



S.A.S. Dragon Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 1184)

interim report
2009





CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Yim Yuk Lun, Stanley *JP*
(Chairman and Managing Director)
Mr. Wong Sui Chuen
Mr. Lau Ping Cheung

Non-Executive Director

Dr. Chang Chu Cheng

Independent Non-Executive Directors

Mr. Cheung Chi Kwan
Mr. Liu Chun Ning, Wilfred
Dr. Lui Ming Wah *SBS JP*
Mr. Wong Tak Yuen, Adrian

AUDIT COMMITTEE

Mr. Wong Tak Yuen, Adrian *(Chairman)*
Dr. Chang Chu Cheng
Mr. Cheung Chi Kwan

REMUNERATION COMMITTEE

Mr. Wong Sui Chuen *(Chairman)*
Dr. Lui Ming Wah *SBS JP*
Mr. Wong Tak Yuen, Adrian

COMPANY SECRETARY

Mr. Wong Wai Tai

AUDITORS

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL OFFICE

6th Floor, Tower B
Hunghom Commercial Centre
37 Ma Tau Wai Road
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai
Banking Corporation Limited
Standard Chartered Bank

WEBSITE

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

STOCK CODE

The Stock Exchange of Hong Kong Limited:
1184



FINANCIAL HIGHLIGHTS

- Turnover decreased by 11.9% to HK\$1,385 million
- Earnings before interest, tax, depreciation and amortization (EBITDA) increased by 24.9% to HK\$35.5 million
- Profit attributable to equity holders increased by 144.2% to HK\$20.2 million
- Basic earnings per share amounted to HK7.80 cents (2008: HK3.19 cents)
- Declared interim dividend of HK2.5 cents per share (2008: HK1.0 cent)



The board of directors (the "Board") of S.A.S. Dragon Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2009, together with comparative figures for the previous period, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

| | Notes | For the six months ended 30 June | |
|-------------------------------------------------------------------|-------|----------------------------------|---------------------------------|
| | | 2009 (Unaudited) HK\$'000 | 2008 (Unaudited) HK\$'000 |
| Turnover | 2 | 1,385,240 | 1,572,521 |
| Cost of sales | | (1,300,061) | (1,484,641) |
| Gross profit | | 85,179 | 87,880 |
| Investment income | | 5,285 | 5,618 |
| Other income | | 366 | 747 |
| Distribution and selling expenses | | (19,232) | (13,043) |
| Administrative and other expenses | | (42,777) | (59,567) |
| Finance costs | | (4,055) | (11,378) |
| Share of results of associates | | (46) | (40) |
| Profit before taxation | | 24,720 | 10,217 |
| Taxation | 3 | (1,797) | (905) |
| Profit for the period | 4 | 22,923 | 9,312 |
| Other comprehensive income | | | |
| Available-for-sale financial assets | | (357) | 16 |
| Exchange differences arising on translation of foreign operations | | - | 2,652 |
| Other comprehensive income for the period | | (357) | 2,668 |
| Total comprehensive income for the period | | 22,566 | 11,980 |



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| | For the six months ended 30 June | |
|------------------------------------------------|---------------------------------------------|-------------|
| | 2009 | 2008 |
| | (Unaudited) | (Unaudited) |
| <i>Notes</i> | HK\$'000 | HK\$'000 |
| <hr/> | | |
| Profit for the period attributable to: | | |
| Owners of the Company | 20,242 | 8,290 |
| Non-controlling interests | 2,681 | 1,022 |
| | <hr/> | <hr/> |
| | 22,923 | 9,312 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Total comprehensive income attributable to: | | |
| Owners of the Company | 19,943 | 10,958 |
| Non-controlling interests | 2,623 | 1,022 |
| | <hr/> | <hr/> |
| | 22,566 | 11,980 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Dividend paid | 5,190 | 12,975 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Earnings per share – Basic (<i>HK cents</i>) | 7.80 | 3.19 |
| | <hr/> <hr/> | <hr/> <hr/> |



