DAIWA ASSOCIATE HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 1037)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

INTERIM RESULTS

On behalf of the Board of Directors, I would like to present to shareholders the unaudited Interim Report of Daiwa Associate Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the six months ended 30 September 2008. The unaudited interim accounts have been reviewed by the Company's Audit Committee.

RESULTS AND DIVIDEND

For the six months ended 30 September 2008, because of the disposal of part of its shareholding in a subsidiary resulting in ceasing the operation to be a subsidiary of the Group and becoming an associated company so that its turnover was no longer consolidated into Group's accounts, the Group's turnover was HK$867.9 million (2007: HK$1,017.6 million), representing a decrease of 14.7%. When excluding this effect, adjusted turnover for the same period in 2007 is HK$868.4 million, which is close to the turnover for the period in 2008 under review.

EBITDA (earnings before interest, tax, depreciation and amortization) for the period was HK$18.9 million (2007: HK$24 million) representing a decrease of 21.2% when compared to the last corresponding period.

Profit attributable to equity holders of the Company for the period was HK$6.3 million (2007: HK$9.5 million) which represents a decrease of 33.7% when compared to the last corresponding period. Basic earnings per share was HK2.06 cents (2007: HK3.24 cents).

INTERIM DIVIDEND

The Board of Directors has recommended an interim dividend of HK0.3 cent per ordinary share payable to shareholders whose names appear on the Register of Members of the Company on Wednesday, 17 December 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 17 December, 2008 to Tuesday, 23 December 2008, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by relevant share certificates must be lodged with Tricor Abacus Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 16 December 2008.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's net current assets amounted to HK$197.7 million (31 March 2008: 189.1 million) and the shareholders' funds were HK$391.3 million at 30 September 2008 (31 March 2008: 387.7 million). The total amount of loans and finance lease was HK$250.8 million (31 March 2008: 218.9 million) and the net gearing ratio, which is defined as the borrowings after netting off of cash and cash equivalents, to shareholders' funds was 0.36. The cash and bank balances were HK$109.9 million (31 March 2008: 103.4 million).

At 30 September 2008, total available banking facilities of the Group were approximately HK$328.5 million, of which HK$47 million was available for use. Finance lease obligations outstanding on the same date amounted to HK$1.8 million.

The Group's assets were mostly financed by shareholders' funds, trade payables and bank borrowings. Trade payables and short term loans are repayable within one year. Long term borrowings are repayable between two to five years. The borrowings, cash and cash equivalents were mainly denominated in Hong Kong dollars, US dollars, Canadian dollars, Renminbi or Japanese Yen. The Group had entered into foreign currency forward contracts with banks to hedge certain future foreign currency trade liabilities. The Group's borrowings were bearing interest at floating rates.

BUSINESS REVIEW AND PROSPECT

The Group is mainly engaged in four major businesses, namely:

— Electronic Components Distribution and Manufacturing;

— EMS (Contract Electronic Manufacturing Services);

— Consumer Electronics;

— Personal Computer Distribution

Due to the preparation to cope with the adverse effect caused by the financial tsunami, the Management decided to reserve more financial resources by cutting down inventory levels, eliminate low margin business, invest less in the future 18 months of developments and eliminate the bad debt risk by cutting down the long outstanding habit customers, turnover of this reported period has been fairly trimmed down.

Even under the contingency planning, the Management is happy to see that business in the segment of EMS and Distribution of Electronic Components kept growing.

ELECTRONIC COMPONENTS — DISTRIBUTION AND MANUFACTURING

For the half year ended 30 September 2008, despite the adverse marketing environment, turnover of this business segment was risen to HK$501.9 million, representing a growth of 19% when compared with the same period of last year (2007: HK$422.9 million).

As the result of successful penetration in the second brand mobile phone solutions in China, together with the steady market in the core electronic components distribution, the Group successfully ranked as one of Toshiba's biggest distributors in the reported period. Turnover in Freescale, Onsemi, and Silicon Lab maintained fairly growth.

Beijing, Shanghai and Shenzhen sales divisions kept on playing an important role . The Group prepared to open a new sales office in Chengdu, PRC.

