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DAIWA ASSOCIATE HOLDINGS LIMITED

台和商事控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 1037)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

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 2013. The unaudited interim financial statements have been reviewed by the Company's audit committee.

RESULTS AND FINANCIAL REVIEW

For the six months ended 30 September 2013, turnover of the Group was reported as HK\$315.3 million (2012 restated: HK\$283.7 million), representing a increase of 11.1% when compared with last corresponding period. Gross profit increased by 12% to HK\$35.5 million (2012 restated: HK\$31.7 million).

- The earnings of the Group before interest, tax, depreciation and amortization (EBITDA) were HK\$7.5 million (2012 restated: HK\$23.6 million, HK\$5.8 million when excluded gain from disposal of property), representing an decrease of HK\$16.1 million when compared to the last corresponding period.
- The operating profit (EBIT) of the Group was HK\$4.6 million (2012 restated: HK\$19.7 million, HK\$1.9 million when excluded gain from disposal of property), representing an decrease of HK\$15.1 million when compared to the last corresponding period.
- The net profit of the Group was HK\$3.1 million (2012 restated: profit HK\$18.2 million, HK\$0.4 million when excluded gain from disposal of property), representing a decrease of HK\$15.1 million.

* For identification purpose only

The Board of Directors has not recommended any payment of interim dividend.

At 30 September 2013, the Group's current assets amounted to HK\$296.4 million (31 March 2013: HK\$272.7 million) and the shareholders' funds were HK\$227.5 million (31 March 2013: HK\$212.9 million). The current liabilities were HK\$232.5 million (31 March 2013: HK\$225.1 million).

The cash and bank balances at the period end were HK\$65.5 million (31 March 2013: HK\$60.2 million). Total available banking facilities of the Group were approximately HK\$159.1 million (31 March 2013: HK\$190.1 million), of which HK\$47.8 million was available for use (31 March 2013: HK\$75.1 million). At 30 September 2013, the Company committed corporate guarantees of HK\$261.0 million (31 March 2013: HK\$293.0 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, to shareholders' funds, excluding minority interests, was 0.16 (31 March 2013: 0.25).

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

The borrowings were mostly denominated in Hong Kong dollars and US dollars which was almost free from currency fluctuation 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 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 payable and bank borrowings were denominated in Hong Kong and US dollars, the exchange risk for the Group was not expect to be material, therefore the Group had not engaged in any speculative derivatives or structured products transactions.

BUSINESS REVIEW AND PROSPECT

After the Group ceased the business in Consumer Electronics and after the disposition of some of the subsidiaries in electronic component distribution in last financial year, the Group is now engaged in the following major business:

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

Electronic Components Distribution

Turnover of electronic components distribution segment was HK\$96.5 million (2012 restated: HK\$102.7 million) representing a decrease of 6.0% when compared with the last corresponding period.

Business in this segment is mainly to act as authorized distributor of various renowned brand names including Rohm, Liteon, Arnold Magnetics, Diodes, SDC, Everlight, Havartech, PFC Device, AEM, Micro-metal, Chino-Excel Technology (CET) and the Group's own manufacturing brand COS and TIP. Major customers are manufacturers 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.

After the disposition of the low margin high risk product lines in this segment, the segment had successfully procured new distributorships and by the successful replacement of new products to the disposed part-numbers, the turnover recovered most part of the disposed business. Due to the effort in stock clearance of stock of old brand names, the segment results decreased slightly when compared with last corresponding period.

During the period, with the contribution of sales offices in Beijing, Shanghai, Shenzhen and Chengdu, sales turnover of this segment was keeping on growth with further strengthening of customer network.

Personal Computer Products Distribution

Turnover of this segment was HK\$140.0 million (2012: HK\$132.9 million) which represented an increase of 5.3% in the reported period.

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

Other than the traditional business in personal computers and note-book computers, this segment has extended the coverage to the market of tablet computers, portable devices and peripherals. Operation of personal computer business was smooth and steady. Business from the sales to mass merchants was increasing.

Electronic Products Manufacturing

After the termination of unprofitable operations in the previous financial year, turnover of this segment increased to HK\$78.8 million (2012 restated: HK\$48.1 million), representing a increase of 63.8% when compared to last corresponding period.

The Group has engaged in the professional EMS production of telecommunication modules in mobile phone base stations, PCB assembly for industrial purpose products and certain electronics related parts. The quality and commitments of this segment has long been the asset of the Group. The EMS plant 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 and antistatic clean room.

After the elimination of low margin and labor intensive non-profit making productions, the Group concentrated its effort to support key customers and develop new customers. As the result of production re-engineering, the Group was rewarded by the increasing orders from customers.

