

Chairman's Statement



TO OUR SHAREHOLDERS

The directors ("Directors") of S.A.S. Dragon Holdings Limited (the "Company" or "S.A.S.") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2004.

RESULTS

The overall business environment in 2004 was much better than the year before. The recuperation of the electronic industry provided an excellent platform for the Group's core business – electronic components and solutions – to excel. On top of that, the steady profits from the distribution of sports equipments and other positive factors also added to the Group's satisfying results for the year ended 31st December, 2004. The Group's turnover was recorded at HK\$2,407,088,000, representing an increase of 30.2% as compared with HK\$1,848,307,000 in 2003.

Earnings before interest, taxation, depreciation and amortisation ("EBITDA") from the Group's established businesses grew 37.0% to approximately HK\$74,592,000 (2003: approximately HK\$54,461,000). EBITDA represents earnings before interest, taxation, depreciation, amortisation, negative goodwill, gains/(losses) on disposal of fixed assets, net gains/(losses) on investments, unrealized holding gains/(losses) on other investments, surplus on revaluation of investment properties, impairment on investment securities and impairment losses on interests in associates. 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.



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Profit attributable to shareholders was HK\$35,108,000, up by 49.2%. (2003: HK\$ 23,527,000). Basic earnings per share were HK 14.97 cents (2003: HK 10.22 cents)

DIVIDENDS

The Board of Directors has recommended the payment of a final dividend of HK 4.0 cents per share (2003: HK 2.0 cents) for the year ended 31st December, 2004 subject to the approval of the shareholders of the Company at the forthcoming annual general meeting. An interim dividend of HK 1.8 cents per share (2003: HK 1.0 cent) was paid by the Company on 4th October, 2004.

MANAGEMENT REVIEW

During the year, the Group celebrated the 10th anniversary of its listing on the Hong Kong Stock Exchange. Looking back at the last ten years, the Group had made many achievements. We have built very strong relationships with our customers, expanded our network of suppliers, enhanced our research and development expertise, strengthened our industrial designs and sharpened our management capabilities. With clear focus and led by its devotion to excellence, the Group has evolved and become a renowned electronic components distributor and design solutions provider today. The Group's efforts over the years are well reflected in the satisfying results it achieved in 2004.

Leveraging its abilities in industrial design and scientific research and its management's astute comprehension of trends in the electronics product market, the Group was able to promptly produce effective solutions to meet the specific needs of its customers. In return, the Group's products received widespread recognition, which was one of key factors contributing to its success and satisfying results for the year under review. The Group's turnover and profit recorded significant growth during the year, increase by 30.2% and 49.2% respectively. The mobile phone solutions business was the Group's growth driver this year, boosting significantly the results of the electronic components business. The increased sales of multifunction mobile phones and the intense demand from many well-known mobile phone manufacturers together contributed to these outstanding results. In addition, the Group's sports equipment distribution business also attained satisfactory results.

To maintain the steady development of the electronic component business, the Group will closely follow market trends and promote solutions designed for multimedia mobile phones. Apart from raising the competitiveness for its mobile phone solutions, the Group will also step up the development of consumer electronic products, computer products and communication products. The Group believes these efforts will ensure the all-round advancement of its entire business portfolio, and take the Group's overall results to the next level.

PROSPECTS

Looking ahead, the Group sees bright prospects for the global electronic industry. To ensure that its electronic component distribution business will excel, the Group will maintain uniform development in all its businesses. In addition to mobile phone products, the Group will also allocate resources to perfect its consumer electronic products, computer products, and communications products to boost their contributions to the Group.

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In addition, the Group will invest in industrial designs and R&D, including developing creative product types, cost-effective designs and more accurate contents for high precision electronic component solutions. The Group believes further research efforts will enable it to better satisfy the increasing market demand for solutions for consumer electronic products, computer products, communication products and mobile phone products-products in all segments it covers. To this end, the Group entered into a three-year loan agreement to borrow approximately HK\$156 million from five banks and financial institutions. The additional capital will not only help to enhance the Group's development of its electronic component distribution business, but will also increase its overall operational efficiency and strengthen its financial situation.

The Group possesses a superb industry position and competitive edges in the mobile phone solutions business. Its newly developed mobile phones ESD and EMI protection technique, in particular, is guaranteed to attract premium client contracts. In the future, the Group will focus on marketing its multimedia mobile phone solutions, and will progress with the development of 3.0 mega pixels research. The Group also intends to expand customer coverage by initiating cooperation with small to mid size solutions designers, in addition to working with renowned large mobile phone manufacturers. For consumer electronic products, the Group will continue to promote its chips solutions for MP3 and PMP, and LCD displays to satisfy rising demands. The Group also believes the revival of the computer industry will be reflected in the sales of its computer products such as memory products, USB connectors, IEEE 1394 connectors and AVX components. To boost the performance of its communication products, the Group is planning a series of marketing activities for its 3G phone solutions taking advantage of the imminent relaxation of restrictions on 3G operating licenses by the PRC government.

As for our sports equipment distribution business, benefiting from the rising income levels of the Chinese people, who are also becoming more health conscious helped by the fast approaching 2008 Beijing Olympics, different sports activities are catching the eyes of the Chinese people. As a result, the demand for premium sporting goods has been increasing, and so has their sales every year. Therefore, the Group plans to diversify its combination of sporting brands in the coming year. One of the new additions will be the Hi-Tec golf shoes from the United Kingdom. The shoes with exclusive CDT Power soles are the world's first golf shoes that can increase the hitting distance for the golfer wearing them. International top golfer, Padraig Harrington, beat more than 100 players to top the hit distance rankings in the European Tour after he became a patron of the shoes. Another brand to be added will be the reputable European golf equipment brand Makser, which golf clubs were responsible for creating the Guinness record of the longest swing distance. Yet another new brand to join the portfolio will be Feel Golf from the USA. The brand's exclusive "Full Release Grip", which can effectively correct left or right slice and help to release the club at contact point, has been very well received internationally. The American magazine *Publinks Golfer* rated the grip as the "first major golf equipment design change in a 100 years". Also, Feel Golf's exclusive "The Dart Thrower" wedge, with its six-way tour patented sole grind design, quickly became the most popular wedge in tournaments. The Group will also actively participate in mega sports products exhibitions in the PRC, including the largest "China (Beijing) International Golf Exhibition", to promote the world-famous golf brands it distributes. The Group will strive to increase the popularity of its sports products through sponsoring large tournaments in the PRC and expanding its sales network.

With a strong and stable business platform and applying the aforementioned development strategies, S.A.S. sees a bright and prominent future for its business. The Group will forge ahead with its expansion plans, so as to improve sales and grow the shares of its products in their corresponding market segments.

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APPRECIATION

On behalf of the Board of Directors, I would like to extend my sincere gratitude to our committed staff. Their effort and the support of our shareholders, customers, and suppliers have been the key to our success. We look forward to sharing our success with all our supporters in the near future.

By Order of the Board

Yim Yuk Lun Stanley

Chairman and Managing Director

Hong Kong SAR, 22nd April, 2005