CLIMAX INTERNATIONAL COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 439)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2014

The board of directors (the "Board") of Climax International Company Limited (the "Company") would like to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2014 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Turnover	*3*	**113,433**	81,178
Cost of sales		**(93,755)**	(64,725)
Gross profit		**19,678**	16,453
Other operating income	*3*	**1,868**	3,641
Selling and distribution expenses		**(5,178)**	(2,862)
Administrative expenses		**(16,118)**	(13,030)
Impairment loss recognised in respect of goodwill		**(36,393)**	–
Loss on changes in fair value of held for trading investments		**(672)**	(195)
(Loss) gain on changes in fair value of investment properties		**(100)**	1,250
Finance costs	*5*	**(417)**	(1,777)
(Loss) profit before tax		**(37,332)**	3,480
Income tax expense	*6*	**(576)**	(1,248)
(Loss) profit for the year	*7*	**(37,908)**	2,232

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
For the year ended 31 March 2014

	Notes	**2014** **HK$'000**	2013 *HK$'000*
(Loss) profit for the year		**(37,908)**	2,232
Other comprehensive income			
Item may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating of foreign operations and total other comprehensive income for the year		**377**	1,350
Total comprehensive (expenses) income for the year		**(37,531)**	3,582

(LOSS) EARNINGS PER SHARE

Basic and diluted (loss) earnings per share (in Hong Kong cents)	*8*	**(2.70)**	0.20

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
Non-current assets			
Plant and equipment		**28,932**	33,872
Investment properties		**25,600**	27,500
Prepaid lease payments		**8,733**	8,859
Goodwill	*10*	**47,661**	84,054
		110,926	154,285
Current assets			
Inventories	*11*	**16,835**	14,669
Trade receivables, deposits and other receivables	*12*	**13,007**	26,515
Prepaid lease payments		**216**	214
Income tax recoverable		**147**	–
Held for trading investments		**4,260**	4,932
Cash and cash equivalents		**44,324**	67,756
		78,789	114,086
Current liabilities			
Trade and other payables	*13*	**13,752**	16,877
Amount due to a related company		**170**	15
Promissory note		**–**	55,000
Obligations under finance lease — amount due within one year		**1,283**	1,438
Bank borrowings		**5,754**	7,016
Income tax payable		**34**	3,654
		20,993	84,000
Net current assets		**57,796**	30,086
Total assets less current liabilities		**168,722**	184,371
Non-current liabilities			
Obligations under finance lease — amount due after one year		**1,400**	2,974
Deferred tax liabilities		**157**	175
		1,557	3,149
		167,165	181,222
Capital and reserves			
Share capital		**14,495**	12,079
Reserves		**152,670**	169,143
Equity attributable to owners of the Company		**167,165**	181,222

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

1. GENERAL

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

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

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

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

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

Amendments to HKFRSs	Annual Improvements 2009–2011 Cycle
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Interpretation ("Int") 20	Stripping Costs in the Production Phase of a Surface Mine

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

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements, HKFRS 12 Disclosure of Interests in Other Entities, HKAS 27 (as revised in 2011) Separate Financial Statements and HKAS 28 (as revised in 2011) Investments in Associates and Joint Ventures, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

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

Impact on the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation — Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor controls an investee when (a) it has power over an investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 April 2013) as to whether or not the Group has control over its investees in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that the initial application of HKFRS 10 has no material impact on the consolidated financial statements.

Impact on the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and nonfinancial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period (please see notes 6c and 16 for the 2014 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

HKAS 19 Employee Benefits (as revised in 2011)

In the current year, the Group has applied HKAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

HKAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net interest' amount under HKAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

Specific transitional provisions are applicable to first-time application of HKAS 19 (as revised in 2011). The application of HKAS 19 (as revised in 2011) has not had any material impact on the amounts recognised in profit or loss and other comprehensive income in prior years. In addition, HKAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to HKAS 19	Defined Benefit Plans — Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation[4]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

3 HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.

4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

3. TURNOVER AND OTHER OPERATING INCOME

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

	2014	2013
Continuing operations	***HK$'000***	*HK$'000*
Turnover		
Sales of goods	**112,648**	80,825
Gross rental income	**785**	353
	113,433	81,178
Other operating income		
Interest income	**310**	740
Dividend income	**187**	182
Sale of scrap materials	**524**	436
Management fee income	**720**	660
Net exchange gain	**–**	774
Other rental income	**–**	66
Written-back of other payables	**–**	760
Others	**127**	23
	1,868	3,641
	115,301	84,819

