



S.A.S. Dragon Holdings Limited
(Incorporated in Bermuda with limited liability)

2001 Interim Report



CORPORATE INFORMATION

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DIRECTORS

Executive Directors

Mr. Yim Yuk Lun, Stanley
Chairman and Managing Director
Mr. Ng Sai Ping, Dominic

Non-Executive Director

Dr. Chang Chu Cheng

Independent Non-Executive Directors

Dr. Lui Ming Wah, J.P.
Mr. Li Seung, Sammy
Mr. Chang Ping Kin
Mr. Wong Tak Yuen, Adrian
Mr. Liu Chun Ning, Wilfred

COMPANY SECRETARY

Mr. Lee Yiu Pun, Jason *HKSA, FACCA*

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
26th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

6th Floor, Tower B
Hunghom Commercial Centre
37 Ma Tau Wai Road
Hong Kong

SHARE REGISTRARS

Secretaries Limited
5th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

Dah Sing Bank Limited
Hang Seng Bank Limited
The Hong Kong and Shanghai
Banking Corporation Limited

LEGAL ADVISOR

C.P. Cheung & Co.
23rd Floor, Golden Centre
188 Des Voeux Road
Central
Hong Kong

WEBSITE

<http://www.sasdragon.com.hk>

INTERIM RESULTS

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The Directors of S.A.S. Dragon Holdings Limited (the "Company") are [pleased] to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2001 together with comparative figures for the corresponding period in 2000, the unaudited condensed consolidated balance sheet of the Group as at 30th June, 2001 with the comparative audited figures for the immediate preceding year end and the unaudited condensed consolidated cash flow statement of the Group for the six months ended 30th June, 2001 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th June,	
		2001	2000
	Notes	HK\$'000	HK\$'000
Turnover	1	517,374	522,693
Cost of sales		<u>(472,688)</u>	<u>(481,048)</u>
Gross profit		44,686	41,645
Other revenue		5,939	13,029
Distribution costs		(4,969)	(4,518)
Administrative expenses		<u>(33,983)</u>	<u>(33,558)</u>
Profit from operations		11,673	16,598
Finance costs		<u>(8,255)</u>	<u>(7,945)</u>
Profit before taxation		3,418	8,653
Taxation	2	<u>(1,704)</u>	<u>(800)</u>
Profit before minority interests		1,714	7,853
Minority interests		<u>(629)</u>	<u>(774)</u>
Profit attributable to shareholders		<u>1,085</u>	<u>7,079</u>
Earnings per share	3		
Basic		<u>0.47 cent</u>	4.01 cents
Diluted		<u>0.47 cent</u>	3.62 cents

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CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30th June, 2001 HK\$'000	As at 31st December, 2000 HK\$'000
Non-Current Assets			
Investment properties	4	60,000	60,000
Property, plant and equipment		88,983	92,459
Investment securities		8,422	8,422
Loan to an investee		21,387	21,266
Club memberships		3,958	3,957
		182,750	186,104
Current Assets			
Inventories		172,554	155,230
Trade and other receivables	5	361,793	358,361
Taxation recoverable		731	534
Pledged bank deposits		18,119	25,913
Bank balances and cash		4,575	5,547
		557,772	545,585
Current Liabilities			
Trade and other payables	6	139,713	126,635
Bills payable		—	25,257
Amounts due to related companies		336	8,315
Taxation payable		2,871	1,373
Obligations under finance leases		293	—
Bank and other borrowings-due within one year		245,676	220,608
		388,889	382,188
Net Current Assets			
		168,883	163,397
		351,633	349,501
Capital and Reserves			
Share Capital		23,014	23,014
Reserves	7	317,121	316,036
		340,135	339,050
Minority interests			
		5,139	4,071
Non-current Liabilities			
Bank and other borrowings			
— due after one year		5,115	5,137
Deferred taxation		1,244	1,243
		6,359	6,380
		351,633	349,501

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CONDENSED CASH FLOW STATEMENT

