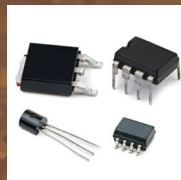
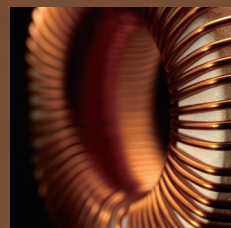
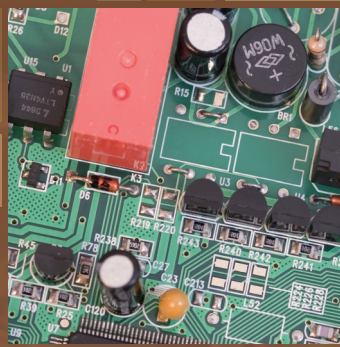




DAIWA ASSOCIATE HOLDINGS LIMITED

台和商事控股有限公司

(Stock Code 股份代號：1037)



Interim Report 中期報告

2014 - 2015

DAIWA ASSOCIATE HOLDINGS LIMITED

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On behalf of the Board of Directors, I would like to present to shareholders the unaudited interim results of Daiwa Associate Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the six months ended 30 September 2014. The unaudited interim financial statements have been reviewed by the audit committee of the Company.

RESULTS AND FINANCIAL REVIEW

For the six months ended 30 September 2014, turnover of Group was reported as HK\$287.2 million (2013: HK\$315.3 million), representing a decrease of 8.9% when compared with last corresponding period. Gross profit decreased by 1.7% to HK\$34.9 million (2013: HK\$35.5 million).

- The earnings before interest, tax, depreciation and amortization (EBITDA) were HK\$6.3 million (2013: HK\$7.5 million), representing a decrease of HK\$1.2 million when compared to the last corresponding period.
- The operating profit (EBIT) of the Group was HK\$3.6 million (2013: HK\$4.6 million), representing a decrease of HK\$1.0 million when compared to the last corresponding period.
- The net profit of the Group was HK\$1.5 million (2013: HK\$3.1 million), representing a decrease of HK\$1.6 million.

The Board of Directors recommends a payment of special dividend of HK\$0.05 per ordinary share payable to shareholders whose names appear on the Register of Members of the Company on Friday, 12 December 2014, amounting to total of approximately HK\$21.9 million. The special dividend will be payable on Monday, 5 January 2015.

At 30 September 2014, the Group's current assets amounted to HK\$385.1 million (31 March 2014: HK\$279.4 million) and the shareholders' equity were HK\$229.3 million (31 March 2014: HK\$228.0 million). The current liabilities were HK\$219.9 million (31 March 2014: HK\$210.4 million).

The inventory level was HK\$122.6 million (31 March 2014: HK\$115.5 million). The trade receivable (not including notes receivable) increased by HK\$3.4 million to HK\$92.8 million (31 March 2014: HK\$89.4 million).

The cash and bank balances at 30 September 2014 were HK\$55.4 million (31 March 2014: HK\$55.5 million). Total available banking facilities of the Group were approximately HK\$146.5 million (31 March 2014: HK\$155.7 million), of which HK\$41.5 million was available for use (31 March 2014: HK\$42.7 million). There were no finance lease obligations outstanding as at the period end (31 March 2014: Nil). The Company committed corporate guarantees of HK\$261.0 million (31 March 2014: HK\$261.0 million) in favor of banks for the granting of banking facilities to certain subsidiaries. The gearing ratio, which was defined as total borrowings after netting off cash and cash equivalents (net debt), to total capital (being total equity plus net debt) was 20% (31 March 2014: 22%).

The Group's assets were mostly financed by shareholders' equity, trade payables and bank borrowings. Trade payables were repayable within one year. Bank borrowings comprised trade financing repayable within one year and term loans repayable in installments of 2 to 5 years based on original contractual maturity.

Borrowings were mostly denominated in Hong Kong dollars and US dollars to prevent currency risk. The Group's cash and cash equivalents were denominated in Hong Kong dollars, US dollars, Canadian dollars and Renminbi. The Group matched the payment and receipts of foreign currency arising from routine purchases and sales to control and to minimize the financial cost and exchange risk. Most of the Group's borrowings were interest bearing at floating rates which were based on the Hong Kong HIBOR rate or London LIBOR rate. As substantial part of trade payables and bank borrowings were denominated in Hong Kong and US dollars, the exchange risk for the Group was not expected to be material. The Group did not use derivative financial instruments for speculative purpose.

