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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 2015

CHAIRMAN 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 2015. The unaudited interim financial statements have been reviewed by the audited committee of the Company.

RESULTS AND FINANCIAL REVIEW

For the six months ended 30 September 2015, turnover of Group was reported as HK\$48.3 million (2014: HK\$67.0 million), representing a decrease of 27.9% when compared with last corresponding period. Gross profit increased by 5.0% to HK\$12.5 million (2014: HK\$11.9 million).

- The earnings before interest, tax, depreciation and amortization (EBITDA) were HK\$4.8 million (2014: HK\$4.5 million), representing a increase of HK\$0.3 million when compared to the last corresponding period.
- The operating profit (EBIT) of the Group was HK\$2.8 million (2014: HK\$3.5 million), representing a decrease of HK\$0.7 million when compared to the last corresponding period.
- The net profit of the Group was HK\$1.5 million (2014: HK\$1.5 million), which is the same as last corresponding period.

The Board of Directors does not recommend any payment of interim dividend.

* For identification purpose only

In the special general meeting on 19 October 2015, the shareholders had approved a special dividend of HK\$0.23 per ordinary share to shareholders whose names appeared on the shareholder register on 27 October 2015. The special dividend totaling HK\$100.6 million was paid to shareholders on 4 November 2015.

At 30 September 2015, the Group's current assets amounted to HK\$350.3 million (31 March 2015: HK\$292.7 million) and the shareholders' equity were HK\$187.2 million (31 March 2015: HK\$186.5 million). The current liabilities were HK\$178.1 million (31 March 2015: HK\$156.8 million).

The inventory level was HK\$55.0 million (31 March 2015: HK\$116.2 million). The trade receivable (not include note receivable) was HK\$19.6 million (31 March 2015: HK\$80.8 million).

The cash and bank balances at 30 September 2015 were HK\$20.7 million (31 March 2015: HK\$71.7 million). Total available banking facilities of the Group were approximately HK\$135.6 million (31 March 2015: HK\$ 141.3 million), of which HK\$54.7 million was available for use (31 March 2015: HK\$63.5 million). There were no finance lease obligations outstanding as at the period end and at 31 March 2015. The Company committed corporate guarantees of HK\$185.0 million (31 March 2015: 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 2.1% (31 March 2015: 1.7%).

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 of 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 payable 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.

The Group did not repurchase any ordinary shares in the open market.

CHANGE IN CONTROL

At 29 April 2015, Mr. Lau Tak Wan (“Mr. Lau”), Ms. Chan Yuen Mei, Pinky (“Ms. Pinky Chan”), together with the entities controlled by them entered into a conditional sale and purchase agreement with Asia-IO Acquisition Fund, L.P. (the “Offerors”) to dispose of their entire equity interest in the Company representing 55.17% of the Company’s shares at that date at a consideration of HK\$276.0 million. At the same date, an entity controlled by Mr. Lau enter into a sale and purchase agreement with the Company in respect of disposal of the Group’s business of distribution of electronic components and computer products, and certain property holding entities. The Company also entered into three separate share subscription agreements with the Offerors, Asia-IO Holdings Limited and Huatai Principal Investments I Limited which conditionally agreed to issue and subscribe for 225,000,000 new ordinary shares of the Company at HK\$1.144 per share, representing a total amount of HK\$257.4 million. All these agreements were inter-conditional and had to be completed at the same time.

In the special general meeting held at 19 October 2015, independent shareholders duly passed the ordinary resolutions to approve these agreements and the special dividend of HK\$0.23 per ordinary share to be declared and distributed after the completion of these agreements.

These agreements were duly completed at 29 October 2015 and the consideration on the disposal of the business of distribution of electronics components and computer products, and certain properties holding entities were agreed at HK\$102.4 million which were mainly used to distribute to shareholders as special dividend.

The special dividend totaling HK\$100.6 million were paid to shareholders on 4 November 2015. Mr. Lau, Ms. Pinky Chan and entities controlled by them, being all together holding 55.17% of the shares at record date, had received special dividend of approximately total HK\$ 55.5 million.