4. SEGMENT INFORMATION

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

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. Paper business — manufacturing and trading of paper packaging products, paper gift items and paper promotional materials

2. Property investment — leasing of property

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

Segment revenue and results

The following is an analysis of the Group's turnover and results by reportable and operating segment for the year under review:

For the year ended 31 March

	Paper business		Property investment		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**112,648**	80,825	**785**	353	**113,433**	81,178
Segment (loss) profit	**(29,687)**	7,653	**667**	1,562	**(29,020)**	9,215
Unallocated corporate income					**1,344**	3,205
Unallocated corporate expenses					**(9,239)**	(7,163)
Finance costs					**(417)**	(1,777)
(Loss) profit before tax					**(37,332)**	3,480

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

Segment assets

	2014	2013
	HK$'000	*HK$'000*
Paper business	**114,766**	167,419
Property investment	**25,895**	27,841
Total segment assets	**140,661**	195,260
Unallocated corporate assets	**49,054**	73,111
Consolidated assets	**189,715**	268,371

Segment liabilities

	2014	2013
	HK$'000	*HK$'000*
Paper business	**11,853**	14,749
Property investment	**125**	255
Total segment liabilities	**11,978**	15,004
Unallocated corporate liabilities	**10,572**	72,145
Consolidated liabilities	**22,550**	87,149

4. SEGMENT INFORMATION *(Continued)*

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

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

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

Other segment information

2014

	Paper business *HK$'000*	Property investment *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or segment assets:				
Addition to plant and equipment	**498**	**35**	**–**	**533**
Depreciation and amortisation	**4,953**	**83**	**–**	**5,036**
Changes in fair value of investment properties	**–**	**100**	**–**	**100**
Loss on disposal of investment properties	**–**	**6**	**–**	**6**
Loss on disposal of plant and equipment	**67**	**–**	**–**	**67**
Amounts regularly provided to the CODMs but not included in the measure of segment profit or loss or segment assets:				
Income tax expense	**568**	**8**	**–**	**576**
Interest expense on bank borrowings	**19**	**154**	**–**	**173**
Interest expense on obligations under finance leases	**243**	**–**	**1**	**244**
Loss on changes in fair value of held for trading investments	**–**	**–**	**672**	**672**
Dividend income	**–**	**–**	**(187)**	**(187)**
Interest income	**–**	**–**	**(310)**	**(310)**
Net exchange loss	**–**	**–**	**1,119**	**1,119**

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

2013

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

Geographical information

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

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

	Turnover from external customers		**Non-current assets**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK (Country of domicile)	**81,316**	54,578	**70,016**	121,464
PRC	**13,457**	11,339	**40,910**	32,821
Europe	**18,660**	15,182	**–**	–
Others	**–**	79	**–**	–
Total	**113,433**	81,178	**110,926**	154,285

5. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest expenses on:		
— Bank borrowings not wholly repayable within five years	**173**	251
— Obligations under finance lease	**244**	211
Imputed interest on promissory note	**–**	1,315
Total finance costs	**417**	1,777

6. INCOME TAX EXPENSE

	2014	2013
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**566**	598
Overprovision of Hong Kong Profits Tax in prior years	**–**	(175)
PRC EIT	**28**	745
	594	1,168
Deferred tax	**(18)**	80
	576	1,248

During the years ended 31 March 2014 and 2013, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. During the year ended 31 March 2014, certain PRC subsidiaries were in loss-making position and accordingly did not make any provision for PRC EIT.

7. (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived at after charging:

	2014	2013
	HK$'000	*HK$'000*
Directors' emoluments	**791**	720
Other staff costs	**35,965**	25,071
Retirement benefits scheme contributions for staff	**991**	471
Total staff costs	**37,747**	26,262
Cost of inventories recognised as an expense	**93,737**	64,714
Amortisation of prepaid lease payment	**215**	159
Auditor's remuneration	**800**	780
Depreciation for plant and equipment	**4,821**	4,571
Net exchange loss	**1,119**	–
Loss on disposal of investment properties	**6**	–
Loss on disposal of plant and equipment	**67**	5
Operating lease rental on land and buildings	**1,728**	1,688

8. (LOSS) EARNINGS PER SHARE

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

	2014	2013
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) earnings for the purpose of basic (loss) earnings per share	**(37,908)**	2,232

	2014	2013
Number of shares		
Weighted average number ordinary shares for the purpose of basic (loss) earnings per share	**1,406,480,029**	1,110,653,008

The diluted (loss) earnings per share is equal to the basic (loss) earnings per share as there were no dilutive potential ordinary shares during the years ended 31 March 2014 and 2013.

