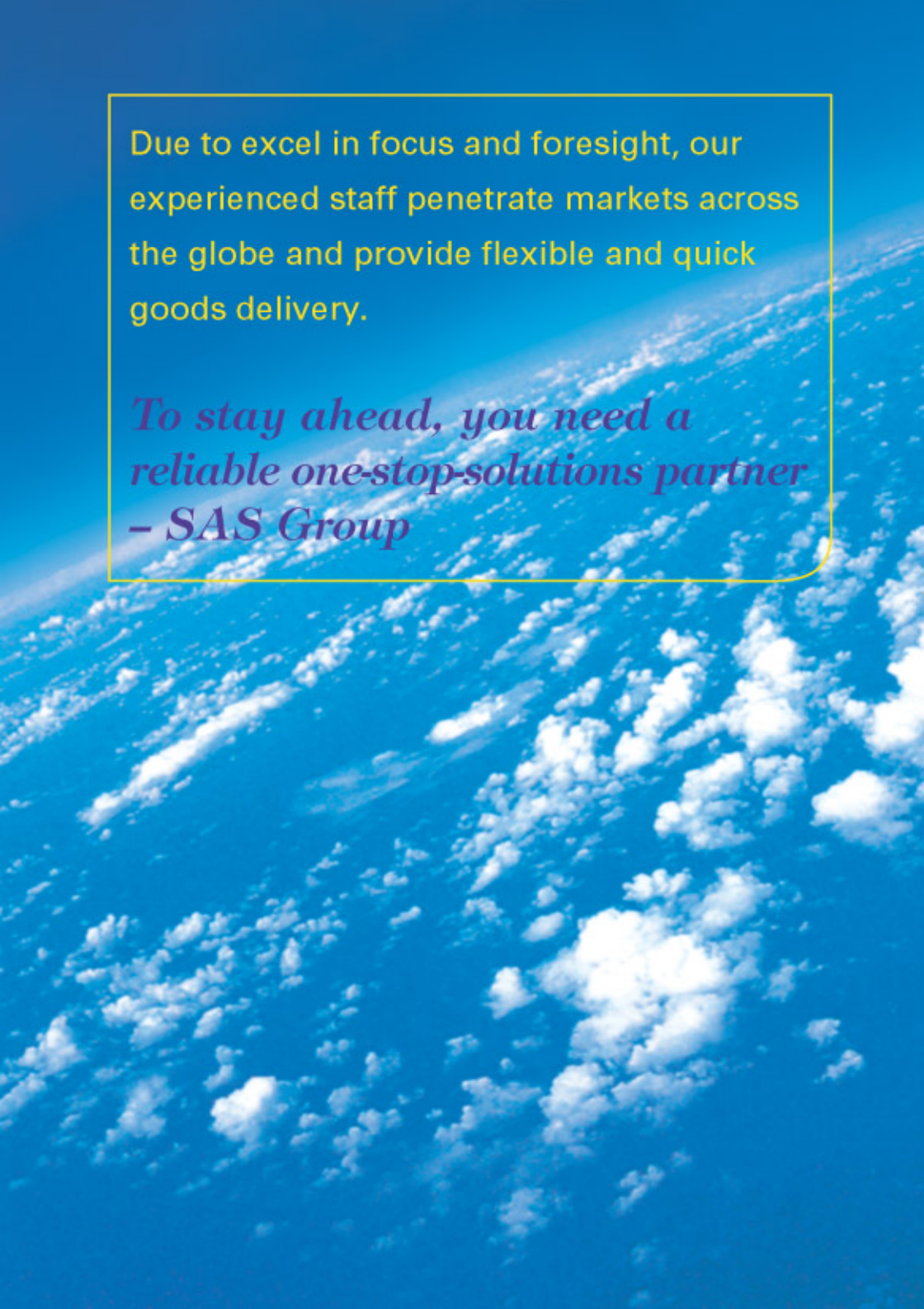




2002 Interim Report



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



Due to excel in focus and foresight, our experienced staff penetrate markets across the globe and provide flexible and quick goods delivery.

