

# CHAIRMAN'S STATEMENT



## TO OUR SHAREHOLDERS

On behalf of the Board of Directors of S.A.S. Dragon Holdings Limited and its subsidiaries ("the Group"), I present the annual results of the Group for the year ended 31 December 2006.

During the year under review, the Group focused resources on enhancing sales of its electronic component distribution business. The Group has accumulated extensive experience in sales of electronic components over the years and possesses mature technology and strong supplier and customer networks. Building on this solid foundation, it has forged ahead with developing its system solutions design business. In 2006, the Group focused on providing customers with system solutions services including tailoring solutions to meet customers' product specifications, offering application recommendations, technological knowledge and professional design advice. These services have enhanced customers' trust in the Group, as reflected in the its satisfactory overall gross margin.

Apart from seeking to fully apply its strengths, the Group also actively explored acquisition opportunities and joint venture possibilities. The Group recently acquired 51% stake in Hi-Level Technology Limited, which specializes in the research and development of semi-conductor solutions. During the year under review, it also set up a joint venture company, Kitronix Limited, and expanded its business from production to sales of liquid crystal display module (LCM) and related products.

During the year, the Group made a one-off impairment loss for the whole investments in a Korean-based OLED manufacturer of HK\$15.6 million. The Board of Directors decided the Group should avoid pursuing this kind of passive investment in the near future.

Looking to 2007, the Group expects more business opportunities to emerge and to land new clients after the new member companies are integrated into its operation. It expects the new companies will generate synergies with its existing businesses, and in turn help the Group expand its business scale and market share and take the Group into a new chapter of development.

On behalf of the Board of Directors, I would like to thank all staff members for their contribution and effort in the past year. I wish to extend my sincere gratitude to our shareholders and business partners for their continuous and valuable support.

**Yim Yuk Lun, Stanley JP**  
*Chairman*  
Hong Kong, 18 April 2007