DAIWA ASSOCIATE HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 1037)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

PRESIDENT'S STATEMENT

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 2011. The unaudited interim accounts have been reviewed by the Company's Audit Committee.

Results and Dividend

For the six months ended 30 September 2011, the Group's turnover was reported as HK$801.8 million (2010: HK$946.0 million), representing a decline of 15.2% when compared with last corresponding period. Gross profit decreased by 5.3% to HK$74.8 million (2010: HK$79.0 million).

- The earnings before interest, tax, amortization and depreciation (EBITDA) were HK$17.6 million (2010: HK$18.6 million), representing a decrease of HK$1.0 million when compared to the last corresponding period.

- The operating profit (EBIT) of the Group was HK$10.3 million (2010: HK$11.1 million), representing a decrease of HK$0.8 million when compared to the last corresponding period.

- Profit attributable to equity holders of the Company for the period was HK$4.0 million (2010: HK$5.6 million), representing a decline of HK$1.6 million when compared to the last corresponding period.

- Basic earnings per share was HK1.32 cents (2010: HK1.82 cents).

The Board of Directors has resolved not to declare an interim dividend.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2011, the Group's net current assets amounted to HK$174.8 million (31 March 2011: HK$129.9 million) and total equity were HK$372.4 million (31 March 2011: HK$371.0 million). The total amount of bank borrowings and finance leases were HK$334.6 million (31 March 2011: HK$280.1 million) and the net gearing ratio, which is defined as total borrowings after netting off cash and cash equivalents, to total equity was 0.65. The cash and bank balances were HK$94.4 million (31 March 2011: HK$104.4 million).

The total available banking facilities of the Group were HK$444.3 million of which HK$45.1 million was available for use. The Group's assets were mostly financed by shareholders' funds, trade payables and bank borrowings. The borrowings, cash and cash equivalents were mainly denominated in Hong Kong dollars, US dollars, Canadian dollars and Renminbi. The Group's borrowings were interest bearing at floating rates.

BUSINESS REVIEW AND PROSPECT

During the period under review, the Eurozone debt crisis and fiscal problem in the US had deteriorated the global economy and resulted in an unstable and fragile demand in electronics market. In this unsteady situation, to control the risk in this market sentiment, the Group had eliminated some low contribution distribution lines and resulted in dropped turnover of the Group, but on the positive side, the gross profit margin of the Group increased.

By the mature production forces, committed quality assurance, intelligent engineering input, high performance machineries and well managed workshop in the business segment of contract electronic manufacturing services (EMS), the Group successfully encouraged old customers to launch projects and continuously brought in new customers.

As at 14 June 2011, after the relevant resolutions passed in a special general meeting of the Company held on 13 June 2011, Daiwa Distribution Holdings Limited (DDHL, an indirect wholly-owned subsidiary of the Company) entered into the conditional Incentive Subscription Agreement with Mr. Mak Hon Kai, Stanly, an executive Director of the Company, to issue and allot 200 DDHL B-Shares to him. The fair value of the respective DDHL B-Shares was approximately HK$4.9 million. Employee benefit expenses of approximately HK$0.2 million was recorded in the reported period. According to accounting standards, net profit of the Group decreased by the same amount.

The Group is engaged in the following major businesses, namely:

— Electronic Components Distribution;

— EMS (Contract Electronic Manufacturing Services);

— Consumer Electronics and Electronic Components & Parts Manufacturing; and

— Personal Computer Products Distribution.

Electronic Components Distribution

Electronic components distribution constitutes the core business of the Group which accounted for 58.8% of the Group's turnover in the reported period. During the period under review, the turnover of this segment recorded HK$471.6 million (2010: HK$629.1 million) representing a decline of 25.0% when compared to the last corresponding period. Result of this segment decreased by 20.3% to HK$18.8 million (2010: HK$23.6 million).

Business in this segment is mainly to act as authorized distributor of various renowned brand names. Major customers are electronics manufacturers in Hong Kong and the PRC. Products of this segment includes diodes, transistors, integrated circuits (IC), power modules, MCU, MCP, CPU, memory chips and display modules etc. Applications of these components are mobile phones, electronic toys, power supplies, radios, CD players, DVD players, TV, LED illuminations, handheld electronic devices, white goods, amplifiers and automobiles.

The Group has maintained an array of authorized distributorships with renowned suppliers such as Toshiba, On Semiconductor, Arnold Magnetics, On Bright, Magnetic, COS, Chino-Excel Technology Corp (CET), Diodes, Rohm, Lite-on, Everlight, AEM and Abilis Systems.