Upon completion of the agreements, the Offerors and parties acting in concert with it are interested in a total of 466,221,529 Shares, representing approximately 70.40% of the issued share capital of the Company. Accordingly, the Offerors are required to make an mandatory unconditional cash offer for all the issued shares (other than those already owned or agreed to be acquired and subscribed by the Offeror and parties acting in concert with it) (the “Offer”). Upon the completion of the Offer on 23 November 2015, the Offerors had received valid acceptances in respect of a total of 104,800 shares, representing approximately 0.02% of the entire issued share capital of the Company. As a result, the Offerors and parties acting in concert with it are interested in an aggregate of 466,326,329 Shares, representing approximately 70.42% of the entire issued share capital of the Company.

After the disposal, the remaining business of the Group is the manufacturing of electronic products including telecommunication modules and diodes. The Offeror intends to continue to operate the remaining business of the Group and to develop new businesses, including the provision of smart manufacturing solutions (“SMS”), which aim to upgrade the manufacturing lines of electronics manufacturers in the Greater China region by means of system integration services utilizing “Internet-of-Things” (“IoT”) modules, analytics software, and other digital technologies.

BUSINESS REVIEW AND PROSPECT

During the six month ended 30 September 2015, the Group was engaging in the following major businesses:

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

The business segments of distribution of personal computer products and distribution of electronics components, were discontinued and disposed by the Group at 29 October 2015. Therefore these two segments were classified as discontinued operations in this interim report.

Electronic Products Manufacturing

The turnover of this segment decreased to HK\$48.3 million (2014: HK\$67.0 million), representing a drop of 27.9% when compared to last corresponding period. The profit of this segment was HK\$3.4 million (2014: HK\$4.1 million), representing a decrease of HK\$0.7 million when compared to the last corresponding period.

The Group continued to explore high margin productions and eliminate low margin products in this period. As the development of global electronic products markets was not clear and the payment habits of some PRC customers had worsened, the Group had imposed tighter control on the overdue accounts to minimize credit risk from less creditable customers. This policy has led to a lower business volume with those customers.

The Group has further enhanced the operation of its factory to have a more efficient production flow. Apart from replacing some labor with automation machinery, the production team streamlined the production process with better quality control, logistic and cost control system.

The Group focused on the professional production of telecommunication modules in mobile phone infrastructures as well as the production and assembly for industrial and commercial purpose electronics products. The plant is equipped with surface mount technology (“SMT”) production lines with nitrogen filled reflow furnaces and precision quality assurance equipment in antistatic clean room.

FUTURE PROSPECT

In the segment of Electronics Products Manufacturing, the consistent increase of minimum wages and social insurance in the PRC created heavy burdens in the cost of productions. The Group will continue to invest in the development of automation to ease the reliance on labor forces and, at the same time, to yield more consistent, efficient and precise quality products.

In the diode and telecommunication module manufacturing business unit, demand from customers is increasing. New production capacities of the diode workshop have already been installed to increase revenue.

The business segments of distribution of personal computer products and distribution of electronics components, were discontinued and disposed by the Group at 29 October 2015.

Following the completion of takeover by the Offeror and parties acting in concert with it, the Company will expand its capabilities from electronics component manufacturing to providing smart manufacturing system integration services for the electronics manufacturing industries. The Directors believe that, as a result of the change in control and the receipt of net proceeds from the share subscription, the Group will bring in new customers and new projects which will spearhead the Group to generate new business.

