

### TO OUR SHAREHOLDERS

I am pleased to present the annual report of S.A.S. Dragon Holdings Limited ("the Group") for the year ended 31st December, 2000.

The Group's audited consolidated profit attributable to shareholders was HK\$14,064,000 for current year, grew significantly by comparison with HK\$197,000 last year. Earnings per share increased to HK\$6.84 cents, compared to HK\$0.18 cent for the previous financial year.

### RESULT

Summary of the results for the fiscal year ended 31st December, 2000 is as follows:

- Turnover amounted to approximately HK\$1.11 billion, compared to HK\$729 million in 1999.
- Operating profit before taxation increased to HK\$17.6 million in 2000 by comparison with HK\$3.8 million of previous year.
- Profit attributable to shareholders for the year was HK\$14,064,000, as compared with HK\$197,000 recorded last year.
- Earnings per share was HK\$6.84 cents, based on the weighted average of 205,649,092 shares in issue during the year.

## DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31st December, 2000 (1999: Nil).

## BUSINESS REVIEW

In line with the strong growth rate of Gross Domestic Product ("GDP") in Hong Kong, year 2000 was a rewarding year by our excellent performance and the Group is thriving through the Asian financial crunch.

Expansion in our formidable sales department has burst up a significant of turnover; in the meantime, proper management with strategic control has contributed to the costs effectiveness and efficiency. In comparison with the previous year, the Group has made enormous strides of 89.5% in the profit from operations for the fiscal year 2000 over last year. Sales turnover in Asia Pacific region was up 51.0% from around 697 million in 1999.

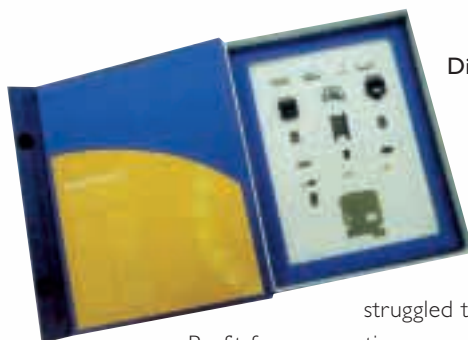
By concentrating in the electronics business with competitive expertise and specific competency, which is our core business, an outstanding achievement was procured. The operating profit from distribution of electronic components and electronic products in 2000 reached HK\$35.6 million, constituting a growth of 103.3% compared with last year. Other segmental businesses, such as distribution of sports equipment, also attained ideal results.

### Distribution of Electronic Components and Manufacturing of Electronic Products

It was a fluctuating year for electronics business in 2000. The price of electronic components varied throughout the year due to serious shortage from excess demand and under capacity. Taking full advantages of our professional advices and surpassing services, soaring in sales revenue on distribution of electronic components and electronic products was enjoyed.

The electronics industry was suffering from severe shortage in year 2000, lacking in digital consumer electronic components was the gravestone. The great demand from the burst of Internet and Communication industry was the main reason for the deficiency. The already overhanging situation imbalanced even more by excessive demand burned off all the memory chips. Even though the market was so tough, gigantic sales revenue was contributed by the rise in prices.





#### Distribution of Sports Equipment

In view of the tennis market reached the saturation point, the prospective of golf business came into the Group's focus. Being recognized the potential and invaluable of the golf market in the PRC, the Group struggled to overcome all difficulties for the exploration.

Profit from operation recorded a sharp growth of 90.6% compared with that of previous year.

To deal with the higher living standard both in Hong Kong and the PRC, only top of the line superior products were sold to our customers. On the other hand, all sports equipment was imported from their original manufacturing places for maintenance of quality. Thus, loyalty and recognition of our corporate image were well developed.

#### Prospect

For the turnover further forges in global markets, especially in the PRC, the Group will improve the marketing capabilities and strengthen the after sales services. Our aim is not only retaining our market share, but also expanding our customer base. Hence, enhancement of our marketing network is essential to increase our competitiveness both in the domestic and overseas market.

With regard to the anticipated admission of the PRC to the World Trade Organization ("WTO"), the business environment in the PRC would be changed rapidly. In addition to the gain from the elimination on all tariffs on computer, some of the electronic components and other information technology products, it would be a golden opportunity that foreign companies can trade with domestic companies directly. Being rid of these current restrictions, the Group can tap the PRC market more thoroughly and smoothly. On the other hand, the Group is also investigating any strategic partners for their tie with existing customers and expansion on new customers.

Besides, it is important to increase the name recognition of our new products, especially the upcoming generations of mp3 products. In conjunction with international brand identification, several new products are being under investigation to cope with faster product cycles. After full testing and inspection, these products will be released from April 2001.

In spite of it seems to slump in the current electronics industry, there are signs of recovery and even growth in some segments, such as memory chips, TFT, and ADSL broadband solution. The foremost reasons are the reduction on overcapacity and the steady growth in demand. It is believed that the sales of these components would outperform other electronic components' distribution.

Relating to the golf business development in the PRC, competition would be much stronger due to more companies entering into the market. Being the distributor of the

famous brands, we are confident to expand our market share and keep up our leading position with our quality services. In order to enlarge our business scope, the Group is making contact with some international companies as their authorized distributor of golf accessories.

Natural MicroSystems ("NMS"), a sound listed company in United States of America, was announced to be our strategic alliance in February 2001. The Group is acting as sales extension to NMS in Asia. At the same time, through partnering with technology market leader to develop valued-added hardware and software platforms to serve the needs and provide support to the customers in Hong Kong and Taiwan, our business will grow rapidly by its synergy effect.

Considering the ferocious competition from manufacturing and distribution of mp3 products, costs control and new products development should be critical for our mp3 section. Additionally, the Group is seeking for any strategic alliances for cooperation.

#### APPRECIATION

On behalf of the Board, I would like to express my gratitude and appreciation to all staff members for their contribution and loyalty and to our customers, suppliers and shareholders for their continued support.

On behalf of the Board

**Yim Yuk Lun, Stanley**

*Chairman and Managing Director*

Hong Kong,  
20th April, 2001