Beijing, Shanghai and Shenzhen sales divisions deliver delighting contribution to this segment. Sales offices in Zhaoqing, Chengdu and Xiamen performed smoothly.

EMS (Contract Electronic Manufacturing Service)

In the reported period, turnover of the segment increased by 39.6% to HK$120.2 million (2010: HK$86.1 million). Result of this segment increased by 140.0% to HK$3.6 million (2010: HK$1.5 million).

The Group has engaged in the production of telecommunication modules in mobile phone base stations, radar parts, electronic modules in automobiles, PCB assembly for industrial products as well as green power infrastructure products. The facility is equipped with high speed SMT production lines with nitrogen filled reflow furnaces, precise solder paste screen printer, etc. Process reliability can be ensured by the in-house RoHS Scanning Systems and X-Ray Inspection Machine. With the state of the art production plant, the Group has already gained good recognition from old and new customers and had fully been qualified by all customers.

Consumer Electronics and Electronic Components and Parts Manufacturing

Turnover of this segment was HK$78.9 million (2010: HK$85.9 million) representing a decline of 8.1%. This segment kept loss of HK$9.4 million (2010: loss of HK$9.7 million).

a) Consumer Electronics

Turnover of Consumer Electronics was HK$36.7 million (2010: HK$38.6 million) representing a decrease of 4.9%.

Market of consumer electronics kept slow and fierce competition from local Chinese manufacturers in inner China locations. Together with the continuous increase in labor cost, this segment kept continuous loss. The Group had already given up most of the historical non-profitable products and aimed at refining higher margin products with smaller order size.

b) Electronic Components and Parts Manufacturing

Turnover of Electronic Components and Parts Manufacturing was HK$42.2 million (2010: HK$47.3 million) representing a decrease of 10.8%.

As the global electronic component market slowdown, turnover of electronic components manufacturing slightly decreased. At the end of the reported period, the production of diodes started to move to Heyuan factory site. The Group expect the operation will benefit from a lower production cost thereon. Business in wire and harnesses had reached new records.

Personal Computer Products Distribution

In the reported period, turnover of the segment decreased by 9.5% to HK$131.1 million (2010: HK$144.9 million) but result of this segment increased by 52.6% to HK$2.9 million (2010: HK$1.9 million).

The Group has started the distribution of personal computer systems and parts in North America since 1989. Products in this segment include motherboards, display cards, hard disk drives, optical storage devices, computer cases, power supplies, software, memories, desk-top computers, notebook computers, net book computers and computer accessories. Business in this segment kept steady.

Despite the regional economic recession in North America induced a drop of turnover in personal computer distribution business, both the gross profit and operating result of this segment increased significantly. The growth in this segment was the outcome of continuous exploration of new products and diversification of distribution network to mass merchants.

FUTURE PROSPECT

Following the Eurozone debt crisis and fiscal problem in the US, the global market remains unstable. The business outlook in distribution of electronic components is expected to become more challenging. The Group set up various criteria and control points to monitor the accounts receivable and inventory level to prevent any risk that may arise from the economic problem. The Group will keep locating new global renowned brand products in the distribution segment and exploring the possibility to acquire new business partners for development of different market sectors and sales networks to maintain the Group in leading position. The Group will seek opportunity to further penetrate into PRC electronic component market with careful credit control.

The Group has transferred most of its manufacturing operations to Heyuan production site. The Group expects to have a sizable saving of overheads and can also enjoy lower minimum wages in this inner China geographical region. The Group has already entered into a sales and purchase agreement to dispose of the old Yientien factory. To improve its competitiveness, the Group will make use of part of sale proceed to further invest on the Heyuan site with more advanced equipment and facilities. With extensive production experience, the Group is well prepared for upcoming opportunities and challenges in the unstable global market.

DISPOSAL OF FACTORY PROPERTY

As at 26 October 2011, the Group entered into a sales and purchase agreement with the purchasers to dispose the land and buildings of Yientien factory in Dongguan City at a consideration of RMB72.0 million (equivalent to approximately HK$87.8 million). The completion of the disposal will take place after the satisfaction of all conditions set out under the agreement and the settlement of consideration by the purchasers before the end of March 2012.

It is estimated that, upon completion, the Group will accrue a gain on the disposal of approximately HK$36.8 million.