Employees

At 30 September 2015, the Group employed a total of approximately 470 employees (31 March 2015: 600 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 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 2015

		Unaudited Six months ended 30 September	
		2015	2014
	Note	HK\$'000	HK\$'000 (Restated)
Continuing operations			
Turnover	2	48,335	66,963
Cost of sales		(35,852)	(55,035)
Gross profit		<u>12,483</u>	<u>11,928</u>
Net gain on disposal of property, plant and equipment		130	—
Selling and distribution expenses		(2,634)	(2,330)
General and administrative expenses		(7,182)	(6,086)
Operating profit		<u>2,797</u>	<u>3,512</u>
Finance costs — net		(284)	(421)
Profit before income tax		<u>2,513</u>	<u>3,091</u>
Income tax expense	3	(63)	(11)
Profit for the period from continuing operations		<u>2,450</u>	<u>3,080</u>
Loss for the period from discontinued operations		<u>(986)</u>	<u>(1,543)</u>
Profit for the period		<u>1,464</u>	<u>1,537</u>
Attributable to:			
Equity holders of the Company		1,464	1,537
Non-controlling interests		—	—
		<u>1,464</u>	<u>1,537</u>
Earnings/(loss) per share for profit attributable to equity holders of the Company — basic and diluted			
— Continuing operations	5	<u>HK0.56 cents</u>	<u>HK0.70 cents</u>
— Discontinued operations	5	<u>HK(0.22) cents</u>	<u>HK(0.35) cents</u>

Details of dividends payable to equity holders of the Company are set out on Note 4.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	Unaudited	
	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
		(Restated)
Comprehensive income:		
Profit for the period	<u>1,464</u>	<u>1,537</u>
Other comprehensive (loss)/income:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
— Fair value (loss)/gain on available-for-sale financial assets, net of tax	(41)	95
— Currency translation differences	<u>(735)</u>	<u>(328)</u>
Other comprehensive loss for the period	<u>(776)</u>	<u>(233)</u>
Total comprehensive income for the period	<u>688</u>	<u>1,304</u>
Total comprehensive income attributable to:		
Equity holders of the Company		
— continuing operations	1,464	1,537
— discontinued operations	<u>(776)</u>	<u>(233)</u>
	688	1,304
Non-controlling interests	<u>—</u>	<u>—</u>
	<u>688</u>	<u>1,304</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2015

		Unaudited 30 September 2015 <i>HK\$'000</i>	Audited 31 March 2015 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		11,691	39,546
Investment properties		—	3,540
Land use rights		—	2,092
Available-for-sale financial assets		—	14,088
Deferred income tax assets		—	115
Other long-term assets		3,355	3,564
		<u>15,046</u>	<u>62,945</u>
Current assets			
Inventories		55,026	116,250
Trade and notes receivables	6	19,671	92,286
Prepayments, deposits and other receivables		14,684	11,396
Tax recoverable		—	1,049
Cash and cash equivalents		20,682	71,669
		<u>110,063</u>	<u>292,650</u>
Assets of disposal group classified as held for sale		<u>240,200</u>	<u>—</u>
Total current assets		<u>350,263</u>	<u>292,650</u>
Total assets		<u>365,309</u>	<u>355,595</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		43,724	43,724
Reserves		143,265	142,577
		<u>186,989</u>	<u>186,301</u>
Non-controlling interests		<u>215</u>	<u>215</u>
Total equity		<u>187,204</u>	<u>186,516</u>

		Unaudited 30 September 2015 <i>HK\$'000</i>	Audited 31 March 2015 <i>HK\$'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		—	12,311
		—	12,311
Current liabilities			
Borrowings		24,794	74,805
Trade payables	7	13,942	57,930
Accruals and other payables		1,983	24,033
Tax payable		128	—
		40,847	156,768
Liabilities of disposal group classified as held for sale		137,258	—
Total current liabilities		178,105	156,768
Total liabilities		178,105	169,079
Total equity and liabilities		365,309	355,595
Net current assets		172,158	135,882
Total assets less current liabilities		187,204	198,827

Note:

1. Basis of preparation and accounting policies

This unaudited condensed consolidated interim financial information for the six months ended 30 September 2015 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 2015, 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 2015.

(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 2015.

(ii) *Discontinued operations*

A discontinued operation is a component of the Group’s business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

These accounting policies have become relevant to the Group as a result of its disposal transactions disclosed in Note 8.