FUTURE PROSPECT

After the strategic alignment of the Group's business direction, the Group is focused in the business of higher gross margin, lower risk and relatively low inventory levels. The Group expects that the business operation for the coming years will be more cost effective with reduced working capital requirement and more in-depth management concentration. This change releases resources of the Group to better identify the opportunity of growth.

In the segment of Electronic Components Distribution, turnover will increase through the establishment of new distributorships and new products from new principal suppliers. In addition to the existing product lines, the segment will also target to the markets of optical electronics, illuminations and power management devices which are expected to have considerable growth in the coming years.

Business in the personal computer business is steady. The Group is actively sourcing for the opportunity to act as authorize distributor of new suppliers. With the day by day increase in business from mass merchants, this segment has established sourcing office in Mainland China to ensure more varieties of products with good quality and pricing. The Group will continue to diversify the personal computer distribution business to further penetrate into the field of tablet computers and smartphone accessories.

In Electronic Products Manufacturing segment, after elimination of low margin products, the earning per worker increased substantially. At the same time, forecast from customers, especially on telecommunication modules is increasing. In the manufacturing of electronic parts, the Group will explore opportunities of new package outlines to product lines in this segment. To enhance the production cost, the Group has outsourced some of the labor intensive process to local low cost factories.

To further utilize unemployed facilities the Group has already started to lease out some of the unoccupied premises in the production site in Heyuan.

The Group is actively looking for new partners with niche product portfolios. The Group also focuses on training new management talents to ensure they are aligned with the strategic outlook of the Group.

The management believes that in the coming fiscal year, the Group will achieve steady growth.

Employees

At 30 September 2013, the Group employed a total of approximately 800 employees (31 March 2013: 800 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 a 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.

The Group has established a share option scheme from 30 August 2013. The scheme allows the Group to award share option to directors, managers and employees who have good performance and recognized contribution to the Group.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2013

		Unaudited Six months ended 30 September	
	Note	2013 HK\$'000	2012 HK\$'000 (Restated)
Continuing operations			
Revenue	2	315,321	283,714
Cost of sales		<u>(279,786)</u>	<u>(251,973)</u>
Gross profit		35,535	31,741
Other income	3	1,098	412
Net (loss)/gain on disposal of property, plant and equipment		(20)	17,847
Selling and distribution expenses		(5,474)	(4,239)
General and administrative expenses		<u>(26,538)</u>	<u>(26,020)</u>
Operating profit		4,601	19,741
Finance costs — net		<u>(741)</u>	<u>(544)</u>
Profit before income tax		3,860	19,197
Income tax expense	4	<u>(791)</u>	<u>(993)</u>
Profit for the period from continuing operations		3,069	18,204
Discontinued operations			
Loss for the period from discontinued operations		<u>—</u>	<u>(15,697)</u>
Profit for the year		<u>3,069</u>	<u>2,507</u>
Attributable to:			
Equity holders of the Company		3,069	2,507
Non-controlling interests		<u>—</u>	<u>—</u>
		<u>3,069</u>	<u>2,507</u>
Dividends	5	<u>—</u>	<u>—</u>
Earnings per share for profit attributable to equity holders of the Company			
— Basic	6	<u>0.74 cents</u>	<u>HK0.79 cents</u>
— Diluted	6	<u>0.70 cents</u>	<u>HK0.79 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2013

	Unaudited	
	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
Comprehensive income:		
Profit for the period	<u>3,069</u>	<u>2,507</u>
Other comprehensive (loss)/income:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
— Fair value loss on available-for-sale financial assets, net of tax	(5)	(28)
— Currency translation differences	<u>(415)</u>	<u>572</u>
Other comprehensive (loss)/income for the period	<u>(420)</u>	<u>544</u>
Total comprehensive income for the period	<u><u>2,649</u></u>	<u><u>3,051</u></u>
Total comprehensive income attributable to:		
— Equity holders of the Company	2,649	3,051
— Non-controlling interests	<u>—</u>	<u>—</u>
	<u><u>2,649</u></u>	<u><u>3,051</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2013

		Unaudited 30 September 2013 <i>HK\$'000</i>	Audited 31 March 2013 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Goodwill		27,786	28,201
Property, plant and equipment		75,251	76,500
Investment properties		35,086	35,364
Land use rights		9,350	9,648
Other intangible assets		710	710
Prepayments and rental deposits		428	363
Available-for-sale financial assets		15,297	15,136
		<u>163,908</u>	<u>165,922</u>
Current assets			
Inventories		111,689	98,031
Trade and notes receivables	7	108,028	95,198
Prepayments, deposits and other receivables		11,233	19,287
Cash and cash equivalents		65,499	60,160
		<u>296,449</u>	<u>272,676</u>
Total assets		<u><u>460,357</u></u>	<u><u>438,598</u></u>
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		43,724	39,424
Share premium		233,196	225,514
Deficits		(49,598)	(52,247)
		<u>227,322</u>	<u>212,691</u>
Non-controlling interests		<u>215</u>	<u>215</u>
Total equity		<u><u>227,537</u></u>	<u><u>212,906</u></u>