	As at 30th June, 2001 HK\$'000
NET CASH OUTFLOW FROM OPERATION ACTIVITIES	<u>(26,333)</u>
Interest paid	(8,239)
Interest on obligations under finance leases	(17)
Interest received	2,490
Rental income received	998
Dividend received	<u>62</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	<u>(4,706)</u>
CASH OUTFLOW FROM TAXATION	<u>(403)</u>
Increase (Decrease) in pledged bank deposits	7,795
Purchase of property, plant and equipment	(2,542)
Loan to an investee	<u>(121)</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<u>5,132</u>
NET CASH OUTFLOW BEFORE FINANCING	<u>(26,310)</u>
NET CASH INFLOW FROM FINANCING	<u>39,373</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>13,063</u> <u>(33,815)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>(20,752)</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS	
Bank balances and cash	4,575
Bank overdrafts	<u>(25,327)</u>
	<u><u>(20,752)</u></u>

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NOTES TO THE FINANCIAL STATEMENTS

1. Segmental Information

	Turnover		Segment results	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Business segments				
Manufacture and distribution of electronic products	490,830	483,253	13,126	10,534
Distribution of sports products	33,954	32,865	1,855	2,173
Distribution and retailing of fashion apparel, leather goods and accessories	(7,410)	6,575	(4,110)	99
	<u>517,374</u>	<u>522,693</u>	<u>10,871</u>	12,806
Net investment income			2,490	2,722
Unallocated corporate income			2,665	5,089
Unallocated corporate expenses			(4,353)	(4,019)
Profit from operations			<u>11,673</u>	<u>16,598</u>
Geographical segments				
Hong Kong	327,891	389,868	5,853	10,560
People's Republic of China (the "PRC")	143,033	86,997	6,817	2,208
Taiwan	30,936	27,902	837	745
Republic of Singapore	641	373	(144)	3
Others	14,873	17,553	(2,492)	(710)
	<u>517,374</u>	<u>522,693</u>	<u>10,871</u>	12,806
Net investment income			2,490	2,722
Unallocated corporate income			2,665	5,089
Unallocated corporate expenses			(4,353)	(4,019)
Profit from operations			<u>11,673</u>	<u>16,598</u>

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2. Taxation

Hong Kong Profit Tax is calculated at the rate of 16% (2000: 16%) on estimated assessable profits for the period. Taxation outside Hong Kong is calculated at the rates prevailing in the relevant jurisdictions.

3. Earnings per share

The calculation of the basic and diluted earnings per share for the six months ended 30th June, 2001 is based on the following data:

	Six months ended 30th June,	
	2001	2000
Earnings:		
Profit (Loss) attributable to shareholders for the purpose of basic and diluted earnings per share	HK\$1,085,000	HK\$7,079,000
Number of Shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	230,140,720	176,364,852
Effect of dilutive potential ordinary shares in respect of share options	607,813	19,126,918
Weighted average number of ordinary share for the purpose of diluted earnings per share	230,748,533	195,491,770

4. Investment properties

The Group's investment properties were revalued as at 31st December, 2000, on an open market value basis, by Chesterton Petty Limited, an independent firm of professional property valuers.

The directors are of the opinion that the valuation of investment properties at 31st December, 2000 is not significantly different from the valuation as at 30th June, 2001. Accordingly, the same valuation has been adopted by the directors and included in the interim financial report.

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5. Trade and other receivables

The Group has a policy of allowing a credit period ranging from 30 days to 120 days to its trade customers.

Included in trade and other receivables are trade receivables of HK\$[305,148,000] (2000: 333,362,000) and their aging analysis is as follows:

	The Group	
	June 2001 HK\$'000	December 2000 HK\$'000
Within 30 days	106,285	86,337
More than 30 days and within 60 days	48,098	45,017
More than 60 days and within 90 days	22,534	50,352
More than 90 days	128,231	151,656
	305,148	333,362

6. Trade and other payable

Included in trade and other payables are trade payables of HK\$[121,983,000] (2000: 117,899,000) and their aging analysis is as follows:

	The Group	
	June 2001 HK\$'000	December 2000 HK\$'000
Within 30 days	85,596	63,973
More than 30 days and within 60 days	22,193	31,421
More than 60 days and within 90 days	10,662	11,345
More than 90 days	3,532	11,160
	121,983	117,899

