

**CLIMAX INTERNATIONAL COMPANY LTD:
IS THERE SOMETHING ROTTEN IN THE STATE OF DENMARK ?**

Although, on paper at least, things appear to be improving at publicly listed Climax International Company Ltd () (Code: 439, Main Board, The Stock Exchange of Hongkong Ltd), popping up, from time to time, are events which tend to make one wonder whether or not '*something is rotten in the state of Denmark*', to quote William Shakespeare in his famous play, '*Hamlet*'.

At the core, it appears that a wholly owned subsidiary of Climax International, Climax Paper Converters Ltd (), should, logically, be cause of some concern to Senior Management – because this company has been sued 4 times since September 13, 2006 in Courts of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

According to **TOLFIN** () (The Computerised, Online Financial Intelligence Service and Web-Based, Credit-Checking Provider), Climax Paper Converters has been sued 3 times in the HKSAR District Court and once in the HKSAR High Court, during the past year.

In all, this company is alleged to owe about \$HK2.40 million to 4 separate creditors.

While this amount of money may not appear to be very material to many people as well as the bulk of publicly listed companies of the HKSAR, when one considers that Climax International only logged in a Net Profit Attributable to Shareholders for the 6 months, ended September 30, 2006, of about \$HK934,000, it is a very material sum of money.

Further, as at September 30, 2006, bank balances and cash of Climax International amounted to about \$HK3.95 million.

The latest claim against Climax Paper Converters Ltd has come from Hercules Logistics (Hongkong) Ltd which sued for about \$HK338,566.19 in respect of an alleged Dishonoured Cheque.

The HKSAR District Court Action of Hercules Logistics was filed on June 22, 2007.

It was because this amount of money is relatively small that **TARGET** () determined to put Climax International under its microscope.

About one month prior to the filing of the Legal Action by Hercules Logistics, Link Cave Ltd () sued Climax Paper Converters Ltd for about \$HK1.14 million in respect of alleged Money Due and Owing.

While HKSAR High Court Action, Number 1133, could not be considered an immaterial sum of money, about one year ago, Mr Ivan Fung Chi Wai () took Climax Paper Converters Ltd to the Labour Tribunal, the Hearing of which was held on June 24, 2006.

It is not very often that a publicly listed company would permit a labour dispute to go to the extent of being heard at The Labour Tribunal, but, in the case of Mr Ivan Fung Chi Wai, Senior Management of Climax Paper Converters Ltd had no compunction in agreeing to try to fend off the attacks of this former employee in a Court of Law in the HKSAR.

The principal business of Climax International is the manufacture and distribution of paper products.

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