EMS (CONTRACT ELECTRONIC MANUFACTURING SERVICE)

Coping with the financial crises, the Group started to consolidate the low profit making investments to reduce the Group's management involvement and funding. Prior to the period under review, the Group had disposed part of its shareholding interest in a Japan subsidiary of loudspeaker manufacturing resulting in ceasing the operation to be a subsidiary of the Group and becoming an associated company. Accordingly the said company was no longer be consolidated in the Group's accounts, giving rise to the substantial reduction in turnover in this segment.

The EMS business so recorded reflected a turnover of HK$119.7 million (2007: HK$272.5 million), representing a decrease of 56%.

Exclude the above stated effect, turnover of the core EMS business grew steadily by 6%. The engineering investment in this segment in previous years started gaining recognition from renowned customers. The Group was approved as one of the few manufacturers in Wide-Band Combiners, crucial parts in mobile phone base stations. The Management believed that this production would bring in reasonable contribution in the coming year.

CONSUMER ELECTRONICS MANUFACTURING

In the reported period, although there were substantial opportunities of gaining new orders, the Group was cautious on the continuous escalating material cost and labor cost. The Group therefore had continued its strategy of eliminating low profit margin products and keeping the Group from the risk of big losses.

Turnover of this segment was HK$73.7 million (2007: HK$109.8 million), representing a decrease of 33% when comparing with last reported period.

Even facing the negative contribution of this segment of business, the Group had successfully developed new models of higher profit margin products such as internet radio, iPod docking boom boxes, multi-interface mini compo hi-fi as well as projection clocks. The Group had also developed solutions to enter into the new market of cordless DECT phones.

PERSONAL COMPUTER DISTRIBUTION

Business in this segment mainly comes from the distribution of personal computer system and parts in Canada. As a result of the economic decline in North America, turnover of this business segment was HK$172.6 million in the reporting period, representing a decrease of 19% when compared with the same period of last year (2007: HK$212.3 million).

To compensate the slow business in this segment, Canada office had successful launched into the market of memory devices and memory cards. Together with the support from Microsoft in distribution of software, the impact of finance tsunami would be loosened.

FUTURE PROSPECT

The recent financial tsunami has caused an adverse ripple effect across the financial markets and the global economy. Economic downturn and credit crunch have dampened consumer purchases and business outlook. Drawing experience in dealing with challenges in the past, the Group has exercised extra prudence on managing its trade receivables, inventory and liquidity. Tie up funding across the operation level of the Group has been well planned to reduce month by months and keeps adequate cash on hand to prepare for the adverse situation of finance resources.

The distribution segment of electronic components of the Group is in the upper stream of electronic products which can have an earlier sensitivity to the slowdown of market. Before the beginning of the finance tsunami, the Group has already had a contingency plan to shrink down the size of capital investment and new product development.

To eliminate the negative impact of profit contribution in the segment of consumer electronics, the size of operation will be shrunk. Yet, the Group keeps on fetching the harvest of R&D in previous years. Together with the excitement of positive feedback from customers on the newly developed new models with better profit margins, this operation is expected to be small but keeps healthy.

To keep the Group safe from potential bad-debts in the present situations, most of the account receivables of big customers are secured by credit insurances as well as by standby L/C.

As a conclusion, the Management is confident that the Group will maintain a fair profit and good cash flow status.

EMPLOYEES

At 30 September 2008, the Group employed a total of approximately 4,500 employees (2007: 6,000 employees) located in Hong Kong, Canada and PRC. Sales personnel are remunerated by salaries and incentives scheme. General staff are offered year-end discretionary bonus. The Group also provides ORSO Scheme or Mandatory Provident Fund Scheme and medical benefits to all Hong Kong employees.