		Unaudited 30 September 2013 <i>Note</i> <i>HK\$'000</i>	Audited 31 March 2013 <i>HK\$'000</i>
Non-current liabilities			
Deferred income tax liabilities		272	253
Borrowings		—	321
		<u>272</u>	<u>574</u>
Current liabilities			
Borrowings		102,872	113,947
Trade payables	8	95,577	65,425
Accruals and other payables		32,682	44,256
Tax payable		1,417	1,490
		<u>232,548</u>	<u>225,118</u>
Total liabilities		<u>232,820</u>	<u>225,692</u>
Total equity and liabilities		<u>460,357</u>	<u>438,598</u>
Net current assets		<u>63,901</u>	<u>47,558</u>
Total assets less current liabilities		<u>227,809</u>	<u>213,480</u>

Note:

1. Basis of preparation and accounting policies

This unaudited condensed consolidated interim financial information for the six months ended 30 September 2013 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 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

As at 30 September 2013, a restrictive bank covenant relating to the minimum requirement on the Group’s tangible net assets was not met for one of the Group’s bank facilities from which borrowings of HK\$44,775,000 was drawn. In October 2013, the bank has reduced the level of such requirement and the Group is in compliance with the revised covenant requirement thereafter.

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2013.

(a) The following new standards, amendments and interpretation to existing standards are mandatory for accounting periods beginning on or after 1 April 2013, but do not have material effect to the Group:

• HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets
• HKAS 19 (2011)	Employee benefits
• HKAS 27 (2011)	Separate financial statements
• HKAS 28 (2011)	Investments in associates and joint ventures
• HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters
• HKFRS 7 (Amendment)	Disclosures — Transfers of financial assets
• HKFRS 10	Consolidated financial statements
• HKFRS 11	Joint arrangements
• HKFRS 12	Disclosure of interests in other entities
• HKFRS 13	Fair value measurement
• Amendments to HKAS 1 (Revised)	Presentation of items of other comprehensive income
• Amendments to HKFRS 7	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities
• Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, Joint arrangements and Disclosure of interests in other entities: Transition guidance
• HK (IFRIC) — Int 20	Stripping costs in the production phase of a surface mine

(b) The following published standard, and amendments and interpretation to existing standards are mandatory for the Group's accounting periods beginning on or after 1 April 2013 and have not been early adopted by the Group:

• HKFRS 9	Financial instruments
• HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date of HKFRS 9 and transition disclosures
• Amendments to HKAS 32	Financial instruments: Presentation — Offsetting financial assets and financial liabilities
• Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
• Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
• Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities
• HK (IFRIC) — Int 21	Levies

The directors anticipate that the adoption of the above new standard, amendments and interpretation to existing standards will not result in a significant impact on the results and financial position of the Group.

The Group will adopt the above new standard, amendments and interpretation when they become effective.

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 2013				
	Electronic Components Distribution <i>HK\$'000</i>	Electronic Products Manufacturing <i>HK\$'000</i>	Personal Computer Products Distribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover				
Sales of goods	<u>96,503</u>	<u>78,777</u>	<u>140,041</u>	<u>315,321</u>
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 year is as follows:				
Results of reportable segments				8,399
Unallocated income				1,098
Unallocated expenses				<u>(4,896)</u>
Operating results				4,601
Finance costs — net				<u>(741)</u>
Profit before income tax				3,860
Income tax expense				<u>(791)</u>
Profit for the year				<u>3,069</u>

Six months ended 30 September 2012

	Electronic Components Distribution <i>HK\$ '000</i> <i>(Restated)</i>	Electronic Products Manufacturing <i>HK\$ '000</i>	Personal Computer Products Distribution <i>HK\$ '000</i>	Total <i>HK\$ '000</i> <i>(Restated)</i>
Turnover				
Sales of goods	<u>102,742</u>	<u>48,070</u>	<u>132,902</u>	<u>283,714</u>
Results of reportable segments	<u>2,635</u>	<u>3,832</u>	<u>2,979</u>	<u>9,446</u>
A reconciliation of results of reportable segments to profit for the year is as follows:				
Results of reportable segments				9,446
Unallocated income				17,950
Unallocated expenses				<u>(7,655)</u>
Operating results				19,741
Finance costs — net				<u>(544)</u>
Profit before income tax				19,197
Income tax expense				<u>(993)</u>
Profit for the year				<u><u>18,204</u></u>