President's Statement

At 21 August 2014, the Group entered into an agreement of disposal of a subsidiary for a cash consideration of approximately HK\$125.7 million. The subsidiary mainly held an industrial park at Heyuan, Guangdong Province, the PRC. As the Group discontinued the business of manufacturing of consumer electronics during the financial year ended 31 March 2013, large portion of the industrial park was inactive. The production activities of the remaining manufacturing business is steady, therefore the utilization of that industrial park remains at low level. The Group considered that this disposal represented a good opportunity to realize the Group's investment to release a significant funding tied, and can also save substantial future expenses in the real estate taxes and maintenance expenses. The disposal was completed on 28 October 2014. The net proceeds from the disposal after deduction of related expenses was approximately HK\$118 million, and was used as general working capital of the Group. The Group did not repurchase any ordinary shares in the open market.

In the annual general meeting held at 12 September 2014, shareholders duly passed a special resolution to adopt a share premium reduction. Accordingly, the Company offset its entire accumulated loss with share premium of approximately HK\$ 165.3 million. The excessive share premium of approximately HK\$67.8 million was credited to contributed surplus. According to Bermuda law, the Company can make a distribution out of contributed surplus provided that the Company is, or would after the payment be, able to pay its liabilities as they become due or the realizable value of the company's assets exceeds its liabilities.

BUSINESS REVIEW AND PROSPECT

The Group was engaging in the following major business:

- Personal Computer Products Distribution;
- Electronic Products Manufacturing; and
- Electronic Components Distribution

Personal Computer Products Distribution

Turnover of this segment was HK\$131.2 million (2013: HK\$140.0 million). The slight decrease of turnover and segment results were due to the decrease of the translation rate of Canadian dollar. In terms of Canadian dollar, the turnover was C\$18.4 millions (2013: C\$18.6 millions) which was almost same as that of the last corresponding period. The segment results denominated in Canadian dollar was C\$0.45 million (2013: C\$0.44 million), increased by 2% in original currency.

Business in this segment is steady. The Group continued to develop markets of tablets, portable devices and peripherals. Besides, this segment has successfully entered into the mass merchants market.

The Group has been in the market of personal computer systems and computer parts in North America for more than 20 years. Products in this segment include motherboards, display cards, hard disk drives, optical storage devices, computer cases, power supplies, software, memories, desktop computers, notebook computers, tablet computers and computer accessories.

Electronic Products Manufacturing

The turnover of this segment decreased to HK\$69.2 million (2013: HK\$78.8 million), representing a drop of 12.2% when compared to last corresponding period. The profit of this segment was HK\$3.4 million (2013: HK\$3.1 million) representing an increase of 9.7%.

The Group continued to consolidate high margin productions and eliminate low profit making products in this period. In return, this segment enjoyed an increase in segment profit from these higher profit margin and longer business commitment product lines.

The management team had streamlined the production process with better quality control, logistic and cost control system which all further enhanced the profitability and efficiency of this segment.

Electronic Components Distribution

Turnover of the electronic components distribution segment was HK\$86.8 million (2013: HK\$96.5 million) representing a decrease of 10.1% when compared with the last corresponding period. This segment recorded a loss of HK\$1.8 million (2013: profit of HK\$1.9 million).

This segment has spent more resources and funding to develop the PRC distribution network and also promoting some new product lines. However the overall PRC markets and consumption did not perform as well as expected during this period. As a result, this segment experienced a decrease in the turnover and gross profit, and suffered a loss during this period.

In this segment, the business is mainly to act as authorized distributor of electronics components of renowned brands such as Rohm, Lite-on, Arnold Magnetics, Diodes, SDC, Everlight, PFC Device, AEM, Chino-Excel Technology (CET) and the Group's own manufacturing brand COS and TIP. Major customers are manufacturers located in Hong Kong and the PRC. Products of this segment include diodes, transistors, integrated circuits (IC), power management devices, optical-electronics and illuminations as well as discrete components.

FUTURE PROSPECT

In Electronics Products Manufacturing segment, the Group has successfully launch new models in telecommunication with Bluetooth solutions and has gained constant orders from renown customers. The EMS products in GSM base station modules keep steady growth. Production automation also save considerable reliance on the labor forces. The disposition of the factory site will also save substantial future expenses in the real estate taxes and maintenance expenses. The Group expects that business in this segment will have a constant growth in the coming fiscal year.