Pursuant to the terms and conditions of share option scheme adopted by the Company on 18 August 2005, the Group may grant share options to Directors and eligible employees. Up to 30 September 2008, no share options had been granted to employees.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

		Unaudited Six months ended 30 September	
		2008	2007
	Note	***HK$'000***	*HK$'000*
Turnover	*2*	**867,903**	1,017,599
Cost of sales		**(780,510)**	(916,937)
Gross profit		**87,393**	100,662
Other income		**381**	2,384
Selling and distribution expenses		**(10,984)**	(14,865)
General and administrative expenses		**(66,392)**	(71,489)
Operating profit		**10,398**	16,692
Finance costs — net		**(3,363)**	(4,520)
Profit before income tax		**7,035**	12,172
Income tax expense	*3*	**(1,490)**	(2,897)
Profit for the period		**5,545**	9,275
Attributable to:			
Equity holders of the Company		**6,250**	9,520
Minority interests		**(705)**	(245)
		5,545	9,275
Dividends	*4*	**911**	3,038
Earnings per share for profit attributable to equity holders of the Company			
— Basic	*5*	**HK 2.06 cents**	HK 3.24 cents
— Diluted	*5*	**HK 1.98 cents**	HK 3.16 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2008

	30 September 2008 Unaudited *HK$'000*	31 March 2008 Audited *HK$'000*
Non-current assets		
Goodwill	**27,042**	28,199
Property, plant and equipment	**189,424**	194,544
Leasehold land and land use rights	**24,914**	25,208
Interest in a jointly controlled entity	**1**	1
Deferred income tax assets	**381**	1,386
Available-for-sale financial assets	**214**	319
Other assets	**710**	710
	242,686	250,367
Current assets		
Inventories	**252,438**	238,574
Trade and notes receivables	**225,648**	185,589
Amount due from an associated company	**18,956**	17,637
Prepayments, deposits and other receivables	**14,621**	15,347
Cash and cash equivalents	**109,927**	103,388
	621,590	560,535
Total assets	**864,276**	810,902
Equity		
Capital and reserves attributable to equity holders of the Company		
Share capital	**30,379**	30,423
Reserves	**360,943**	357,340
	391,322	387,763
Minority interests	**176**	881
Total equity	**391,498**	388,644

	30 September 2008 Unaudited *HK$'000*	31 March 2008 Audited *HK$'000*
Non-current liabilities		
Borrowings	**44,406**	45,346
Deferred income tax liabilities	**4,467**	5,480
	48,873	50,826
Current liabilities		
Borrowings	**206,366**	173,567
Trade payables	**193,598**	161,071
Accruals and other payables	**21,403**	28,272
Taxation payable	**664**	2,243
Derivative financial instruments	**1,874**	6,279
	423,905	371,432
Total liabilities	**472,778**	422,258
Total equity and liabilities	**864,276**	810,902
Net current assets	**197,685**	189,103
Total assets less current liabilities	**440,371**	439,470

Notes:

1. Basis of preparation and accounting policies

This unaudited condensed consolidated financial information 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.

This interim financial report should be read in conjunction with the annual financial statements for the year ended 31 March 2008.

The accounting policies and methods of computation used in the preparation of this interim financial report are consistent with those used in the annual financial statements for the year ended 31 March 2008, except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRS") and HKAS (collectively referred to as the "New HKFRSs"), which have become effective for accounting periods beginning on or after 1 April 2008. The applicable New HKFRSs adopted in this interim financial report are set out below.

HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above new standard, amendment and interpretations has no material impact on the condensed consolidated interim financial information of the Group.

The following new standards and interpretations have been issued by the HKICPA but are not effective for financial year ending 31 March 2009 and have not been early adopted:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 32 (Amendment)	Financial Instruments: Presentation
HKFRS 2 (Amendment)	Share Based Payment
HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating Segments
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HKAS 23 (Revised)	Borrowing Costs

2. **Turnover and segment information**

The Group is principally engaged in the design, development, manufacturing and distribution of electronic components contract electronic manufacturing service and consumer electronics, and the manufacturing and distribution of personal computers and digital products.