(iii) The following amendments to existing standards are mandatory for accounting periods beginning on or after 1 April 2015, but do not have material effect to the Group:

- | | |
|-------------------------------|---|
| • HKAS 19 (Amendment) | Defined benefit plans: Employee contributions |
| • Annual improvements project | Annual improvements 2010-2012 cycle |
| • Annual improvements project | Annual improvements 2011-2013 cycle |

- (iv) The following published standards and amendments to existing standards are mandatory for the Group's accounting periods beginning on or after 1 April 2016 and have not been early adopted by the Group:

HKFRS 9	Financial Instruments ³
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture ¹
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception ¹
HKFRS 11 (Amendment)	Accounting for Acquisition of Interest in Joint Operations ¹
HKFRS 14	Regulatory Deferral Accounts ¹
HKFRS 15	Revenue from Contracts with Customers ³
HKFRS (Amendment)	Annual Improvement 2012-2014 Cycle ¹
HKAS 1	Disclosure Initiative ¹
HKAS 16 and 38 (Amendment)	Acceptable Methods of Depreciation and Amortization ¹
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants ¹
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements ¹

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

² Effective for annual periods beginning on or after 1 January 2017

³ 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.

- (v) As a result of the discontinued operations as mentioned in Note 2 during the period, comparative figures of the consolidated income statement and consolidated statement of comprehensive income in prior period have been restated to conform to the presentation of the current period. These restatements have no impact on the Group's total equity as at 31 March 2015 and 1 April 2014, or on the Group's profit for the period ended 30 September 2014.

2. Revenue and segment information

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

On 29 April 2015 and subsequently on 27 July 2015 and 22 September 2015, the Company has entered into a sale and purchase agreement and supplemental agreements with Champion Success Holdings Limited ("CSH"), an entity wholly owned by Mr. Lau, pursuant to which the Company conditionally agreed to sell its 100% equity interests in Daiwa BVI Limited and its subsidiaries (the "Disposal Group") to CSH at a consideration of HK\$95,000,000, subject to adjustment with reference to the net asset value of the Disposal Group as at the completion accounts date. The Disposal Group consists of businesses within the Group that are collectively and principally engaged in the businesses of distribution and trading of electronic components and computer products, and central property management.

The consolidated assets and liabilities of the Disposal Group are presented as held for sale and its related operations are classified as discontinued operations as a result of the above transaction which was completed on 29 October 2015.

The Group has three operating segments, of which the “Electronic Components Distribution” segment and “Personal Computer Products Distribution” segment were operated through entities within the Disposal Group and were classified as discontinued operations accordingly. The results of continuing operations presented in the Group’s consolidated income statement for the period ended 30 September 2015 represents the operating results of the remaining operation segment “Electronic Products Manufacturing”.

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 2015			
	Discontinued Operations		Continuing Operations	
	Electronic Components Distribution <i>HK\$'000</i>	Personal Computer Products Distribution <i>HK\$'000</i>	Electronic Products Manufacturing <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover				
Sales of goods	<u>91,368</u>	<u>95,793</u>	<u>48,335</u>	48,335
Results of reportable segments	901	1,460	3,390	3,390
A reconciliation of results of reportable segments to profit for the period is as follow:				
Results of reportable segments				3,390
Unallocated incomes				—
Unallocated expenses				<u>(593)</u>
Operating profit				2,797
Finance costs — net				<u>(284)</u>
Profit before income tax				<u>2,513</u>

Note: Unallocated income of HK\$247,000, unallocated expenses of HK\$3,173,000, finance income of HK\$561,000, finance costs of HK\$639,000 and income tax expense of HK\$343,000 are related to the Group’s discontinued operations.

The above amounts, together with the segment results of the “Electronic Components Distribution” segment and “Personal Computer Products Distribution” segment, constitute the loss of the discontinued operations set out in the consolidated income statement for the period ended 30 September 2015.