Employees

At 30 September 2011, the Group employed a total of approximately 2,500 employees (30 September 2010: 3,000 employees) located in Hong Kong, Canada and the 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 a Mandatory Provident Fund or ORSO scheme and medical benefits to all Hong Kong employees.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2011

	Note	Unaudited Six months ended 30 September 2011 HK$'000	2010 HK$'000
Turnover	2	**801,796**	946,025
Cost of sales		**(726,990)**	(866,977)
Gross profit		**74,806**	79,048
Other income		**1,895**	297
Selling and distribution expenses		**(11,298)**	(11,588)
General and administrative expenses		**(55,127)**	(56,683)
Operating profit		**10,276**	11,074
Finance costs — net		**(2,648)**	(2,170)
Profit before income tax		**7,628**	8,904
Income tax expense	3	**(3,549)**	(3,371)
Profit for the period		**4,079**	5,533
Attributable to:			
Equity holders of the Company		**4,032**	5,557
Non-controlling interests		**47**	(24)
		4,079	5,533
Dividends	4	**—**	—
Earnings per share for profit attributable to equity holders of the Company			
— Basic	5	**HK1.32 cents**	HK1.82 cents
— Diluted	5	**HK1.28 cents**	HK1.75 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

	Unaudited Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Profit for the period	**4,079**	5,533
Other comprehensive (loss)/income:		
— Currency translation differences	**(4,166)**	(4,364)
— Fair value gain on available-for-sale financial assets, net of tax	**(124)**	44
Total comprehensive (loss)/income for the period	**(211)**	1,213
Total comprehensive (loss)/income attributable to:		
— Equity holders of the Company	**(258)**	1,237
— Non-controlling interests	**47**	(24)
	(211)	1,213

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2011

	Unaudited 30 September 2011	Audited 31 March 2011
	HK$'000	*HK$'000*
Non-current assets		
Goodwill	**27,426**	29,615
Property, plant and equipment	**158,567**	192,624
Land use rights	**10,612**	15,938
Other intangible assets	**3,521**	4,083
Deferred income tax assets	**613**	1,086
Available-for-sale financial assets	**263**	387
	201,002	243,733
Current assets		
Inventories	**258,004**	227,607
Trade and notes receivables	**262,806**	254,746
Amount due from an associated company	**—**	894
Prepayments, deposits and other receivables	**27,304**	36,965
Cash and cash equivalents	**94,362**	104,380
	642,476	624,592
Non-current assets held for sale	**46,137**	—
	688,613	624,592
Total assets	**889,615**	868,325
Equity		
Capital and reserves attributable to equity holders of the Company		
Share capital	**31,539**	30,394
Share premium	**218,476**	215,042
Reserves	**122,392**	125,609
	372,407	371,045
Non-controlling interests	**21**	(26)
Total equity	**372,428**	371,019

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

As at 30 September 2011

	Unaudited 30 September 2011 *HK$'000*	Audited 31 March 2011 *HK$'000*
Non-current liabilities		
Deferred income tax liabilities	**1,557**	1,885
Borrowings	**1,829**	684
	3,386	2,569
Current liabilities		
Borrowings	**332,751**	279,423
Trade payables	**164,160**	186,095
Accruals and other payables	**15,317**	28,113
Tax payable	**1,573**	1,106
	513,801	494,737
Total liabilities	**517,187**	497,306
Total equity and liabilities	**889,615**	868,325
Net current assets	**174,812**	129,855
Total assets less current liabilities	**375,814**	373,588

Note:

1. **Basis of preparation and accounting policies**

This unaudited condensed consolidated interim financial information for the six months ended 30 September 2011 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 2011, 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 2011.

(a) The following new amendment to existing standard is mandatory for the accounting period beginning on or after 1 April 2011:

HKAS 34 (Amendment)	Interim Financial Reporting

Amendment to HKAS 34 "Interim financial reporting" is effective for annual periods beginning on or after 1 April 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

(b) The following new standards, amendments and interpretations to existing standards are mandatory for the accounting period beginning on or after 1 April 2011, but are currently not relevant to the Group:

HKFRSs (Amendment)	Improvement to HKFRSs 2010, except for the amendment to HKAS 34 "Interim Financial Reporting"
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a minimum funding requirement
HK(IFRIC) — Int 19	Extinguishing financial liabilities with equity instruments

(c) The following new standards, amendments and interpretations to existing standards have been issued, but are not effective and have not been early adopted:

HKAS 1 (Amendment)	Presentation of Financial Statements on Other Comprehensive Income (effective for annual period beginning on or after 1 July 2012)
HKAS 12 (Amendment)	Deferred Tax – Recovery of Underlying Assets (effective for annual period beginning on or after 1 January 2012)
HKAS 19 (Revised 2011)	Employee Benefits (effective for annual period beginning on or after 1 January 2013)