In the segment of Electronic Components Distribution, although recent economic and business activities in PRC show signs of slow down, the Group believes that this uncertainty is only of a short term fluctuation. The Group considers that the PRC market remains the most prosperous and most promising market for this segment. The Group will keep investing and develops broader customer base with wider product ranges. In addition to the existing product lines, the segment will also target the markets of optical electronics, illuminations and power management devices which are expected to have active growth in the coming years.

In the segment of Personal Computer Products Distribution, market is steady. The Group will pay special attention to develop deeper in the mass merchant business.

The fund received from the disposal of subsidiary and its property in Heyuan significantly increases the effective working capital and strengthen the Group's financial position. The Group now has much better capability to develop new product and new business line.

President's Statement

Employees

At 30 September 2014, the Group employed a total of approximately 600 employees (31 March 2014: 760 employees) located in Hong Kong, Canada and PRC.

The Group's remuneration policy is in line with the prevailing market practices and is determined on the basis of performance and experience of the individual. Sales personnel are remunerated by salaries and incentives in accordance with the achievement of their sales target. General staff are offered year-end discretionary bonuses, which are based on the divisional performance and individual appraisals. The Group also provides Mandatory Provident Fund or ORSO scheme and medical benefits to all Hong Kong employees.

The Group is committed to devoting more resources in providing internal and external training to the employees. In addition to sending staff to participate in seminars and lectures, the Group continues recommending that qualified staff take part in professional courses such as the ISO9000, TS16949 and Six-Sigma Quality Systems. The training programs not only enhance employees' career development and professional knowledge, but also contribute to upgrading the management system of the Group.

Condensed Consolidated Income Statement

For the six months ended 30 September 2014

		Unaudited Six months ended 30 September 2014	2013
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Revenue	2	287,220	315,321
Cost of sales		(252,303)	(279,786)
Gross profit		34,917	35,535
Other income	4	1,063	1,098
Net gain on disposal of a club debenture		121	—
Net loss on disposal of property, plant and equipment		—	(20)
Selling and distribution expenses		(5,815)	(5,474)
General and administrative expenses		(26,725)	(26,538)
Operating profit	3	3,561	4,601
Finance costs — net		(774)	(741)
Profit before income tax		2,787	3,860
Income tax expense	5	(1,250)	(791)
Profit for the period		1,537	3,069
Attributable to:			
Equity holders of the Company		1,537	3,069
Non-controlling interests		—	—
		1,537	3,069
Earnings per share for profit attributable to equity holders of the Company			
— Basic	7	0.35 cents	0.74 cents
— Diluted	7	0.35 cents	0.70 cents

Details of dividends payable to equity holders of the Company are set out on Note 6.

The notes are integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2014

	Unaudited Six months ended 30 September 2014		2013
	HK\$'000		HK\$'000
Comprehensive income:			
Profit for the period	1,537		3,069
Other comprehensive income/(loss):			
<i>Items that may be reclassified subsequently to profit or loss</i>			
— Fair value gain/(loss) on available-for-sale financial assets, net of tax	95		(5)
— Currency translation differences	(328)		(415)
Other comprehensive loss for the period	(233)		(420)
Total comprehensive income for the period	1,304		2,649
Total comprehensive income attributable to:			
— Equity holders of the Company	1,304		2,649
— Non-controlling interests	—		—
	1,304		2,649

The notes are integral part of these condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet

As at 30 September 2014

		Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
ASSETS			
Non-current assets			
	8	25,594	25,901
Goodwill			
Property, plant and equipment	8	23,942	72,916
Investment properties		–	34,591
Land use rights		755	9,410
Other long-term assets	8	802	972
Available-for-sale financial assets		15,749	15,467
Deferred income tax assets		241	241
		67,083	159,498
Current assets			
Inventories		122,560	115,478
Trade and notes receivables	9	99,634	96,424
Prepayments, deposits and other receivables		13,431	11,961
Cash and cash equivalents		55,428	55,533
		291,053	279,396
Assets of disposal group classified as held for sale	10	94,050	–
Total current assets		385,103	279,396
Total assets		452,186	438,894
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	13	43,724	43,724
Share premium		–	233,196
Reserves		185,548	(48,952)
		229,272	227,968
Non-controlling interests		2,729	215
Total equity		232,001	228,183
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		284	273
		284	273
Current liabilities			
Borrowings	12	102,057	105,528
Trade payables	11	73,677	84,436
Accruals and other payables		42,672	18,043
Tax payable		775	2,431
		219,181	210,438
Liabilities of disposal group classified as held for sale	10	720	–
Total current liabilities		219,901	210,438
Total liabilities		220,185	210,711
Total equity and liabilities		452,186	438,894
Net current assets		165,202	68,958
Total assets less current liabilities		232,285	228,456