*To stay ahead, you need a reliable one-stop-solutions partner
– SAS Group*



CORPORATE INFORMATION

Interim Report 2002

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
Hungohm 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

WEBSITE

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



INTERIM RESULTS

Interim Report 2002

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 2002 together with comparative figures for the corresponding period in 2001 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	For the six months ended 30th June	
	2002 HK\$'000	2001 HK\$'000 Restated
Turnover	612,721	517,374
Cost of sales	(557,995)	(472,688)
Gross profit	54,726	44,686
Net investment income	110	2,552
Other revenue	1,710	3,388
Distribution cost	(6,341)	(4,969)
Administrative expenses	(32,515)	(33,983)
Profit from operations	17,690	11,674
Finance cost	(5,049)	(8,256)
Goodwill written off	(807)	(807)
Profit before taxation	11,834	2,611
Taxation	(1,621)	(1,704)
Profit before minority interest	10,213	907
Minority interest	(2,197)	(629)
Profit attributable to shareholders	8,016	278
Earnings per share		
Basic	3.48 cents	0.12 cent
Diluted	3.48 cents	0.12 cent



INTERIM RESULTS

Interim Report 2002

CONDENSED CONSOLIDATED BALANCE SHEET

	As at 30th June 2002 HK\$'000	As at 31st December 2001 HK\$'000
Non-Current Assets		
Investment properties	58,000	58,000
Property, Plant & Equipment	86,006	81,200
Goodwill	5,402	6,208
Investment securities	8,425	8,422
Loan to an investee	23,130	21,923
Club memberships	3,958	3,957
	184,921	179,710
Current Assets		
Inventories	176,105	158,053
Trade and other receivables	418,017	306,512
Bills Receivable	—	1,472
Taxation recoverable	348	188
Pledged bank deposits	17,392	14,292
Bank balances and cash	8,229	14,668
	620,091	495,185
Current Liabilities		
Trade and other payables	208,460	127,861
Bills payable	—	29,301
Taxation Payable	2,952	1,505
Obligations under finance leases	68	72
Bank and other borrowings — due within one year	300,070	233,018
	511,550	391,757
Net Current Assets	108,541	103,428
Net Assets	293,462	283,138
Capital & Reserve		
Share capital	23,014	23,014
Reserves	258,799	250,782
	281,813	273,796
Minority interests	7,530	4,733
Non-Current Liabilities		
Bank and other borrowings — due after one year	3,164	3,624
Obligations under finance lease due after 1 year	158	188
Deferred Taxation	797	797
	4,119	4,609
	293,462	283,138



INTERIM RESULTS
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CONDENSED CASH FLOW STATEMENT

	As at 30th June 2002 HK\$'000	As at 31st December 2001 HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(57,383)	6,042
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest paid	(2,619)	(14,996)
Interest on obligations under finance lease	(12)	(29)
Interest received	109	3,782
Dividend received	—	2
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(2,522)	(11,241)
CASH OUTFLOW FROM TAXATION	(335)	(2,218)
INVESTING ACTIVITIES		
(Increase) decrease in pledged bank deposits	(3,100)	11,621
Proceeds on disposal of property, plant and equipment	637	1,035
Purchase of property, plant and equipment	(9,682)	(6,308)
Loan to an investee	(1,208)	(657)
Purchase of investment securities	(4)	—
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES	(13,357)	5,691
NET CASH OUTFLOW BEFORE FINANCING	(73,597)	(1,726)
NET CASH INFLOW FROM FINANCING	65,876	32,760
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,721)	31,034
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(2,782)	(33,815)
CASH AND CASH EQUIVALENTS AT END OF YEAR	(10,503)	(2,781)
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	8,229	14,668
Bank overdrafts	(18,732)	(17,449)
	(10,503)	(2,781)



INTERIM RESULTS

Interim Report 2002

NOTES TO THE FINANCIAL STATEMENTS

1. Segmental Information

Business Segments

For the six months ended 30th June 2002

	Distribution of electronic goods HK\$'000	Distribution of sports products HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER				
External sales	575,692	37,029	—	612,721
Inter-segment sales	—	—	—	—
Total	575,692	37,029	—	612,721
RESULT				
Segment result	17,014	3,162	—	20,176
Net investment income				109
Unallocated corporate expenses				(4,468)
Unallocated corporate income				1,067
Finance cost				(5,049)
Profit before taxation				11,835
Taxation				(1,622)
Profit before minority interests				10,213
Minority interest				(2,197)
Profit attributable to shareholders				8,016

For the six months ended 30th June 2001

	Distribution of electronic goods HK\$'000	Manufacturing of electronic goods HK\$'000	Distribution of sports products HK\$'000	Distribution of fashion apparel, leather goods and accessories HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000 Restated
TURNOVER						
External sales	477,246	13,584	33,954	(7,410)	—	517,374
Inter-segment sales	851	18	—	—	(869)	—
Total	478,097	13,602	33,954	(7,410)	(869)	517,374
RESULT						
Segment result	16,068	(2,942)	1,855	(4,110)	—	10,871
Income from Investment						2,490
Unallocated corporate expenses						(5,160)
Unallocated corporate income						2,665
Finance cost						(8,255)
Profit before taxation						2,611
Taxation						(1,704)
Profit before minority interests						907
Minority interest						(629)
Profit attributable to shareholders						278