7. Reserves

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Asset revaluation reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits (losses) HK\$'000	Total HK\$'000
THE GROUP								
At 31st December, 2000	237,881	1,109	(47,053)	70,510	29,271	(1,388)	25,706	316,036
Profit for the period	—	—	—	—	—	—	1,085	1,085
At 30th June, 2001	237,881	1,109	(47,053)	70,510	29,271	(1,388)	26,791	317,121

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8. Related Party Transaction

The Group entered into the following transactions during the year and has balances at the balance sheet date with related parties in which certain directors of the Company have beneficial interests:

(I) Transactions

Name of Party	Interested Director	Nature of Transactions	June 2001 HK\$'000	June 2000 HK\$'000
Varitronix International Ltd and its subsidiaries	Chang Chu Cheng	Purchases of electronic products (note i)	2,773	4,814
		Sales of electronic products (note i)	963	2,403
		Rental expenses paid by the Group (note ii)	246	246
United Dynamic Ltd	Yim Yuk Lun, Stanley	Rental expenses paid by the Group (note ii)	240	144
Hon Hai Precision Industry Co Ltd ("Hon Hai Precision Industry") (note iii)	—	Purchases of electronic products (note i)	15,615	705
		Sales of electronic products (note i)	18,666	633

(II) Balances

	June 2001 HK\$'000	December 2000 HK\$'000
Trade payables to:		
<i>Name of party</i>		
Varitronix International Ltd	2,445	4,885
Hon Hai Precision Industry	—	3,430
	<u>2,445</u>	<u>8,315</u>

Trade Receivables to:

<i>Name of party</i>		
Hon Hai Precision Industry	2,110	—
	<u>2,110</u>	<u>—</u>

In addition, the Company had given guarantees outstanding at 30th June, 2001 amounting to HK\$[30,438,000] (2000: HK\$30,088,000) to certain banks in respect of banking facilities granted by the banks to RDL Electronic Company Limited ("RDL") which is 70% owned by the Group. The guarantees given by the Group were the only financial assistance given by RDL's shareholders to RDL.

Notes:

- i. The transactions were carried out at market price or, where no market price was available, at terms determined and agreed by both parties.
- ii. The rentals were charged with reference to market value.
- iii. The company is a substantial shareholder of the Company.

INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the period ended 30th June, 2001 (2000: Nil).



BUSINESS REVIEW AND PROSPECTS

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BUSINESS REVIEW

The first half of Year 2001 was a tough period, the worldwide economic downturn has a negative effect on all industries. Even though there was a drastic turn in the electronic climate, a profit of HK\$1,085,000 was achieved by our proper strategies during the first six months of this year. Moderate rises were recorded both in the turnover of electronic segment and sports segment during the first six months of year 2001.

Distribution of Electronic Components and Manufacturing of Electronic Products

In the midst of this unprecedented downturn, there was a slightly up in turnover from distribution of electronic components and manufacturing of electronic products. According to sales analysis by geographical segment, there was a sharp increase in sales to HK\$143 million in the first six months in the PRC, compared to HK\$87 million in the corresponding period last year.

Despite the shaky electronic business status, the rapid growth in the PRC market is remarkable, for instance, the PRC became the second largest IC market in the rest of the world by surpassing Singapore with gigantic sales last year. Notable sales and sales revenue were contributed by the distribution of IC in the PRC in which it took a major part of sales.

There was a prominent contribution from sales and purchases with Hon Hai Group ("Hon Hai"). Due to the over demand of their tailor made accessories, vast revenue was raised from the distribution of these products. Being the authorized distributor of the top connector manufacturer, the customer base was enriched apparently. The ongoing rising transactions put the Group out in front in cooperation with Hon Hai successfully.

Distribution of Sports Equipment

During the first six months, our golf business is growing steadily in both Hong Kong market and the PRC market. Golf is the up coming sport in the PRC, the number of local golfers had increased a lot and it is expected that more and more local people will start to play golf. The number of off-course pro shops is increasing. The global golf market is growing. Most of the golf courses management is well established.