9. DIVIDEND

No dividend was paid, declared or proposed during the years ended 31 March 2014 and 2013, nor has any dividend been proposed since the end of the reporting period.

10. GOODWILL

	HK$'000
COST	
At 1 April 2012	–
Arising on acquisition of a subsidiary	84,054
At 31 March 2013 and 2014	84,054
IMPAIRMENT	
At 1 April 2012 and 31 March 2013	–
Impairment loss recognised in the year	36,393
At 31 March 2014	36,393
CARRYING VALUES	
At 31 March 2014	47,661
At 31 March 2013	84,054

For the purposes of impairment testing, goodwill has been allocated to an individual cash generating unit ("CGU"), being the subsidiaries operating in paper business segment.

The Group conducted impairment review on goodwill attributable to the paper business segment at the end of the reporting period by reference to the estimated recoverable amounts. The recoverable amount of the paper business segment has been determined based on a value-in-use calculation and determined that impairment loss recognised in respect of the CGU of approximately HK$36,393,000 during the year ended 31 March 2014 (2013: nil) due to the unfavorable performance of the industry. The recoverable amount of the CGU, determined by using value in use, was approximately HK$93,724,000. Accordingly, the excess of the carrying amount of the assets and liabilities, including goodwill of the CGU over the recoverable amount recognising as an impairment loss, amounted to approximately HK$36,393,000.

That calculation used cash flow projections based on financial budgets approved by the directors of the Company covering a five-year period, with discount rate of 10.07% (2013: 9.01%). The cash flows beyond the five-year period were extrapolated using a steady growth rate of 3% (2013: 3%). The growth rate was based on the relevant industry growth rate forecast and does not exceed the average long-term growth rate for the relevant industry. The key assumptions for the value-in-use calculation related to the estimation of cash flows included gross margin and discount rate. Gross margin represents budgeted gross margin, which is based on past performance and the management's expectation for the market development. The discount rate used is pre-tax rates that reflect current market assessments of the risks specific to the relevant industry. Management believed that any reasonably possible change in any of these assumptions would not cause the aggregate carrying values of paper business segment to exceed its aggregate recoverable amount.

An impairment loss was recognised during the year because the profit margins of the CGU had been lower than expected. Any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

11. INVENTORIES

	2014	2013
	HK$'000	*HK$'000*
Raw materials	**5,630**	8,115
Work in progress	**9,031**	5,596
Finished goods	**2,174**	958
	16,835	14,669

12. TRADE RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**12,114**	25,005
Deposits and other receivables	**639**	1,203
Prepayments	**254**	307
	13,007	26,515

Included in trade receivables as at 31 March 2014 is an amount of HK$1,840,000 (2013:HK$18,025,000) due from a related company, New Spring Label & Packaging Limited, of which a director of the Company is a shareholder. The amount is unsecured, non-interest bearing and of trading nature with credit period of 60 days.

For the years ended 31 March 2014 and 2013, the Group allowed an average credit period of 30 to 60 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date which approximates the respective revenue recognition date, at the end of the reporting period.

Ageing of trade receivables

	2014	2013
	HK$'000	*HK$'000*
0–30 days	**7,034**	13,850
31–60 days	**1,584**	2,774
61–90 days	**3,184**	4,906
91–120 days	**288**	1,480
121–365 days	**24**	1,995
	12,114	25,005

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

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

	2014	2013
	HK$'000	*HK$'000*
0–30 days	**3,184**	4,906
31–60 days	**288**	1,480
61–365 days	**24**	1,995
	3,496	8,381

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

13. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**8,044**	11,377
Other payables and accruals	**5,438**	5,400
Deposit received from customers	**270**	86
Receipt in advance	**–**	14
	13,752	16,877

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

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**2,074**	5,290
31–60 days	**865**	2,263
61–90 days	**1,046**	1,880
Over 90 days	**4,059**	1,944
	8,044	11,377

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

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE AND BUSINESS REVIEW

During the year ended 31 March 2014, the Group has been principally engaged in the paper business segment including the manufacture and trading of paper packaging products and paper gift items and the printing of paper promotional materials ("Paper Business") and the property investment segment.

For the year ended 31 March 2014, the Group recorded a turnover of approximately HK$113,433,000 (2013: HK$81,178,000) and the Group's loss attributable to owners was approximately HK$37,908,000 (2013: profit attributable to owners of approximately HK$2,232,000). The significant loss was mainly caused by the drop of the operating profit and the recognition of significant impairment loss of goodwill for the Paper Business and the absence of the gain on changes in fair value of investment properties as compared to last corresponding year.