INTERIM RESULTS

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Geographical segment

	For the six months ended 30th June			
	Turnover		Segment Result	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000 Restated
Hong Kong	357,170	327,891	11,761	5,853
People's Republic of China (the "PRC")	159,777	143,033	5,261	6,817
Taiwan	88,502	30,936	2,914	837
Republic of Singapore	3,418	641	113	(144)
Others	3,854	14,873	127	(2,492)
	612,721	517,374	20,176	10,871
Income from investment			109	2,490
Unallocated corporate expenses			(4,468)	(5,160)
Unallocated corporate income			1,067	2,665
Finance cost			(5,049)	(8,255)
Profit before taxation			11,835	2,611
Taxation			(1,622)	(1,704)
Profit before minority interests			10,213	907
Minority interest			(2,197)	(629)
Profit attributable to shareholders			8,016	278

2. Taxation

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the year. Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.



INTERIM RESULTS

Interim Report 2002

3. Earnings Per Share

The calculation of the basic and diluted earnings per share for the six months ended 30th June 2002 is based on the following data:

	Six months ended 30th June	
	2002	2001
Earnings:		
Profit attributable to shareholders for the purpose of basic and diluted earnings per share	HK\$8,016,324	HK\$278,055
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	230,140,720	230,140,720
Effect of dilutive potential ordinary shares in respect of share options:	60,377	607,813
Weighted average number of ordinary shares for the purposes of diluted earnings per share	230,201,097	230,748,533

4. Certain comparative figures of the last corresponding period have been restated to conform with the adaptation of SSAP 30 Business Contribution issued by the Hong Kong Society of Accountants.

5. Trade and Other Receivables

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

Included in trade and other receivables are trade receivables of HK\$328,531,000 (2001: HK\$272,370,000) and their aged analysis is as follows:

	The Group	
	June 2002 HK\$'000	December 2001 HK\$'000
Within 30 days	137,750	89,193
More than 30 days and within 60 days	46,046	40,926
More than 60 days and within 90 days	29,320	25,740
More than 90 days	115,415	116,511
	328,531	272,370

6. Trade and Other Payables

Included in trade and other payables are trade payables of HK\$149,897,000 (2001: HK\$121,486,000) and their aged analysis is as follows:

	The Group	
	June 2002 HK\$'000	December 2001 HK\$'000
Within 30 days	144,940	59,293
More than 30 days and within 60 days	275	12,732
More than 60 days and within 90 days	2,934	18,271
More than 90 days	1,748	31,190
	149,897	121,486

7. Reserves

	Share premium	Capital redemption reserve	Capital reserve	Contributed surplus	Asset revaluation reserve	Translation reserve	Accumulated profits (losses)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP								
At 31st December 2001	237,881	1,109	11,145	70,510	29,271	(1,388)	(97,746)	250,782
Profit for the period	—	—	—	—	—	—	8,016	8,016
At 30th June 2002	237,881	1,109	11,145	70,510	29,271	(1,388)	(89,730)	258,798

8. Related Party Transaction

The Group entered into the following transactions during the six months ended 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 2002 HK\$000	June 2001 HK\$000
Varitronix International Ltd and its subsidiaries	Chang Chu Cheng	Purchases of electronic products (note i)	1,632	2,773
		Sales of electronic products (note i)	1,310	963
		Rental expenses paid by the Group (note ii)	129	246
United Dynamic Ltd	Yim Yuk Lun, Stanley	Rental expenses paid by the Group (note ii)	240	240
Hon Hai Precision Industry Co Ltd and its subsidiaries (note iii)	—	Purchases of electronic products (note i)	67,398	15,615
		Sales of electronic products (note i)	66,277	18,666

(II) *Balances*

	June 2002 HK\$000	December 2001 HK\$000
Trade payables to:		
<i>Name of party</i>		
Varitronix International Ltd	211	2,445
Hon Hai Precision Industry and its subsidiaries	12,657	—
	12,868	2,445
Trade Receivables to:		
<i>Name of party</i>		
Hon Hai Precision Industry and its subsidiaries	—	2,110



INTERIM RESULTS

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In addition, the Company had given guarantees outstanding at 30th June 2002 amounting to HK\$77,000,000 (2001: HK\$77,000,000) 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.

DIVIDENDS

The directors do not recommend the payment of dividend for the six months ended 30th June 2002 (2001: nil).



