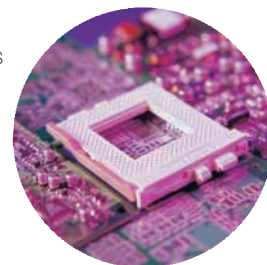


TO OUR SHAREHOLDERS

The board of directors of S.A.S. Dragon Holdings Limited ("the Group") presents the annual report for the year ended 31st December 2001.

The Group's audited consolidated profit for continuing operations was HK\$6,282,000 whilst the audited consolidated loss for discontinued operations was HK\$79,357,000 in year 2001 comparing to the audited profit attributable to shareholder's of HK\$12,451,000 last year. Loss per share was HK\$31.75 cents by comparison with the earnings per share amounted to HK\$6.05 cents for the previous financial year.



RESULT

Summary of the results for the financial year ended 31st December 2001 is as follows:

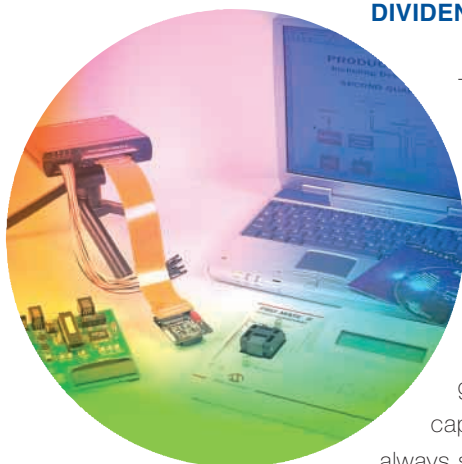
- Turnover of continuing operations and discontinued operations was approximately HK\$1.09 billion and HK\$7.04 million respectively for 2001, as compared with HK\$1.02 billion and HK\$94.62 million for continuing operations and discontinued operations respectively in 2000.
- Profit before taxation for continuing operations was HK\$9,529,000 by comparison with that of HK\$5,708,000 last year while loss before taxation for discontinued operations was HK\$79,692,000 with profit before taxation of HK\$10,275,000 for the previous fiscal year.
- Loss attributable to shareholders was HK\$73,075,000 with profit attributable to shareholders of HK\$12,451,000 in year 2000.
- Loss per share amounted to HK\$31.75 cents, based on the weighted average of 230,140,720 shares in issue during the year.

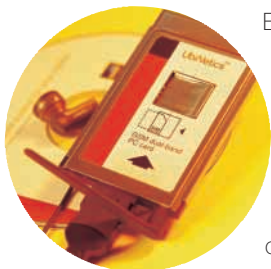
DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31st December 2001 (2000: nil).

BUSINESS REVIEW

The market environment in 2001 was the most challenging ever in the history of electronic industry, especially after the terrorist attacks at United States, due to under demand by the weakened global economy and oversupply by the excess manufacturing capacity. No matter how tough it was for the market situation, we always struggle for our very best to achieve a shining performance.





Encouraging achievement was made by the core distribution business during the global slowdown of last year in which net profit of HK\$6,282,000 was procured. Unfortunately, for the unprofitable segments, manufacturing of electronic products and distribution of fashion products, we have no alternatives, but to concentrate on our core business in which is the area we excel amid this fierce economic market. In addition, in order to maintain our competitive position, procedures had been carried out for costs control.

DISTRIBUTION OF ELECTRONIC COMPONENTS

Influenced by the international market environment, the electronic market in the Asia Pacific region nearly grounded to a halt, with the occasional phases of drop in demand and prices last year. It is pleased to attain the turnover of HK\$1.02 billion amidst the fierce competition.

Regarding our strategic partner, Hon Hai Group, our performance for the correlated business recorded last year was improving steadily. Either distribution of Hon Hai's products or selling components to Hon Hai Group achieved a good result.