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

(a) Primary reporting format — business segments:

	Manufacturing and distribution of electronic components Six months ended 30 September		Contract electronic manufacturing service and consumer electronics Six months ended 30 September		Manufacturing and distribution of personal computers and digital products Six months ended 30 September		Eliminations Six months ended 30 September		Group Six months ended 30 September	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover										
External sales	**501,927**	422,932	**193,364**	382,978	**172,612**	211,689				
Inter-segment sales	**405**	160	**—**	—	**—**	—	**(405)**	(160)		
	502,332	423,092	**193,364**	382,978	**172,612**	211,689	**(405)**	(160)	**867,903**	1,017,599
Segments results	**15,722**	11,176	**1,056**	7,194	**1,710**	5,182			**18,488**	23,552
Unallocated income									**381**	1,086
Unallocated expenses									**(8,471)**	(7,946)
Finance costs									**(3,363)**	(4,520)
Profit before income tax									**7,035**	12,172
Income tax expenses									**(1,490)**	(2,897)
Profit for the period									**5,545**	9,275
Profit attributable to equity holders									**6,250**	9,520
Minority interests									**(705)**	(245)
									5,545	9,275

(b) Secondary reporting format — geographical segments:

	Turnover Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
Hong Kong and Mainland China	**489,405**	412,549
North America	**237,809**	320,558
Europe	**117,821**	105,553
Japan	**10,346**	166,916
Other Asian countries	**12,522**	12,023
	867,903	1,017,599

3. Income tax

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong. Companies established and operate in Mainland China are subject to Mainland China enterprise income tax at the rate of 25% to 33% (2007: 15% to 33%). Companies established and operate in Canada are subject to Canadian income tax at the rate of 35% (2007: 36%).

The amount of taxation charged to the condensed consolidated profit and loss account represents:

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
Current taxation:		
— Hong Kong profits tax	**232**	630
— Mainland China enterprise income tax	**1,038**	1,052
— Canadian income tax	**228**	1,221
	1,498	2,903
Deferred tax — relating to the origination and reversal of temporary differences	**(8)**	(6)
	1,490	2,897

4. Dividends

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
2007/2008 Final dividend, paid, of HK$0.0025 (2006/2007 final paid: HK$0.015) per ordinary share *(Note (i))*	**761**	4,557
2008/2009 Interim dividend of HK$0.003 (2007/2008: HK$0.01) per ordinary share, proposed on 27 November 2008 *(Note (ii))*	**911**	3,038
	1,672	7,595

Note (i): At a meeting held on 30 July 2008 the directors proposed a final dividend of HK$0.0025 per ordinary share for the year ended 31 March 2008, which was paid on 10 September 2008.

Note (ii): At a meeting held on 27 November 2008 the directors proposed an interim dividend of HK$0.003 per ordinary share for the six months ended 30 September 2008. The proposed interim dividend has been reflected as an appropriation of retained earnings for the six months ended 30 September 2008.

5. **Earnings per share**

The calculation of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of HK$6,250,000 (2007: HK$9,520,000).

The basic earnings per share is based on the weighted average of 304,104,835 (2007: 294,180,669) ordinary shares in issue during the period. The diluted earnings per share is based on 314,618,474 (2007: 301,239,333) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 1,799,450 (2007: 7,058,664) ordinary shares deemed to be issued at no consideration as exercise of all outstanding share warrants would not have dilutive effect to earnings per share.

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 2008, 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 2008.

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 2008 with the directors.

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

During the six months ended 30 September 2008, the Company purchased a total of 438,000 shares of HK$0.10 each of the Company in the range from HK$0.375 to HK$0.450 for a total consideration of HK$186,260 on The Stock Exchange of Hong Kong Limited, all of which shares were subsequently cancelled.

Save as disclosed above, 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 2008.

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.

As at the date of this announcement, the board of directors of the Company comprises Mr. Lau Tak Wan, Mr. Wan Chor Fai, Mr. Mak Hon Kai, Stanly, and Ms. Chan Yuen Mei, Pinky as executive Directors and Mr. Barry John Buttifant, Mr. Choi Yuk Fan and Mr. Liu Ngai Wing as independent non-executive Directors.

By order of the Board
LAU TAK WAN
President

Hong Kong, 27 November 2008