REVIEW OF OPERATION

In spite of the electronic market was fluctuated by many external factors like unclear international economic climate during the first half of year 2002, encouraging results were recorded especially for distribution on the computer, communication and consumer related electronic components. Besides, our value-added solutions with superior technical services provided to our customers should be marked by its stable revenue generated.

The Group recorded net turnover of HK\$613 million in the first half of Year 2002 as compared to HK\$517 million in the corresponding period of Year 2001, which a strong growth of 18.4% was experienced. Administrative expenses for the first six months of this year declined by 4.3% from the corresponding period of last year. Actions that the Group implemented to reduction of cost in response to the weak business condition contributed to such decline. The decrease in administrative expenses reflected the correct cost control procedures executed by the top management.

Distribution of Electronic Components

Computer

Whilst the personal computer market remained stable, the notebook computer market grew moderately. Driven by the traditional notebook and desk-based computer upgrade cycle for business users, distribution of the related electronic components achieved a good performance.

Communication

Nowadays, the portion on mobile phone manufactured by the PRC in the worldwide market was rose steadily. Gaining from this trend, there was a stable up in revenue of this segment with notable amount recorded by distribution on the Agere GSM mobile phone chipset.

As a result of the strength of GSM and GPRS mobile, wireless communication products, optical communication equipments and consumer products, a notable amount of revenue was contributed by the electronic components distribution of GSM and GPRS mobile chipset, flash memory, digital signal processors and analog products.

Consumer

Partnered with the top one TFT manufacturer in Taiwan, namely AU Optronics, the Group was not only benefited from distribution of their products, but also gained from providing our solutions supported. The Group's revenue for this segment was further pushed up by its renowned products and under supply.

Distribution of Sports Equipment

Although the global business environment was so unfavourable, the PRC market was growing steadily by the increasing on both of golf courses and golfers. Taking advantage of a closer, well-established branch in Shanghai, the sports group can shorten the gaps with customers and perform better.



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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.

PROSPECT

The Group is apparently benefiting from its timely information and business alerts, so it will continuous its aggressive plan to explore the electronic market. On the other hand, stringent cost control will also be continued to maintain our competitive status.

Computer

The major contributor for this segment will be distribution of notebook computer related electronic components since the replacement cycle is under progress.

Communication

With regard to there are only few licensed mobile phone manufacturers in the PRC and most of them are customers of the Group, it is expected the revenue in the second half this year will continue to grow significantly.

Consumer

The increasing desire for home entertainment like watching movies and playing TV games, DVD player replaces VCD player and becomes the mainstream. The Group forecasts this segment will not be affected and will continue to expand in the electronic market.

Furthermore, as demand for flat screens in TFT Monitor, LCD TV and DVD players are pushed up dramatically, a significant increase in sales of such portion will be expected.

Others

To better serve our customers and to provide more value-added services, a research and development department was established many years ago. In response to the rapid development of technology and the various demands of solutions, a design house was set up by the experts from different departments in August this year. They are a team of members staying abreast of market trends and excel in insights, which may provide creative ideas for the innovative one-stop solutions by the R & D department.

A technical sales office will be set up in South Korea in the second half of year 2002 for enhancing our sales network and technology development. Regarding South Korea is a country with advanced technology, there are many technical professionals to support the Group's technical know-how.

Starting from the second half of this year, the Group is appointed as the authorized distributor of the AVX/Kyocera for the PRC, Taiwan and Hong Kong region. As it is a leading passive components manufacturer in which produces a range of passive components with large coverage in markets served, such as consumer, computer and telecommunications etc, distribution of passive components will be one of our focused segments. To cope with the future expansion, much more resources like manpower will be put into it.



OTHER INFORMATION

Interim Report 2002

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 30th June 2002, 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	54,893,400 (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 2002, 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 Co., Ltd. ("Hon Hai") (Note)	46,000,000
Foxconn Holding Limited ("Foxconn")	46,000,000

Note: Hon Hai 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 2002 representing 10% or more of the issued share capital of the Company.



OTHER INFORMATION

Interim Report 2002

PURCHASE, SALE OR REDEMPTION OF SHARES

No purchase, sale or redemption was made by the Company or its subsidiaries of the Company's listed securities during the period.

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 2002.

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 2002, 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.

APPRECIATION

On behalf of the Board, I would like to express my sincere thanks and appreciation to all our staff for their loyalty and hard work whilst to our suppliers, customers and shareholders for their continued support.

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

Hong Kong, 15th August 2002

S . A . S .
D r a g o n
H o l d i n g s
L i m i t e d