HKAS 27 (Revised 2011)	Separate Financial Statements (effective for annual period beginning on or after 1 January 2013)
HKAS 28 (Revised 2011)	Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2013)
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual period beginning on or after 1 July 2011)
HKFRS 7 (Amendment)	Disclosures – Transfer of Financial Assets (effective for annual period beginning on or after 1 July 2011)
HKFRS 9	Financial Instruments (effective for annual period beginning on or after 1 January 2013)
HKFRS 10	Consolidated Financial Statements (effective for annual period beginning on or after 1 January 2013)
HKFRS 11	Joint Arrangements (effective for annual period beginning on or after 1 January 2013)
HKFRS 12	Disclosure of Interests in Other (effective for annual period beginning on or after 1 January 2013)
HKFRS 13	Fair Value Measurement (effective for annual period beginning on or after 1 January 2013)

The adoption of the above new standards, amendments and interpretations to existing standards in future periods is not expected to result in substantial changes to the Group's accounting policies.

The Group will adopt the above new standards, amendments and interpretations when they become effective.

2. Turnover and segment information

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

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

	Electronic components distribution Six months ended 30 September		Contract electronic manufacturing services Six months ended 30 September		Consumer electronics and electronic components and parts manufacturing Six months ended 30 September		Personal computer products distribution Six months ended 30 September		Group Six months ended 30 September	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover										
Sales of goods	**471,599**	629,125	**120,193**	86,108	**78,862**	85,904	**131,142**	144,888	**801,796**	946,025
Results of reportable segments	**18,848**	23,569	**3,584**	1,535	**(9,371)**	(9,697)	**2,937**	1,853	**15,998**	17,260
A reconciliation of results of reportable segments to profit for the period is as follow:										
Results of reportable segments									**15,998**	17,260
Unallocated incomes									**69**	73
Unallocated expenses									**(5,791)**	(6,259)
Operating profit									**10,276**	11,074
Finance costs — net									**(2,648)**	(2,170)
Profit before income tax									**7,628**	8,904
Income tax expense									**(3,549)**	(3,371)
Profit for the period									**4,079**	5,533

3. 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% (2010: 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% (2010: 25%). Companies established and operating in Canada are subject to Canadian income tax at the rate of 35% (2010: 35%).

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

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Current taxation:		
— Hong Kong profits tax	**682**	1,032
— PRC corporate income tax	**2,182**	1,562
— Canadian income tax	**540**	614
	3,404	3,208
Deferred taxation — relating to the origination and reversal of temporary differences	**145**	163
	3,549	3,371

4. Dividends

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
2010/2011 Final dividend, paid, of HK1.0 cent (2009/2010 final: Nil) per ordinary share *(Note (i))*	**3,154**	—
2011/2012 Interim dividend, Nil (2010/2011: Nil) per ordinary share *(Note (ii))*	**—**	—
	3,154	—

Note (i): At a meeting held on 30 June 2011, the Company's directors declared a final dividend of HK1.0 cent per share for the year ended 31 March 2011.

Note (ii): At a meeting held on 24 November 2011, no interim dividend is declared by the Company's directors for the six months ended 30 September 2011.

5. **Earnings per share**

The calculation of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of approximately HK$4,032,000 (2010: HK$5,557,000).

The basic earnings per share is based on the weighted average of 306,597,321 (2010: 303,945,373) ordinary shares in issue during the period. The diluted earnings per share is based on 313,596,167 (2010: 313,321,067) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 2,336,295 (2010: 9,375,694) ordinary shares deemed to be issued at no consideration as exercise of all outstanding share warrants.

6. **Events after the balance sheet date**

As at 26 October 2011, the Group entered into a sales and purchase agreement with third party purchasers to dispose of the land and factory buildings in Yientin, Dongguan City at a consideration of RMB 72.0 million (equivalent to approximately HK$87.8 million). The completion of the disposal will take place after the satisfaction of all conditions set out under the agreement and the settlement of consideration by the purchasers before the end of March 2012. It is estimated that, upon completion, the Group is expected to accrue a gain on the disposal of approximately HK$36.8 million.

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 2011, 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 2011.

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 2011 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 2011.

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, 24 November 2011

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Lau Tak Wan, Ms. Chan Yuen Mei, Pinky, Mr. Wan Chor Fai and Mr. Mak Hoi Kai, Stanly and three independent non-executive directors, namely, Mr. Barry John Buttifant, Mr. Choi Yuk Fan and Mr. Liu Ngai Wing.