The notes are integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2014

	Unaudited										
	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital reserves	Share redemption reserve	Exchange reserve	Statutory reserves	Available-for-sale financial assets revaluation reserve	Retained earnings	Total	Non-controlling interests	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014	43,724	233,196	41,201	1,402	(3,991)	90	243	(87,897)	227,968	215	228,183
Share premium reduction to offset accumulated loss	—	(233,196)	—	—	—	—	—	233,196	—	—	—
Currency translation differences	—	—	—	—	(328)	—	—	—	(328)	—	(328)
Profit the period	—	—	—	—	—	—	—	1,537	1,537	—	1,537
Investment from minority	—	—	—	—	—	—	—	—	—	2,514	2,514
Fair value losses on available-for-sale financial assets	—	—	—	—	—	—	95	—	95	—	95
At 30 September 2014	43,724	—	41,201	1,402	(4,319)	90	338	146,836	229,272	2,729	232,001
At 1 April 2013	39,424	225,514	41,201	1,402	1,387	90	(88)	(96,239)	212,691	215	212,906
Currency translation differences	—	—	—	—	(415)	—	—	—	(415)	—	(415)
Profit the period	—	—	—	—	—	—	—	3,069	3,069	—	3,069
Placing of new shares (Note (1))	4,300	7,682	—	—	—	—	—	—	11,982	—	11,982
Fair value losses on available-for-sale financial assets	—	—	—	—	—	—	(5)	—	(5)	—	(5)
At 30 September 2013	43,724	233,196	41,201	1,402	972	90	(93)	(93,170)	227,322	215	227,537

Note (1): On 27 September 2013, the Company completed a placing of 43,000,000 new shares at the placing price of HK\$0.29 per share, pursuant to the terms and conditions of the placing agreement under the general mandate.

The notes are integral part of these condensed consolidated interim financial information.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2014

	Unaudited	
	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Cash Flows from operating activities		
Cash (used in)/generated from operations	(22,429)	7,319
Income tax paid	(2,895)	(845)
Interest received	348	512
Interest paid	(1,146)	(1,253)
	(26,122)	5,733
Cash Flows from investing activities		
Purchases of plant and equipments	(2,073)	(925)
Proceed from disposal of plant and equipments	—	12
Proceed from disposal of other long-term assets	291	—
Proceeds from disposal of subsidiary	31,483	—
	29,701	(913)
Cash Flows from financing activities		
Proceed from minority shareholder	2,514	—
Proceed from placing of shares	—	11,982
Proceeds from borrowings	160,683	124,258
Repayment of borrowings	(162,600)	(134,739)
Repayment of finance lease	—	(916)
	597	585
Net increase in cash and bank overdrafts	4,176	5,405
Cash, cash equivalents and bank overdrafts at 1 April	52,002	60,160
Effect of foreign exchange rate changes	(149)	(66)
	56,029	65,499
Cash, cash equivalents and bank overdrafts at 30 September	56,029	65,499
Analysis of balances of cash, cash equivalents and bank overdrafts		
Cash and bank balances	55,428	65,499
Bank overdrafts	(1,939)	—
Cash and bank balances included in assets of disposal group classified as held for sale	2,540	—
	56,029	65,499
	56,029	65,499

The notes are integral part of these condensed consolidated interim financial information.

Notes to condensed interim financial information

1. (a) Basis of preparation and accounting policies

This unaudited condensed consolidated interim financial information for the six months ended 30 September 2014 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

This unaudited condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2014.

(i) **Non-current assets (or disposal groups) held-for-sale**

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Where applicable, deferred income tax assets, financial assets (other than investments in subsidiaries and associates) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out in the Group's consolidated financial statements for the year ended 31 March 2014.