	As at 30 September 2013			
	Electronic Components Distribution <i>HK\$'000</i>	Electronic Products Manufacturing <i>HK\$'000</i>	Personal Computer Products Distribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total segment assets	105,715	99,026	99,036	303,777
Available-for-sale financial assets				15,297
Other unallocated assets				141,283
Total assets per consolidated balance sheet				460,357
Total segment liabilities	81,642	71,946	37,448	191,036
Tax payable				1,417
Deferred income tax liabilities				272
Other unallocated liabilities				40,095
Total liabilities per consolidated balance sheet				232,820

As at 31 March 2013				
	Electronic Components Distribution <i>HK\$ '000</i>	Electronic Products Manufacturing <i>HK\$ '000</i>	Personal Computer Products Distribution <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Total segment assets	<u>90,024</u>	<u>79,547</u>	<u>91,778</u>	261,349
Available-for-sale financial assets				15,136
Assets related to discontinued operations and other unallocated assets				<u>162,113</u>
Total assets per consolidated balance sheet				<u>438,598</u>
Total segment liabilities	<u>73,666</u>	<u>38,166</u>	<u>32,634</u>	144,466
Tax payable				1,490
Deferred income tax liabilities				253
Liabilities related to discontinued operations and other unallocated liabilities				<u>79,483</u>
Total liabilities per consolidated balance sheet				<u>225,692</u>

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	
	2013 <i>HK\$ '000</i>	2012 <i>HK\$ '000</i> (Restated)
Hong Kong	58,266	45,673
Mainland China	60,300	57,069
North America	145,077	135,463
Europe	46,006	45,509
Other Asian countries	5,672	—
	<u>315,321</u>	<u>283,714</u>

3. Other income

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
Other income includes:		
Rental Income	1,090	215
Others	8	197
	<u>1,098</u>	<u>412</u>

4. 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% (2012: 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% (2012: 25%). Companies established and operating in Canada are subject to Canadian income tax at the rates of 25.0% to 26.5% (2012: 26.1% to 27.8%).

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

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
		(Restated)
Current taxation:		
— Hong Kong profits tax	158	573
— PRC corporate income tax	12	—
— Canadian income tax	602	478
	<u>772</u>	<u>1,051</u>
Deferred taxation — relating to the origination and reversal of temporary differences	<u>19</u>	<u>(58)</u>
	<u>791</u>	<u>993</u>

5. Dividends

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
2012/2013 Final dividend Nil (2011/2012 final: Nil) per ordinary share (<i>Note (i)</i>)	—	—
2013/2014 Interim dividend Nil (2012/2013: Nil) per ordinary share (<i>Note (ii)</i>)	—	—
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

Note (i): At a meeting held on 22 July 2013, no final dividend is declared by the Company's directors for the year ended 31 March 2013.

Note (ii): At a meeting held on 25 November 2013, no interim dividend is declared by the Company's directors for the six months ended 30 September 2013.

6. Earnings per share

The calculation of basic earnings per share are based on the Group's profit attributable to shareholders of approximately HK\$3,069,000 (2012: HK\$2,507,000). The basic earnings per share is based on 415,239,332 (2012: 315,391,559) shares which is the weighted average of ordinary shares in issue during the period.

For the six months ended 30 September 2013, diluted earnings per share is 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. There is no dilutive effect on the earnings per share for the six months ended 30 September 2012.

7. Trade and notes receivables

Trade receivables and their ageing analysis is as follows:

	30 September 2013 HK\$'000	31 March 2013 HK\$'000
Less than 60 days	71,947	60,746
60 to 120 days	23,166	20,279
Over 120 days	<u>30,196</u>	<u>28,883</u>
	125,309	109,908
Less: provision for impairment	<u>(21,154)</u>	<u>(22,075)</u>
	104,155	87,833
Notes receivable	<u>3,873</u>	<u>7,365</u>
	<u>108,028</u>	<u>95,198</u>

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

8. Trade payables

Trade payables and their ageing analysis is as follows:

	30 September 2013 HK\$'000	31 March 2013 HK\$'000
Less than 60 days	77,894	52,378
60 to 120 days	12,222	8,527
Over 120 days	5,461	4,520
	<u>95,577</u>	<u>65,425</u>

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 2013, 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 2013.

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 2013 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 2013.

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, 25 November 2013

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Lau Tak Wan, Ms. Chan Yuen Mei, Pinky, Mr. Cheung Wai Ho, Mr. Chong Wing Kam, James and Mr. Fung Wai Ching and three independent non-executive directors, namely, Dr. Barry John Buttifant, Mr. Choi Yuk Fan and Dr. Liu Ngai Wing.