelli Walsh Limited, appointed by the Audit Committee
“Internal Control Review Report”	internal control review report of the Company for the financial year ended 31 March 2007
“Listing Rules”	the Listing Rules of the Exchange
“Management”	the management of the Group
“PRC”	the People’s Republic of China
“PRC Expenses”	the PRC expenses for HK\$10.54 million paid by the Group during the financial year ended 31 March 2007 for the Refurbishment and Advertising Expenses, Entertainment Expenses and Deposit
“PRC Deposit Vendor”	the vendor which entered into the Contract with CPC
“PRC Entertainment Expenses Vendors”	the vendors to which the Entertainment Expenses were paid
“PRC Refurbishment and Advertising Expenses Vendors”	the vendors to which the Refurbishment and Advertising Expenses were paid
“Present Auditors”	SHINEWING (HK) CPA Limited
“Recommendations”	the recommendations by the Independent Accountant as set out in the First Report and the Second Report
“Refurbishment and Advertising Expenses”	HK\$3 million refurbishment and advertising expenses paid to the PRC Refurbishment and Advertising Expenses Vendors in Shenzhen in relation to the work undertaken for the Five Brothers Factory

“Relevant Costs”	costs related to leasehold improvement, added furniture and fixtures and repair and maintenance costs
“Review Period”	1 October 2007 to 31 December 2007
“Second Period”	7 November 2007 to 31 December 2007
“Second Report”	the Independent Accountant second report to the Audit Committee dated 7 November 2007

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

Hong Kong, 12 March 2008

As at the date of this announcement, the Board consists of four executive directors, namely Mr. Kan Shiu Cheong, Frederick, Mr. Chan Hoi Lam, Mr. Wong Hin Shek and Ms. Chan Siu Mun; two non-executive directors, namely Mr. Tse On Po, Vincent and Mr. Tse On Kin; 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.