This accounting policy has become relevant to the Group as a result of its disposal transactions disclosed in Note 10.

(ii) The following amendments and interpretation to existing standards are mandatory for accounting periods beginning on or after 1 April 2014, but do not have material effect to the Group:

HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities

(iii) The following published standards and amendments to existing standards are mandatory for the Group's accounting periods beginning on or after 1 April 2014 and have not been early adopted by the Group:

HKFRS 9	Financial Instruments ⁴
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture ²
HKFRS 11 (Amendment)	Accounting for Acquisition of Interest in Joint Operations ²
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
HKFRS (Amendment)	Annual Improvement 2010-2012 Cycle and 2011-2013 Cycle ¹
HKFRS (Amendment)	Annual Improvement 2012-2014 Cycle ²
HKAS 16 and 38 (Amendment)	Acceptable Methods of Depreciation and Amortisation ²
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants ²
HKAS 19 (Amendment)	Employee Benefits: Defined Benefit Plans – Employee Contributions ¹
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements ²

¹ Effective for annual periods beginning on or after 1 January 2015

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the impact of the above new standards and amendments to standards and is not yet in a position to state whether these new standards and amendments to standards would have a significant impact to its results and financial position.

(b) Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2014.

There have been no changes in the risk management policies since the last year end.

2. Revenue and segment information

The Group is principally engaged in the electronic components distribution, electronic products manufacturing, and personal computer products distribution.

An analysis of the Group's turnover and contribution to operating profit by operating segments for the period is as follows:

	Six months ended 30 September 2014			Total HK\$'000
	Electronic Components Distribution HK\$'000	Electronic Products Manufacturing HK\$'000	Personal Computer Products Distribution HK\$'000	
Turnover				
Sales of goods	86,830	69,676	131,195	287,701
Inter-group sales	(22)	(459)	–	(481)
	<u>86,808</u>	<u>69,217</u>	<u>131,195</u>	<u>287,220</u>
Results of reportable segments	<u>(1,757)</u>	<u>3,404</u>	<u>3,218</u>	<u>4,865</u>

A reconciliation of results of reportable segments to profit for the period is as follows:

Results of reportable segments		4,865
Unallocated income		1,101
Unallocated expenses		(2,405)
Operating results		<u>3,561</u>
Finance costs — net		(774)
Profit before income tax		<u>2,787</u>
Income tax expense		(1,250)
Profit for the period		<u><u>1,537</u></u>

	Six months ended 30 September 2013			Total HK\$'000
	Electronic Components Distribution HK\$'000	Electronic Products Manufacturing HK\$'000	Personal Computer Products Distribution HK\$'000	
Turnover				
Sales of goods	96,503	78,777	140,041	315,321
Results of reportable segments	<u>1,933</u>	<u>3,144</u>	<u>3,322</u>	<u>8,399</u>

A reconciliation of results of reportable segments to profit for the period is as follows:

Results of reportable segments		8,399
Unallocated income		1,098
Unallocated expenses		(4,896)
Operating results		<u>4,601</u>
Finance costs — net		(741)
Profit before income tax		<u>3,860</u>
Income tax expense		(791)
Profit for the period		<u><u>3,069</u></u>

Notes to condensed interim financial information

2. Revenue and segment information *(continued)*

The entity is domiciled in Hong Kong, the revenue from external customers attributed to Hong Kong and other locations (on the basis of customers' locations) is analysed as follows:

	Six Months ended 30 September	
	2014	2013
	HK\$'000	<i>HK\$'000</i>
Hong Kong	38,897	58,266
Mainland China	67,302	60,300
North America	132,096	145,077
Europe	42,940	46,006
Other Asian countries	5,985	5,672
	287,220	315,321

3. Operating profit

Operating profit is stated after charging the following:

	Six months ended 30 September	
	2014	2013
	HK\$'000	<i>HK\$'000</i>
Charging:		
Trading merchandise sold, and raw materials and consumables used	233,471	259,153
Employment benefit expenses (including directors' emoluments)	30,454	31,568
Depreciation and amortisation of non-current assets	2,772	2,868
Operating lease rental in respect of land and buildings	2,712	2,616
Transportation expenses	2,654	2,696

4. Other Income

	Six months ended 30 September	
	2014	2013
	HK\$'000	<i>HK\$'000</i>
Other income includes:		
Rental Income	1,054	1,090
Others	9	8
	1,063	1,098

Notes to condensed interim financial information

5. Income tax expense

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided for at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong. Companies established and operating in Mainland China are subject to PRC corporate income tax at the rate of 25% (2013: 25%). Companies established and operating in Canada are subject to Canadian income tax at the rates of 26.0% to 26.5% (2013: 25.0% to 26.5%).