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

| | | 30 June 2009 (Unaudited) HK\$'000 | 31 December 2008 (Audited) HK\$'000 |
|----------------------------------------------------------|--------------|------------------------------------------------------|----------------------------------------------|
| | <i>Notes</i> | | |
| Non-Current Assets | | | |
| Investment properties | | 100,700 | 119,400 |
| Property, plant and equipment | | 150,807 | 156,045 |
| Goodwill | | 16,419 | 16,419 |
| Interests in associates | | 362 | 408 |
| Available-for-sale investments | | 7,654 | 7,654 |
| Club memberships | | 3,278 | 3,278 |
| | | 279,220 | 303,204 |
| Current Assets | | | |
| Inventories | | 335,266 | 370,783 |
| Trade and other receivables | 7 | 416,190 | 298,630 |
| Bills receivable | 7 | – | 1,125 |
| Financial assets at fair value through profit or loss | | 39,783 | 34,770 |
| Available-for-sale investments | | – | 5,142 |
| Taxation recoverable | | 1,623 | 1,104 |
| Pledged bank deposits | | 18,902 | 24,757 |
| Bank balances and cash | | 117,766 | 119,259 |
| | | 929,530 | 855,570 |
| Current Liabilities | | | |
| Trade and other payables | 8 | 281,085 | 209,496 |
| Bills payable | 8 | 78,408 | 23,734 |
| Derivative financial instruments | | 1,375 | 1,375 |
| Taxation payable | | 1,865 | 3,642 |
| Bank borrowings – due within one year | | 389,386 | 466,846 |
| | | 752,119 | 705,093 |
| Net Current Assets | | | |
| | | 177,411 | 150,477 |
| | | 456,631 | 453,681 |



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| | 30 June 2009 (Unaudited) HK\$'000 | 31 December 2008 (Audited) HK\$'000 |
|----------------------------------------------|------------------------------------------------------|----------------------------------------------|
| Capital and Reserves | | |
| Share capital | 25,949 | 25,949 |
| Share premium and reserves | 374,751 | 359,855 |
| Equity attributable to owners of the Company | 400,700 | 385,804 |
| Non-controlling interests | 30,613 | 27,990 |
| Total Equity | 431,313 | 413,794 |
| Non-Current Liabilities | | |
| Bank borrowings – due after one year | 16,867 | 31,436 |
| Deferred tax liabilities | 8,451 | 8,451 |
| | 25,318 | 39,887 |
| | 456,631 | 453,681 |



