

Chairman's Statement



■ TO OUR SHAREHOLDERS

On behalf of the Board of Directors of S.A.S. Dragon Holdings Limited and its subsidiaries ("S.A.S." or "the Group"), I am pleased to present the annual results of the Group for the year ended 31st December 2003 ("the year under review").



■ RESULTS

For the year ended 31st December 2003, turnover of the Group rose by approximately 36.0% to approximately HK\$1,848,307,000 (2002: approximately HK\$1,359,479,000). In spite of the competitive business environment, the Group was able to improve the gross profit by approximately

12.5% to approximately HK\$120,425,000 (2002: approximately HK\$107,073,000).

Profit before taxation and minority interests increased by approximately 108.4% from previous year to approximately HK\$32,413,000 (2002: approximately HK\$15,554,000).

Net profit attributable to shareholders has also increased by 103.5% to approximately HK\$23,527,000 for the year ended 31st December 2003 (2002: approximately HK\$11,559,000). In addition, the diluted earnings per share increased from approximately HK5.01 cents for the year ended 31st December 2002 to approximately HK10.22 cents for the year ended 31st December 2003.

Earnings before interest, taxation, depreciation and amortisation ("EBITDA") from the Group's established businesses grew 37.5% to approximately HK\$54,461,000 (2002: approximately HK\$39,600,000). EBITDA represents earnings before interest, taxation, depreciation, amortisation, gains/(losses) on disposal of fixed assets, net gains/(losses) on investments, impairment on investment securities, share of results of associates and minority interests. While EBITDA is commonly used as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with accounting



principles generally accepted in Hong Kong ("HKGAAP") and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.

▣ DIVIDEND

An interim dividend of HK1.0 cent per share, amounting to HK\$2,301,000, was paid to the shareholders during the year. The directors recommend a final dividend of HK2 cents per share to the shareholders (2002: nil).

▣ BUSINESS REVIEW

The macro economy was full of challenges in year 2003. Every industry undertook different strategies to capture business opportunities. During the year under review, the Group focused on allocating resources to industrial design, research and development, as well as maintaining close cooperation with its suppliers and customers. Now, S.A.S. has become a total solutions provider of design and packages electronic components. Compared to other competitors in the industry, the Group is one of the few who can offer a total solution to its customers. S.A.S. has established a solid customer base and reputation, allowing the Group to capture a significant market share.

Leveraging the business foundation with the economies of scale, together with the thriving China economy, the electronic products manufacturing business continues to expand, leaving abundant room for growth for the Group. Therefore, the business of distributing electronic components, including electronic consumer products, computer products, communication products and mobile phone products, recorded steady growth. Among these, the Group has successfully secured orders from a number of reputable China mobile phone manufacturers; making the mobile phone business stand out from the others and becoming the Group's major growth driver for the year under review.



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Apart from the distribution of electronic components, the distribution of sports equipment, especially golf equipment, recorded a substantial growth, mainly contributed by the booming economy in China, where the people are enjoying increasing income and the increasing popularity of golf.

▣ PROSPECTS

The China economy is growing rapidly, bringing prosperous development to various industries. The mobile phone industry enjoys high profit yield as well as tremendous market demand. It is also the leading industry among the different industries. Every global mobile phone manufacturer is aiming to penetrate into the China market, and the Chinese national mobile phone is also developing at “presto” pace, to capture the major market share in the third and fourth line of cities. To stand out among fierce competition, both Chinese and foreign manufacturers are obliged to launch mobile phone products with unique functions and cost-effectiveness. The group possesses a competitive edge in sourcing mobile phone components as well as designing services, meeting the needs of both Chinese and foreign customers. Also, the Groups will penetrate into hi-tech products such as 3G mobile phones, to further expand the market share.

To expand the revenue streams, S.A.S. is already engaged in providing LCD design and solution business. The Group will continue its expansion in 2004, targeting at the tremendous export market. Apart from continuous improvement on the quality of existing products and expansion of their functions, the Group will be devoted to expanding product types, seeking cost-effective designs and contents for comprehensive solutions. The Group will maintain close cooperation with electronic components suppliers and sourcing agents, to expand its supply and sourcing network, and further improve the Group's economy and cost effectiveness. On top of the existing sales network, S.A.S. will open a sales office in Ningbo, and integrate the sales and promotion capability in China.

To capture business opportunities, the Group will actively enhance its design business as well as its research and development capability. As the LCD business is still in its early stage, the Group will increase the number of the research professionals, and provide regular training to its technical staff, allowing them to command the latest information in the industry. Moreover, a comprehensive customer support service is a necessary part for the value-added services. The Group will then enhance its Field Application Engineers' capability with an aim to achieving closer cooperation with the research and development department, thus providing the most suitable solution to customers.

In view of the growth in the business of distributing sports equipment, followed by the rapid growth of golf in China, the market will become more mature. Golf-related products will enjoy accelerating growth as well. The huge consumer base will provide growing opportunities for the Group's business of distributing sports equipment, especially for its no.1 golf product brand – Titleist.

Looking ahead, the Group will be dedicated to enhancing its competitiveness and expanding its customer base for the electronic components and sports equipment businesses. With the clearly identified business goal, the Group will actively capture business opportunities, to strengthen the profit base and bring a stable return for its shareholders.

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▣ APPRECIATION

On behalf of the Board of Directors, I would like to express my gratitude and appreciation to all our staff. The contribution and the support from all shareholders, customers and suppliers are the key factor for the Group's success. We believe that every supporter of S.A.S. will be able to share the result of the Group's performance in the near future.

On behalf of the Board

Yim Yuk Lun, Stanley

Chairman and Managing Director

Hong Kong SAR, 23rd April 2004