The amount of taxation charged to the condensed consolidated income statement represents:

	Six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000
Current taxation:		
— Hong Kong profits tax	118	158
— PRC corporate income tax	422	12
— Canadian income tax	699	602
	<u>1,239</u>	<u>772</u>
Deferred taxation — relating to the origination and reversal of temporary differences	11	19
	<u>1,250</u>	<u>791</u>

6. Dividends

	Six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000
2014/2015 special dividend of HK5 cents (2013/2014: Nil) per ordinary share, declared on 28 November 2014 (Note (ii))	<u>21,862</u>	—

Note (i): No dividend had been declared by the Company's directors for the years ended 31 March 2013 and 2014.

Note (ii): At a meeting held on 28 November 2014, the directors resolved to declare a special dividend of HK5 cent per ordinary share for the six months ended 30 September 2014. The special dividend has not been reflected as dividends payable in the interim financial information, but will be reflected as an appropriation of distributable reserves in the second half of year 2014/15 when making payment of the special dividend to shareholders on 5 January 2015. The Group had a balance of distributable reserves of approximately HK\$140 million as at 30 September 2014 to cover the payment of the special dividend amounting to a total of approximately HK\$21.9 million.

7. Earnings per share

The calculation of basic earnings per share are based on the Group's profit attributable to shareholders of approximately HK\$1,537,000 (2013: HK\$3,069,000). The basic earnings per share is based on 437,239,448 (2013: 415,239,332) shares which is the weighted average of ordinary shares in issue during the period.

There is no dilutive effect on the earnings per share for the six months ended 30 September 2014. For the six months ended 30 September 2013, diluted earnings per share has calculated by adjusting the weighted average number of ordinary shares outstanding to assume the placing of new shares issued at the beginning of the period.

8. **Capital expenditure**
For six months ended 30 September 2014

	Goodwill HK\$'000	Property, plant and equipment HK\$'000	Other long-term assets HK\$'000
Opening net book amount	25,901	72,916	972
Exchange differences	(307)	(5)	—
Additions	—	2,068	—
Disposals	—	—	(170)
Transfer to assets of disposal group classified as held for sale	—	(48,771)	—
Depreciation/amortisation charge	—	(2,266)	—
	<u>25,594</u>	<u>23,942</u>	<u>802</u>

For six months ended 30 September 2013

	Goodwill HK\$'000	Property, plant and equipment HK\$'000	Other long-term assets HK\$'000
Opening net book amount	28,201	76,500	710
Exchange differences	(415)	(10)	—
Additions	—	925	—
Disposals	—	(32)	—
Depreciation/amortisation charge	—	(2,132)	—
	<u>27,786</u>	<u>75,251</u>	<u>710</u>

9. **Trade and notes receivables**

Trade receivables and their ageing analysis is as follows:

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Less than 60 days	64,685	65,065
60 to 120 days	22,871	20,494
Over 120 days	26,698	25,283
	<u>114,254</u>	<u>110,842</u>
Less: provision for impairment	(21,469)	(21,476)
	<u>92,785</u>	<u>89,366</u>
Notes receivable	6,849	7,058
	<u>99,634</u>	<u>96,424</u>

Majority of the Group's sales are made on open account, with credit terms generally ranging from 30 days to 90 days.

Notes to condensed interim financial information

10. Assets and liabilities of disposal group held for sale

On 21 August 2014, a sales and purchase agreement (the "Agreement") was entered into between the Group and two third parties, namely Blue Sky Telecommunication Limited ("Blue Sky") and Vision Best Holdings Limited ("Vision Best"), pursuant to which 94 new ordinary shares of Daiwa Trading (Guangdong) Limited ("Daiwa GD") was issued at HK\$1 each to Daiwa Associate Limited ("DAL"), a group entity and a shareholder of Daiwa GD, and 2 new ordinary shares were issued to Blue Sky at RMB1,000,000 each (equivalent to approximately HK\$1,257,000 each) on 26 August 2014. As a result of this, Daiwa GD was held by the Group and Blue Sky as to 98% and 2% of its equity interests.