Six months ended 30 September 2014 (Restated)				
	Discontinued Operations		Continuing Operations	
	Electronic Components Distribution <i>HK\$'000</i>	Personal Computer Products Distribution <i>HK\$'000</i>	Electronic Products Manufacturing <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover				
Sales of goods	<u>86,808</u>	<u>131,195</u>	<u>66,963</u>	66,963
Results of reportable segments	(1,757)	3,218	4,150	4,150
A reconciliation of results of reportable segments to profit for the period is as follow:				
Results of reportable segments				4,150
Unallocated incomes				—
Unallocated expenses				<u>(638)</u>
Operating profit				3,512
Finance costs — net				<u>(421)</u>
Profit before income tax				<u>3,091</u>

Note: Unallocated income of HK\$3,355,000, unallocated expenses of HK\$4,767,000, finance income of HK\$368,000, finance costs of HK\$721,000 and income tax expense of HK\$1,239,000 are related to the Group's discontinued operations.

The above amounts, together with the segment results of the “Electronic Components Distribution” segment and “Personal Computer Products Distribution” segment, constitute the loss of the discontinued operations set out in the consolidated income statement for the period ended 30 September 2014.

As at 30 September 2015			
	Discontinued Operations		Continuing Operations
	Electronic Components Distribution <i>HK\$'000</i>	Personal Computer Products Distribution <i>HK\$'000</i>	Electronic Products Manufacturing <i>HK\$'000</i>
			Total <i>HK\$'000</i>
Segment assets			
Other segment assets	<u>109,336</u>	<u>59,382</u>	<u>122,779</u>
Assets of disposal group classified as held for sale			71,482
Other unallocated assets			<u>2,330</u>
Total assets per consolidated balance sheet			<u><u>365,309</u></u>
Segment liabilities			
Segment liabilities	<u>74,204</u>	<u>26,374</u>	<u>40,682</u>
Tax payable			128
Liabilities of disposal group classified as held for sale			36,680
Other unallocated liabilities			<u>37</u>
Total liabilities per consolidated balance sheet			<u><u>178,105</u></u>

Unallocated assets and unallocated liabilities included assets and liabilities relating to the Disposal Group amounting to HK\$71,482,000 and HK\$36,680,000 respectively. These, together with the respective assets and liabilities of the “Electronic Components Distribution” segment and “Personal Computer Products Distribution” segment, constitute the total assets and liabilities of the Disposal Group set out in the consolidated balance sheet as at 30 September 2015.

As at 31 March 2015				
	Electronic Components Distribution <i>HK\$'000</i>	Personal Computer Products Distribution <i>HK\$'000</i>	Electronic Products Manufacturing <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets				
Other segment assets	94,270	105,691	96,253	296,214
Deferred income tax assets				115
Available-for-sale financial assets				14,088
Other unallocated assets				45,178
Total assets per consolidated balance sheet				355,595
Segment liabilities				
Segment liabilities	55,589	39,871	43,957	139,417
Deferred income tax liabilities				12,311
Other unallocated liabilities				17,351
Total liabilities per consolidated balance sheet				169,079

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 analyzed as follows:

	Six months ended 30 September	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Hong Kong	5,176	9,930
Mainland China	7,074	7,210
North America	284	901
Europe	30,503	42,940
Other Asian countries	5,298	5,982
Revenue from continuing operations	48,335	66,963

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% (2014: 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% (2014: 25%).

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

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Current taxation:		
— Hong Kong profits tax	—	—
— PRC corporate income tax	(63)	(11)
	<u>(63)</u>	<u>(11)</u>

4. Dividends

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
2015/2016 special dividend HK\$0.23 per ordinary share, declared on 19 October 2015 (<i>Note (i)</i>) (2014/2015: HK\$0.05 per ordinary share, declared on 28 November 2014 (<i>Note (ii)</i>))	<u>100,565</u>	<u>21,862</u>

Note (i): In the special general meeting held on 19 October 2015, a special dividend of HK\$0.23 per ordinary share was conditionally approved by shareholders. No dividend had been declared by the Company's directors for the year ended 31 March 2014.

