

Chairman's Statement

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 2002.

The Group's audited consolidated profit for the year was HK\$11,484,000 comparing to the loss for the year of HK\$73,075,000 for the previous financial year. At the same time, earnings per share increased to HK\$4.99 cents by comparison with the loss per share amounted to HK\$31.75 cents in 2001.

RESULTS

Summary of the results for the financial year ended 31st December 2002 is as follows:

- Turnover of 2002 was approximately HK\$1.36 billion, 24.36% increased from that of previous year.
- Operating profit before taxation for 2002 was HK\$15.6 million, compared with a loss of HK\$70.2 million in 2001.
- Profit for the year was HK\$11.48 million, by comparison with a loss of HK\$73.08 million last year.
- Earnings per share amounted to HK\$4.99 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 dividend for the year ended 31st December 2002 (2001: nil).

BUSINESS REVIEW

Following a gloomy year in 2001, the global economy was just beginning to revive in 2002.

In spite of this, the electronic industry still maintained a steady growth, particularly showing rapid development in the Asian region with the PRC as the center. With the country's accession into the World Trade Organisation, the PRC market has provided a major driving force for the electronic industry in Hong Kong. Backed up by the PRC market, which is also known as the "World Factory", the Company recorded the profit for the year of HK\$11,484,000 in Year 2002 by adopting pro-active strategies enabled by its keen market sense and its knowledge of the latest market developments.

PROSPECT

Distribution of Electronic Components

As competition is fuelled by a trend of globalisation and corporate mergers, manufacturers are increasingly seeking for professional electronic component distributor to help market their products and enhance their market share. In view of this, the Group aims to provide strong support for electronic manufacturers by offering assistance in the marketing and sales of their electronic products.

Under the relevant policies promulgated by the PRC government, the Group will continue to implement its aggressive business plans. Cooperating with various suppliers, the

Group strives to explore the potential electronic market, in particular the PRC market, by boosting its sales and marketing efforts. In addition, we hope to establish effective, stable and reliable distribution channels in different regions and to maintain healthy partnership with its customers.

In view of the increasing competition ahead, the Group will implement more marketing initiatives. More emphasis will also be placed on research and development of products, so as to offer customers with a cost-effective and time-efficient turnkey solution, which comprises technical support right from the product design stage, innovative proposals and advices on accessory components. In the meantime, special teams and operational units will be set up to cater for specific customers and products, providing consultancy services and assisting them to attain better performance, thus realising the Group's strategy of creating a win-win

result.

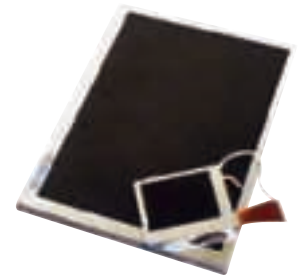
Performance of Hon Hai products, renowned for their wide range of application, is expected to remain strong in the coming year. In the past, such products were mainly offered to EMS customers. However, in view of the emerging brand names in the PRC market, particularly in the robust mobile phone market which has immense growth potential, the Group will invest more human resources in this segment to cope with its development plan.



Chairman's Statement

In line with the changing trend in the consumer market and the shift of production focus of mainland TV manufacturers from CRT TV to LCD TV, the Group will develop solutions with various manufacturers to capture the expected growth opportunities thus arising. Meanwhile, the Group will maintain its flexibility in capital deployment to explore other development opportunities.

In the past, the Group's development centre had been focused on providing general product solutions to small and medium-sized enterprises in the PRC. In view of the robust PRC economy, the focus of such development centre will be shifted to the provision of high-tech consumer electronic solutions to large PRC corporations, including mobile phone display solutions and digital television solutions.



Distribution of Sports Equipment

Titleist, Wilson, Footjoy and Cobra are all leading brands in the sports industry. With a rapid growth in the number of golfers and golf courses in Hong Kong, the PRC and the Philippines, sales performance of the golf section is expected to see substantial growth in 2003.

Wilson and Babolat are two of the top brands in tennis products, and are widely used among tour players. Although the tennis market is facing difficulties at this moment, the Company still enjoys fair market share of more than 50%. Once the market turn around, the Company will achieve a more satisfactory performance.

Moreover, the Group is continuous hunting for new brand names on exclusive distribution agreement with an aim of increasing our turnover and profit in the future. It is our mission to be one of the best sports equipment groups in Hong Kong, the PRC and the Philippines markets. The diversity of our current product line will bring us closer to this objective.



The threat of Severe Acute Respiratory Syndrome ("SARS") has haunted the world. A number of the more economically active Asian regions, such as the PRC, Singapore and Hong Kong, have suffered a heavy blow in terms of economy from the plague. Against such background, the Group will strive for sustained improvement and continue to streamline its structure and systems, so as to maximize the cost-

effectiveness of its resources. Further, the Group will adopt a positive and prudent attitude and maintain flexibility in its resource allocation, with an aim of reducing the impact of SARS to the Group.

APPRECIATION

On behalf of the Board, I would like to express my gratitude and appreciation to all our staff for their loyalty and dedication and to our suppliers, customers, and shareholders for their continued support. Besides, we would like to express our deepest gratitude to the medical personnel standing in the frontline. It is their relentless, persistent and sacrificing spirits that shine through the gloom of the SARS incident.

Yim Yuk Lun, Stanley

Chairman and Managing Director

Hong Kong, 23rd April 2003