Thereafter, the entire issued share capital of Daiwa GD held by the Group and its loan from DAL are to be acquired by Vision Best from the Group at a consideration of approximately HK\$125,700,000 under the Agreement.

The above transactions (the "Disposal") has been completed in October 2014. Since then, Daiwa GD and its subsidiary (the "disposal group") ceased to be the subsidiaries of the Company.

The consolidated assets and liabilities of the disposal group are presented as held for sale as a result of the Disposal, as follows:

(a) Assets of disposal group classified as held for sale

	<i>HK\$'000</i>
Land use rights	8,535
Buildings	82,975
Cash and cash equivalents	2,540
	<u>94,050</u>

(b) Liabilities of disposal group classified as held for sale

	<i>HK\$'000</i>
Accruals and other payables	720
	<u>720</u>

11. Trade payables

Trade payables and their ageing analysis is as follows:

	30 September 2014 <i>HK\$'000</i>	31 March 2014 <i>HK\$'000</i>
Less than 60 days	62,319	70,737
60 to 120 days	8,551	10,187
Over 120 days	2,807	3,512
	<u>73,677</u>	<u>84,436</u>

Notes to condensed interim financial information

12.	Borrowings	30 September 2014 HK\$'000	31 March 2014 HK\$'000
	Current		
	Bank overdrafts	1,939	3,531
	Short-term bank borrowings	5,000	5,000
	Trust receipts bank loans	72,227	66,706
	Portion of bank borrowings repayable within one year under the original repayment schedule	11,099	12,944
	Portion of bank borrowings due for repayment after one year under the original repayment schedule which contains a repayment on demand clause	11,792	17,347
		102,057	105,528
13.	Share capital	Number of Ordinary Shares '000	Nominal Value HK\$'000
	Authorised:		
	Ordinary shares of HK\$0.10 each		
	At 31 March 2014, 1 April 2014 and 30 September 2014	1,000,000	100,000
	Issued and fully paid:		
	Ordinary shares of HK\$0.10 each		
	At 31 March 2014, 1 April 2014 and 30 September 2014	437,238	43,724
14.	Commitments		
	Operating lease commitments		
	At 30 September 2014, the Group had total future aggregate minimum lease payments under operating leases as follows:		
		30 September 2014 HK\$'000	31 March 2014 HK\$'000
	Not later than one year	3,368	3,620
	Later than one year and not later than five years	8,383	9,191
		11,751	12,811
	At 30 September 2014, the Group did not have any capital commitments.		
15.	Events after the balance sheet date		
	Subsequent to the period end, the Group has completed the disposal of Daiwa GD, details of which are set out in Note 10.		

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 30 September 2014, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:—

(a) Long position in the Company's shares of HK\$0.10 each

Name of directors	Number of issued ordinary shares/underlying shares attached to derivatives						
	Personal interests		Corporate interests		Other interests		Total interests
		Notes		Notes			
Mr. LAU Tak Wan	29,696,426	1	210,096,536	2 & 3	1,428,567	241,221,529	55.17%
Ms. CHAN Yuen Mei, Pinky	5,053,567	1	210,096,536	2 & 3	26,071,426	241,221,529	55.17%
Mr. CHEUNG Wai Ho	57,033		—		—	57,033	0.01%

Notes:

- 3,625,000 shares in the Company were jointly held by Mr. Lau Tak Wan ("Mr. Lau") and Ms. Chan Yuen Mei, Pinky ("Ms. Chan"), the spouse of Mr. Lau.
- 133,948,541 shares in the Company were beneficially owned by China Capital Holdings Investment Ltd ("China Capital"). The issued share capital of China Capital is 60% owned by Mr. Lau, and 40% owned by Ms. Chan.
- 76,147,995 shares in the Company were beneficially owned by Leading Trade Ltd ("Leading Trade"). The issue share capital of Leading Trade is 50% owned by Mr. Lau and 50% owned by Ms. Chan.