MANUFACTURING AND DISTRIBUTION OF ELECTRONIC PRODUCTS AND FASHION PRODUCTS

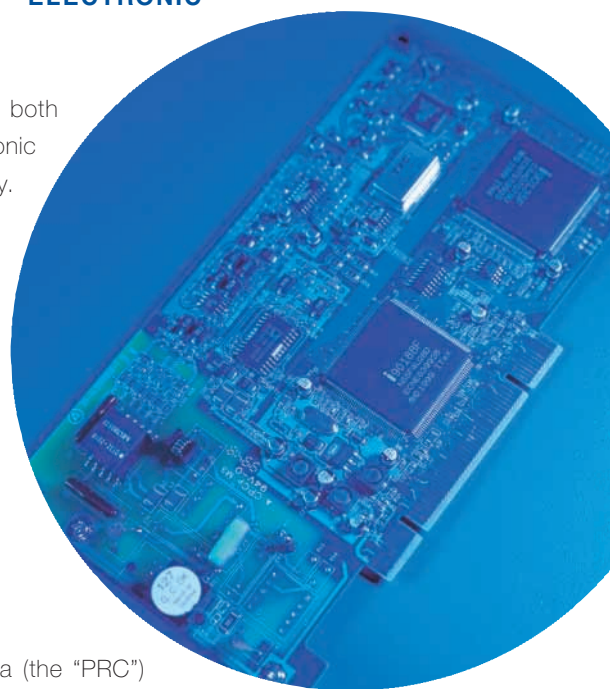
In view of the global unfavourable economic climate, both performance on manufacturing and distribution of electronic products and fashion products was unsatisfactory. Considering the aspiration in concentrating on distribution business, it was decided to discontinue these segments.

DISTRIBUTION OF SPORTS EQUIPMENT

The golf equipment market remains one of the bright spots in the sports market that satisfactory results were recorded amidst the recession.

PROSPECT

The prospect of the sizable People's Republic of China (the "PRC") market is the key towards the future of consumer electronic business that cannot be neglected. Zero tariff for most of the electronic components introduced by the World Trade Organization ("WTO") reduces our costs for distribution and uplifts our competitive power in the PRC. For the increasing removal of manufacturing plants to the PRC, demand for electronic components will be raised by the corresponding purchases in the PRC and Hong Kong.



Putting the PRC market at the forefront of segment-driven strategy, the Group is racing to strengthen the sales and marketing department, design and technical team for exploring the potential electronic market and has stepped up establishing more regional offices in the PRC as supporting the after sales services. After the focus areas on customers and positioning have been directed, the Group is catching up fast strategically.

Due to replacement of mobile phones for third-generation services, the Asia Pacific region will be the largest market with material growth. In regard to the importance on the role of this region plays for, the Group is preparing for the launch on this new generation telecommunication product. Besides, powered by the new features that will be introduced to mobile phone such as Bluetooth, digital camera, colour display and so on, it is forecasting a double-digit increased in semiconductor revenues from mobile phone for the next few years.



Demand for monitor and notebook was vigorous even in seasonally low quarters in which implies for the recovery of the consumer market. Prices for the small and large size TFT-LCD panels for consumer products are rising. Contributed by the over-ordering with no increase in capacity, it is forecasted that the prices will continue to up at an unprecedented pace. Teaming with the largest TFT manufacturer in Taiwan, namely AU Optronics, our distribution for these products will not be affected.

Acting as the sales strategic partner of NMS Communications in Asia, enormous and stable income will be generated by its communication products. The widespread applications and advanced technology with our quality services are the key factors for its success. To better serve the needs and provide support to the customers in Asia, experts are assigned in Beijing, Shanghai, Shenzhen, Taiwan and Hong Kong.

Cooperation with Agere, we offer their advanced optical components, Integrated Circuit ("IC") and telecommunication solutions. Going into 2002, China PTIC Information Industry Corporation, a famous company in the PRC, investigates the smallest mobile phone in the worldwide by our superior solution. The success of this alliance is the gravestone in our history for providing telecommunication solutions.

Market uncertainty and economic downturn delayed the new projects of mobile phone manufacturers to the second half of Year 2002. Partnering with the international top mobile phone manufacturer, substantial revenue will be made by the launch of their new models of mobile phones.



For the more desire of higher solution of television, digital progressive television will be released soon. The Group will grasp this opportunity to expand this new market on distribution of related electronic components.

CHAIRMAN'S STATEMENT

Regarding the rapid development of the PRC economy, rise in their living standard and more knowledge on health, playing sports is their regular activity. Thus, the continuing increase in demand of sports equipment assures the steady increase in our sports equipment distribution.

In addition to the more and more golf courses, there will be over 100 golf courses in the coming year in the PRC. It improves the demand of playing golf is growing rapidly and cannot be ignored. To capture such increasing demand in sports equipment, distribution offices specifically for sports equipment will be set up in Shanghai and Beijing.