Paper Business

The Paper Business is the principal business of the Group. The major customers are primarily distributors, manufacturers of consumer products and advertising agencies based in the United States of America (the "U.S.A."), Europe, Hong Kong and the PRC.

For the year ended 31 March 2014, the turnover contributed by the Paper Business increased by 39.4% to approximately HK$112,648,000 (2013: HK$80,825,000). However, due to the weakening global demand and fierce competition in the printing and packaging industry, the order prices of our products were slightly decreased. On the other hand, the increase in minimum wage requirement in the PRC together with the effect of the appreciation of Renminbi ("RMB") to Hong Kong Dollar ("HKD") have significantly increased the labour costs and other production costs respectively. As a result, the profit margins of our products and overall performance of the Group were inevitably adversely affected. For the year ended 31 March 2014, the Paper Business recorded gross profit of approximately HK$18,911,000 (2013: HK$16,111,000), representing an increase of around 17.4% as compared with the corresponding period of last year but the gross profit margin was dropped to 16.8% for the year (2013: 19.9%). The directors are of the view that the profit margins of the products were deteriorating comparing with what the directors previously expected, the Group has revised its cash flow forecast for the Paper Business cash-generating unit ("CGU"). With reference to the valuation reports issued by an independent external valuer, the directors have made impairment loss of HK$36,393,000 in respect of the carrying amount of the goodwill, which was arising from the acquisition of the Paper Business during the year ended 31 March 2013. The impairment loss is recognised for the CGU for the amount which the recoverable amount is less than the carrying amount. The recoverable amount of the CGU is determined based on the value in use calculation. As a result, the segment loss before finance costs and relevant tax expenses of approximately HK$29,687,000 was recorded (2013: segment profit of HK$7,653,000).

Property Investment

The Group intends to hold the properties for investment purpose with a view that it can establish an additional stream of recurring rental income, while capture any possible future capital appreciation. For the year ended 31 March 2014, leasing income of approximately HK$785,000 (2013: HK$353,000) was recognised. During the year, the Group has disposed an investment property ("Investment Property A") at its cost and carrying amount of approximately HK$1,800,000 to an independent third party. The Investment Property A was acquired in December 2012 from another independent third party.

OUTLOOK

The world economy continues to face exceptional uncertainties, in particular to the unresolved Europe debt crisis, the slow recovery in the U.S.A. as well as the expectation of a slower growth in China over the medium term than in the recent past, the market sentiments will most likely remain weak and unpredictable during the ensuring year. Despite the difficulties in the current operating environment, the Group will continue to improve the efficiency and output quality, maintain good relationships with existing customers and at the same time will promote its products and services to new customers to broaden its customer base. Looking ahead, the Group will closely monitor the conditions of paper product market and the property market and prepare to respond swiftly and take advantage of the market adversities to seize upon further suitable investment opportunities to provide tremendous value to shareholders.

EVENTS AFTER THE REPORTING PERIOD

On 29 May 2014, the Company and certain subscribers ("Subscribers") entered into a subscription agreement ("Subscription Agreement"), pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 4,350,000,000 subscription shares ("Subscription Share(s)"), comprising 1,666,666,668 new ordinary shares and 2,683,333,332 new preferred shares ("Preferred Shares") at an issue price of HK$0.08 per Subscription Share. The Subscription Shares (upon the conversion rights attaching to the Preferred Shares are fully exercised) represent approximately 300.1% of the issued share capital of the Company as at 31 March 2014 and the date of this announcement and approximately 75.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming the conversion rights attaching to the Preferred Shares are fully exercised). The aggregate gross subscription price amounts to approximately HK$348,000,000. The Subscription Shares and the ordinary shares of the Company to be allotted and issued upon conversion of the Preferred Shares will be issued pursuant to the specific mandate to be obtained at the special general meeting of the Company. Pursuant to the Subscription Agreement, an outsourcing technology development agreement ("OTDA") will be entered into between a wholly-foreign owned subsidiary of the Company ("WFOE") and Kuang-Chi Innovative Technology Limited ("Kuang-Chi"), being a beneficial owner of one of the Subscribers, at completion of the proposed subscription to research and develop a near space civil flying apparatus. The research results and related intellectual property rights arising from the development of the technologies as prescribed in the OTDA shall be owned exclusively by the WFOE. Such technologies will be intended to be applied to produce near space flying apparatus which can be used to carry devices relating to communication solutions for maritime, land-based and aeronautical uses. For the reasons for, the benefits of and further details of the proposed subscription, please refer to the announcement of the Company dated 13 June 2014.