(b) Shares of associated corporations of the Company

Dominion International Limited, which is 50% owned by Mr. Lau Tak Wan, and 50% owned by Ms. Chan Yuen Mei, Pinky:

	Number of non-voting deferred shares held
Cosmos Wires and Connectors Manufacturing Limited	100,000
Westpac Digital Limited	2
Vastpoint Industrial Limited	455,000
Daiwa Associate (H.K.) Limited	1,500,000

In addition, each of Mr. Lau and Ms. Chan beneficially owns 140,000 and 10,000 non-voting deferred shares respectively in Cosmotec Precision Industrial Limited.

Save as disclosed above, as at 30 September 2014, none of the directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors of Listed Issuers in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading of "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION" above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors and chief executives of the Company to acquire benefits by means of the acquisition of shares, underlying shares or debentures in the Company or its associated corporations.

SHARE OPTION SCHEMES

The Company proposed adoption of new share option scheme on 31 July 2013 and it was approved by the shareholders in the annual general meeting dated 30 August 2013. The rules of the new share option scheme provide that the Company may specify the eligible participants to whom options shall be granted, the number of shares subject to each option and the date on which the options shall be granted. There is no performance target specified in the new share option scheme. The Directors may at its discretion include any terms, including, among other things, the minimum period for which an option must be held before it can be exercised. With respect to the operation of the new share option scheme, the Company will, where applicable, comply with the relevant requirements under Chapter 17 of the Listing Rules. As at 30 September 2014, the Company did not grant any share options.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2014, to the best knowledge of the directors, the following parties (other than a director or chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital and warrants of the Company.

Interests in the shares and warrants of the Company

	<i>Note</i>	Number of ordinary shares held	Interest in underlying shares — unlisted warrants	% of the total issued shares
Leading Trade Limited	1	76,147,995	—	17.42%
China Capital Holdings Investment Ltd	2	133,948,541	—	30.64%
Mr. NG Hung Sang		39,428,500	—	9.02%
Ms. NG Lai King, Pamela (spouse of Mr. NG Hung Sang)		39,428,500	—	9.02%

Notes:

1. Leading Trade Limited is 50% owned by Mr. Lau Tak Wan and 50% owned by Ms. Chan Yuen Mei, Pinky. Accordingly, Leading Trade Limited, Mr. Lau and Ms. Chan were deemed by SFO to be interested in 76,147,995, 241,221,529 and 241,221,529 shares of the Company.
2. China Capital Holdings Investment Limited is 60% owned by Mr. Lau Tak Wan and 40% owned by Ms. Chan Yuen Mei, Pinky. Accordingly, China Capital Holdings Investment Limited, Mr. Lau and Ms. Chan were deemed by SFO to be interested in 133,948,541, 241,221,529 and 241,221,529 shares of the Company respectively.

Save as disclosed above, the Company has not been notified of any other interest representing 5% or more of the issued share capital of the Company and recorded in the register of Substantial Shareholders maintained under Section 336 of the SFO as at 30 September 2014.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2014, save for the following deviations:

Code Provision A.2.1

Under this code provision, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

Mr. Lau Tak Wan is the Chairman of the Board and the president of the Company. In the opinion of the Board, the role of the president and the chief executive officer is the same. The Board considers that the present structure provides the Group with strong and consistent leadership and allows for efficient and effective business planning and execution. Hence, the Board believes that it is in the best interest of the shareholders of the Company that Mr. Lau Tak Wan will continue to assume the roles of the Chairman of the Board and the president of the Company. However, the Company will review the current structure as and when it becomes appropriate in future.

Code Provision A.4.1

Under this code provision, non-executive directors should be appointed for a specific term and subject to re-election.

None of the existing non-executive directors of the Company is appointed for a specific term. However, relevant amendments to the Company's bye-laws were proposed and approved by the shareholders at the annual general meeting of the Company held on 1 September 2006, that all directors of the Company (whether appointed for specific terms or not) shall retire from office by rotation at least once every three years. 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 Code.

COMPLIANCE WITH THE MODEL CODE FOR 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 directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code as provided in Appendix 10 of the Listing Rules for the six months ended 30 September 2014.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim condensed accounts for the six months ended 30 September 2014 with the directors.

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

Neither the Company nor any of its subsidiaries purchased, sold and redeemed any of the Company's listed securities during the six months ended 30 September 2014.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement will be published on the website of the Stock Exchange and the Company. The Interim Report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders and published on the website of the Stock Exchange and the Company in due course.

By order of the Board
LAU TAK WAN
President

Hong Kong, 28 November 2014

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