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

| | Share capital | Share premium | Capital redemption reserve | Capital reserve | Contributed surplus | Property revaluation reserve | Investment revaluation reserve | Transition reserve | Share option reserve | Accumulated profit | Attributable to owner Company | Non-controlling interests | Total |
|------------------------------------------------------------------|---------------|---------------|----------------------------|-----------------|---------------------|------------------------------|--------------------------------|--------------------|----------------------|--------------------|-------------------------------|---------------------------|----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2009 | 25,949 | 29,298 | 1,109 | 11,145 | 50,099 | 28,474 | 299 | 1,435 | 1,004 | 236,992 | 385,804 | 27,990 | 413,794 |
| Available-for-sale investments | - | - | - | - | - | - | (299) | - | - | - | (299) | (58) | (357) |
| Profit for the period | - | - | - | - | - | - | - | - | - | 20,242 | 20,242 | 2,681 | 22,923 |
| Total comprehensive income for the period | - | - | - | - | - | - | (299) | - | - | 20,242 | 19,943 | 2,623 | 22,566 |
| Recognition of equity-settled share-based payment expenses | - | - | - | - | - | - | - | - | 143 | - | 143 | - | 143 |
| Dividend paid | - | - | - | - | (5,190) | - | - | - | - | - | (5,190) | - | (5,190) |
| At 30 June 2009 (unaudited) | 25,949 | 29,298 | 1,109 | 11,145 | 44,909 | 28,474 | - | 1,435 | 1,147 | 257,234 | 400,700 | 30,613 | 431,313 |
| At 1 January 2008 | 25,949 | 29,298 | 1,109 | 11,145 | 65,669 | 24,149 | 824 | (521) | 430 | 255,151 | 413,203 | 30,983 | 444,186 |
| Exchange difference arising on translation of foreign operations | - | - | - | - | - | - | - | 2,652 | - | - | 2,652 | - | 2,652 |
| Available-for-sale investments | - | - | - | - | - | - | 16 | - | - | - | 16 | - | 16 |
| Profit for the period | - | - | - | - | - | - | - | - | - | 8,290 | 8,290 | 1,022 | 9,312 |
| Total comprehensive income for the period | - | - | - | - | - | - | 16 | 2,652 | - | 8,290 | 10,958 | 1,022 | 11,980 |
| Recognition of equity-settled share-based payment expenses | - | - | - | - | - | - | - | - | 215 | - | 215 | - | 215 |
| Dividend paid to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | (5,015) | (5,015) |
| Dividend paid | - | - | - | - | (12,975) | - | - | - | - | - | (12,975) | - | (12,975) |
| At 30 June 2008 (unaudited) | 25,949 | 29,298 | 1,109 | 11,145 | 52,694 | 24,149 | 840 | 2,131 | 645 | 263,441 | 411,401 | 26,990 | 438,391 |



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

| | For the six months ended 30 June | |
|------------------------------------------------------------------------------------------|-------------------------------------|---------------------------------|
| | 2009 (Unaudited) HK\$'000 | 2008 (Unaudited) HK\$'000 |
| Net cash from operating activities | 71,639 | 57,037 |
| Net cash from investing activities | 26,274 | 27,324 |
| Net cash (used in) from financing activities | (101,271) | (88,009) |
| Net decrease in cash and cash equivalents | (3,358) | (3,648) |
| Cash and cash equivalents at beginning of the period | 119,259 | 179,501 |
| Effect of foreign exchange rate changes | 1,865 | – |
| Cash and cash equivalents at end of the period, represented by bank balances and cash | 117,766 | 175,853 |



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2009.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except for the application of HKAS 23 (Revised 2007) Borrowing Costs.

HKAS 23 (Revised 2007) Borrowing Costs

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option available under the previous version of the standard to recognise all borrowing costs as expenses immediately and requires borrowing costs to be capitalised as part of the cost of a qualifying asset. The revised accounting policy has been applied prospectively and has had no impact on the reported results or financial position of the Group of the current or prior accounting periods. Accordingly no adjustment has been recognised.

HKAS 1 (Revised 2007) Presentation of financial statements

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised 2007) has had no impact on the reported results or financial position of the Group.



The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

| | |
|---------------------------|------------------------------------------------------------------------------------|
| HKFRSs (Amendments) | Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008 ¹ |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2009 ² |
| HKAS 27 (Revised in 2008) | Consolidated and separate financial statements ¹ |
| HKAS 39 (Amendment) | Eligible hedged items ¹ |
| HKFRS 1 (Amendment) | First-time Adoption of Hong Kong Financial Reporting Standards ² |
| HKFRS 2 (Amendment) | Group cash-settled share based payments transactions ² |
| HKFRS 3 (Revised in 2008) | Business combinations ¹ |
| HK(IFRIC) – Int 17 | Distributions of non-cash assets to owners ¹ |
| HK(IFRIC) – Int 18 | Transfers of assets from customers ⁴ |

¹ *Effective for annual periods beginning on or after 1 July 2009.*

² *Effective for annual periods beginning on or after 1 January 2010.*

³ *Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.*

⁴ *Effective for transfers on or after 1 July 2009.*

2. SEGMENT INFORMATION

The turnover and contributions to profit of the Group for the six months ended 30 June 2009, analyzed by business segments and by geographical segments, are as follows:

Business segments

For management purposes, the Group's operations are organized into three operating division namely distribution of electronic components and semiconductors products and properties investment and others. These divisions are the basis on which the Group reports its primary segmental information.