On 20 June 2014, the Company entered into a sale and purchase agreement with an independent third party to dispose the entire issued capital of Miracle True Investment Limited (the "Disposed Group") at a consideration of approximately HK$12,000,000. The principal asset of the Disposal Group is the land use right of a parcel of land for industrial use with an area of approximately 18,246.00 square meters located in Huizhou City, Guangdong Province, the PRC. The Group intends to use the proceeds as general working capital. As at the date of this announcement, the disposal has not yet been completed.

CAPITAL STRUCTURE

On 5 June 2013, 241,580,000 shares of HK$0.01 each were issued at HK$0.1 per share pursuant to the general mandate which was passed at the annual general meeting held on 31 July 2012 and which represented approximately 16.67% of the then issued share capital of 1,449,501,125 shares as enlarged by the placing. The net proceed of approximately HK$23,474,000, after deducting related placing commission and other related expenses, was used as intended for working capital of the Group.

The Group had no other changes in capital structure during the year ended 31 March 2014.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2014, the total shareholders' funds of the Group amounted to approximately HK$167,165,000 (31 March 2013: HK$181,222,000), total assets of approximately HK$189,715,000 (31 March 2013: HK$268,371,000) and total liabilities of approximately HK$22,550,000 (31 March 2013: HK$87,149,000).

As at 31 March 2014, the Group had cash and cash equivalents of approximately HK$44,324,000 (31 March 2013: HK$67,756,000). The gearing ratio as of 31 March 2014, defined as the percentage of the total interest bearing debt, including bank borrowings of approximately HK$5,754,000 (31 March 2013: HK$7,016,000) and obligations under finance lease of approximately HK$2,683,000 (31 March 2013: HK$4,412,000), to net asset value, was approximately 5.05% (31 March 2013: 6.31%).

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

INVESTMENT POSITION AND PLANNING

The Group had no change in composition during the year ended 31 March 2014.

The Group has invested in certain securities that are traded over the Stock Exchange. As at 31 March 2014, the Group held shares with fair value of approximately HK$4,260,000 (31 March 2013: HK$4,932,000).

During the year, the Group has disposed the Investment Property A at HK$1,800,000 as discussed in the previous section of Property Investment under the Performance and Business Review.

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

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 March 2014, certain assets of the Group were pledged to secure banking facilities granted to the Group and obligation under finance lease as follows:

	2014
	HK$'000
Investment properties	**13,000**
Plant and equipment under finance lease	**6,053**
	19,053

As at 31 March 2014, the Group had no significant contingent liabilities (31 March 2013: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2014, the Group had approximately 570 employees. The Group provides competitive remuneration packages to employees with attractive discretionary bonus payable to those with outstanding performance and contribution to the Group.

FINAL DIVIDEND

The Board of the Company resolved not to pay any final dividend for the year ended 31 March 2014 (2013: Nil).

CORPORATE GOVERNANCE PRACTICES

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

The Board is responsible for performing the corporate governance functions with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code"). During the year under review, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Company's code of conduct, and the Company's compliance with the Code Provision and disclosure in this Corporate Governance Report.

The Company has complied with the CG Code during the year under review, except for the deviations from code provisions A.2.1, A.4.1 and A.6.7 which are explained in the relevant paragraphs below.

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

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

Under the code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Wong Hung Ki (non-executive director) did not attend the annual general meeting held on 6 August 2013 (the "AGM") and the special general meeting held on 6 December 2013 due to other work commitments, while Dr. Wong Yun Kuen (independent non-executive director) did not attend the AGM was also due to other work commitments. The Company will strengthen its general meeting planning process, by giving all directors sufficient time to arrange their work in advance and providing any necessary support for their presence and participation in the meeting, so as to facilitate all directors attending the Company's future general meetings.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the directors. All directors have confirmed, following specific enquiry by the Company, that they had complied with the required standard set out in the Model Code throughout the year.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company. The Audit Committee has adopted terms of reference which are in line with the CG Code. The Audit Committee has reviewed the audited results for the year ended 31 March 2014 and agreed with the accounting treatment adopted. The Audit Committee is satisfied with the Group's internal control procedure and financial reporting disclosures.

SCOPE OF WORK OF AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2014 have been agreed by the Company's auditor, SHINEWING CPA (HK) Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING CPA (HK) Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING CPA (HK) Limited on the preliminary announcement.

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

Hong Kong, 25 June 2014

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