Note (ii): At a meeting held on 28 November 2014, the directors resolved to declare a special dividend of HK\$0.05 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.

5. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share are based on the Group's profit attributable to shareholders of approximately HK\$1,464,000 (2014: HK\$1,537,000). The basic earnings/(loss) per share is based on 437,239,448 (2014: 437,239,448) shares which is the weighted average of ordinary shares in issue during the period.

Dilutive earnings/(loss) per share is of the same amount as the basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding during the period.

6. Trade and notes receivables

Trade receivables and their ageing analysis is as follows:

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Less than 60 days	16,255	66,591
60 to 120 days	2,421	12,049
Over 120 days	932	24,891
	<u>19,608</u>	<u>103,531</u>
Less: provision for impairment	—	(22,715)
	<u>19,608</u>	<u>80,816</u>
Notes receivable	63	11,470
	<u>19,671</u>	<u>92,286</u>

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

7. Trade payables

Trade payables and their ageing analysis is as follows:

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Less than 60 days	9,356	47,269
60 to 120 days	4,220	10,506
Over 120 days	366	155
	<u>13,942</u>	<u>57,930</u>

8. Events after the balance sheet date

On 29 October 2015, Mr. Lau and Ms. Pinky Chan, together with the entities controlled by them, disposed of their entire equity interests in the Company representing 55.17% of the Company's issued shares at a consideration of approximately HK\$275,957,000 to Asia-IO Acquisition Fund, L.P. (the "Offeror"), pursuant to a conditional sale and purchase agreement entered into on 29 April 2015.

On the same date, the Company issued 225,000,000 ordinary shares at HK\$1.144 each to three third parties including the Offeror, totalling HK\$257,000,000, pursuant to three respective subscription agreements entered into on 29 April 2015.

The disposal of Disposal Group as set out in Note 2 has also been completed on 29 October 2015, at a cash consideration of HK\$102,376,000.

As a result of the above transactions, Mr. Lau and Ms. Pinky Chan ceased to be the controlling shareholders of the Company.

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 2015, 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.

Throughout the six months ended 30 September 2015, 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 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.

CHANGE IN DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Since the publication of the latest annual report of the Company, changes in director's information are set out below:

- (1) With effect from 3 November 2015, Mr. Hui Lap Shun John ("Mr. Hui"), Mr. Chien Yi-Pin Mark, Mr. Tse Tik Yang Denis ("Mr. Tse") and Mr. Ryu Young Sang James has been appointed as executive Directors of the Company.
- (2) Mr. Hui has been appointed as the chairman of the Company and the acting chief executive officer with effect from 25 November 2015.
- (3) Ms. Pinky Chan, Mr. Cheung Wai Ho and Mr. Chong Wing Kam, James have resigned as executive Directors of the Company with effect from 25 November 2015.
- (4) Mr. Lau has resigned as the president of the Company and Ms. Pinky Chan has resigned as the vice president of the Company with effect from 25 November 2015. Mr. Lau will remain as an executive Director of the Company despite his resignation as the president of the Company.
- (5) Mr. Tse and Mr. Tsang Hing Bun were appointed as the authorised representatives of the Company under Rule 3.05 of the Listing Rules in place of Mr. Lau and Ms. Chan with effect from 25 November 2015.

Save as disclosed above, there is no other change required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

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 2015.

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 2015 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 2015.

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
Daiwa Associate Holdings Limited
HUI LAP SHUN JOHN
Chairman

Hong Kong, 30 November 2015

As at the date of this announcement, the Board comprises six executive directors, namely Mr. Hui Lap Shun, John, Mr. Lau Tak Wan, Mr. Fung Wai Ching, Mr. Chien Yi-Pin, Mark, Mr. Tse Tik Yang, Denis and Mr. Ryu Young Sang, James and three independent non-executive directors, namely, Dr. Barry John Buttifant, Mr. Choi Yuk Fan and Dr. Liu Ngai Wing.