Liquidity and Financial Resources

The management continues to follow its mission for maintaining a healthy and sound financial position. Whilst the sales of the Group is mainly denominated in Hong Kong dollars and United States dollars, the Group's exposure to foreign exchange risk is minimal.

PROSPECTS

The Group will concentrate on its profit making businesses in which will mainly focus on the trading of electronic components and sports equipment. At the same time, cost control will be the tactical policy to maintain a healthy and profitable group structure.

In regard to joining the World Trade Organization ("WTO") and hosting the Olympic Games in 2008 by the PRC, both of its infrastructure and business environment will be under rapid development. While the electronic markets in the rest of the world are sluggish, the PRC market is still staying power and is a rosy opportunity in exploring. In order to catch up the chance, more manpower and resources will be allocated to sales and marketing division for grabbing the market share and expanding the customer base.



BUSINESS REVIEW AND PROSPECTS

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The worldwide large reductions in production tackles the gluts of electronic components in the economy, it is predicted that supply and demand will be in check to equilibrium in the other half of this year. Besides, seasonal demand cycle will help to kick in the inventory. Hence, the tough period will be gone whilst booming will be backed.

With the injection of three new product lines, namely Integrated Circuit Solution Inc. ("ICSI"), Ascend Semiconductor Corporation ("Ascend") and High Bandwidth Access Inc. ("HBA"), our product variety will be further enriched. Since ICSI and Ascend are famous memory products manufacturers while HBA is a sound networking and communication products provider, premium products will be offered to our customers.

The condition of courses and services provided have improved a lot in these years. Moreover, the PRC will join the WTO in the end of year 2001. The import duty for all our products will reduce, so the Group will have a much better gross profit. Since the numerous potential of the PRC market, the Group participated in the Sports Expo 2001 held in Beijing to promote our products, especially for the golf equipment. A number of extra sales orders were placed to prove the succeed in the event. The Group will be more aggressive in all promotion activities in the PRC.

However, due to there are lots of unfavourable factors for the global economic environment, the Group performance in the second half of Year 2001 will depend on the worldwide economy recovery.

OTHER INFORMATION

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DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 30th June, 2001, the interests of the directors and chief executives and their associates in the share capital of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name	Number of ordinary shares	
	Personal Interests	Family interests
Yim Yuk Lun, Stanley	5,490,000	44,367,400 (note)

Note: These shares are held by a unit trust whose trustee is Unimicro Limited, a company incorporated in the British Virgin Islands and of which Mr. Yim Yuk Lun, Stanley is also a director. All units in the unit trust are beneficially owned by a discretionary trust established by Mr. Yim Yuk Lun, Stanley, the beneficiaries of which include the spouse and issue of Mr. Yim Yuk Lun, Stanley.

Save as disclosed above and other than certain nominee shares in subsidiaries held by certain directors in trust for the Company, none of the directors or chief executives or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

At 30th June, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following persons, in addition to the director as stated under "Directors' and chief executives' interests in shares", are interested in 10% or more of the issued share capital of the Company.

Name of shareholders	Number of ordinary shares beneficially held
Hon Hai Precision Industry (Note)	46,000,000
Foxconn Holding Limited ("Foxconn")	46,000,000

Note: Hon Hai Precision Industry owns 100% interest in Foxconn and is accordingly deemed by the SDI Ordinance to be interested in those ordinary shares of the Company beneficially owned by Foxconn.

Save as disclosed above, the Company has not been notified of any other interests as at 30th June, 2001 representing 10% or more of the issued share capital of the Company.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30th June, 2001, there was no purchase, sale or redemption by the Company or any of its subsidiary companies of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30th June, 2001.



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CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June, 2001, in compliance with the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

APPECIATION

On behalf of the Directors, I would like to extend our gratitude and sincere appreciation to all management and staff members for their hard work and dedication and the Company's shareholders for their support.

On behalf of the Board
Yim Yuk Lun, Stanley
Chairman and Managing Director

Hong Kong, 21st September, 2001