Segment information about these businesses is presented as follows:

| | For the six months ended 30 June | | | |
|----------------------------------------------------------------------|----------------------------------|-----------|----------------|----------|
| | Turnover | | Results | |
| | 2009 | 2008 | 2009 | 2008 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Distribution of electronic components and semiconductors products | 1,348,469 | 1,543,752 | 28,622 | 21,395 |
| Properties investment | 2,631 | – | 2,631 | 2,128 |
| Others | 34,140 | 28,769 | 496 | 1,077 |
| | 1,385,240 | 1,572,521 | 31,749 | 24,600 |
| Investment income | | | 5,285 | 3,490 |
| Unallocated corporate expenses | | | (8,213) | (6,455) |
| Finance costs | | | (4,055) | (11,378) |
| Share of results of associates | | | (46) | (40) |
| Profit before taxation | | | 24,720 | 10,217 |
| Taxation | | | (1,797) | (905) |
| Profit for the period | | | 22,923 | 9,312 |

Geographical segments

The Group's operations are located in Hong Kong, the Mainland PRC and Taiwan. The Group's distribution of electronic components and semiconductors products is mainly carried out in these areas. Properties investment and others are mainly carried out in Hong Kong and the Mainland PRC.



The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

| | For the six months ended 30 June | |
|--------------|---------------------------------------------|-----------|
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| Mainland PRC | 869,371 | 1,028,650 |
| Hong Kong | 400,770 | 374,439 |
| Taiwan | 105,791 | 140,555 |
| Others | 9,308 | 28,877 |
| | 1,385,240 | 1,572,521 |

3. TAXATION

| | For the six months ended 30 June | |
|-----------------------|---------------------------------------------|----------|
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| Hong Kong Profits Tax | 1,797 | 1,177 |
| Deferred taxation | - | (272) |
| | 1,797 | 905 |

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profit for period.



4. PROFIT FOR THE PERIOD

**For the six months
ended 30 June**

| | |
|-----------------|----------|
| 2009 | 2008 |
| HK\$'000 | HK\$'000 |

Profit for the period has been arrived at after charging:

| | | |
|-----------------------------------------------|--------------|-------|
| Depreciation of property, plant and equipment | 6,708 | 6,641 |
| Amortisation of intangible assets | - | 161 |

5. DIVIDEND PAID

**For the six months
ended 30 June**

| | |
|-----------------|----------|
| 2009 | 2008 |
| HK\$'000 | HK\$'000 |

Final dividend in respect of the previous financial year,
paid during the period, of HK2 cents per share
(2008: HK5 cents)

| | |
|--------------|--------|
| 5,190 | 12,975 |
|--------------|--------|

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2009 is based on the profit for the period attributable to owners of the Company of approximately HK\$20,242,000 (2008: HK\$8,290,000) and weighted average number of 259,490,720 shares (2008: 259,490,720 shares) in issue during the period.

No diluted earnings per share has been presented since the exercise price of the Company's share options were higher than the average market price per share during the six months ended 30 June 2009.

No diluted earnings per share has been presented since the Company had no potential ordinary shares outstanding during the six months ended 30 June 2008.



7. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

An aged analysis of trade and bills receivables by due dates (net of allowance for doubtful debts) is as follows:

| | 30 June 2009 HK\$'000 | 31 December 2008 HK\$'000 |
|----------------------------------------|--------------------------------------|---------------------------------|
| Current | 254,787 | 161,080 |
| 0 to 30 days | 75,525 | 64,758 |
| 31 to 60 days | 15,364 | 22,085 |
| 61 to 90 days | 5,494 | 5,864 |
| Over 90 days | 11,682 | 14,138 |
| Trade receivables and bills receivable | 362,852 | 267,925 |
| Other receivables | 53,338 | 31,830 |
| | 416,190 | 299,755 |

The Group allows a credit period ranged from 30 days to 120 days to its trade customers.

8. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

An aged analysis of trade and bills payables by due date is as follows:

| | 30 June 2009 HK\$'000 | 31 December 2008 HK\$'000 |
|----------------------------------|--------------------------------------|---------------------------------|
| Current | 232,321 | 89,730 |
| 0 to 30 days | 55,905 | 48,987 |
| 31 to 60 days | 5,202 | 35,228 |
| 61 to 90 days | 968 | 5,463 |
| Over 90 days | 11,613 | 17,812 |
| Trade payables and bills payable | 306,009 | 197,220 |
| Other payables | 53,484 | 36,010 |
| | 359,493 | 233,230 |



9. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(I) Connected parties

During the period, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected parties pursuant to the Listing Rules. The significant transactions during the period and balances at the balance sheet date with a substantial shareholder are as follows:

(a) Transactions

| Name of party | Nature of transactions | For the six months ended 30 June | |
|------------------------------------------------------|----------------------------------|----------------------------------|------------------|
| | | 2009 HK\$'000 | 2008 HK\$'000 |
| Hon Hai Precision Industry Co Ltd ("Hon Hai") (note) | Sales of electronic products | 161,074 | 214,579 |
| and its subsidiaries | Purchases of electronic products | 9,400 | 16,128 |

(b) Balances

| Name of party | Nature of transactions | 30 June | 31 December |
|------------------------------|------------------------|------------------|------------------|
| | | 2009 HK\$'000 | 2008 HK\$'000 |
| Hon Hai and its subsidiaries | Balance | | |
| | – trade receivables | 94,949 | 114,977 |
| | – trade payables | 7,822 | 8,675 |

Note: Hon Hai is a substantial shareholder of the Company.



(II) Related parties, other than connected parties

The significant transactions with related parties, other than connected parties, during the period, and significant balances with them at the balance sheet date, are as follows:

(a) Transactions

| Name of party | Nature of transactions | For the six months ended 30 June | |
|---------------------------------|------------------------------|----------------------------------|------------------|
| | | 2009 HK\$'000 | 2008 HK\$'000 |
| Kitronix Limited | Sales of electronic products | 1,103 | 7,732 |
| Associates: Now Electron Inc | Sales of electronic products | 1,311 | 2,709 |

(b) Balances

| Name of party | Nature of transactions | 30 June | 31 December |
|------------------------------------------------------|--------------------------------|------------------|------------------|
| | | 2009 HK\$'000 | 2008 HK\$'000 |
| Venturers of Kitronix Limited | Balance – trade receivables | 2,818 | 731 |
| Associates: Bestime Technology Development Ltd | Balance – trade receivables | 662 | 659 |
| Now Electron Inc | Balance – trade receivables | 1,291 | 879 |



INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK2.5 cents (2008: HK1.0 cent) per share payable to the shareholders of the Company whose names appear on the Register of Members of the Company on 18 September 2009. The dividend warrants are expected to despatch to shareholders on or about 25 September 2009.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from 17 September 2009 to 18 September 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 pm on 16 September 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Distribution of Electronic Components and Semiconductor Products

At the beginning of 2009, dragged by the global economic turmoil, electronics industry recorded weak business. Supply cut has been more severe than demand drop, causing inventory to drop below normal level. After those effective implementation of stimulus spending measures by various governments especially China, demands from China and other developing countries recorded continuous increase along with the bottoming out of consumer confidence. Since February 2009, the Group recorded better-than-expected sales of components for consumer electronic, handsets and computer products and benefited from the recovery trend.

Consumer Electronic Products

Stimulated by the implementation of "Appliances for Rural Households" subsidy program in China from 1 February 2009, strong domestic demand of LCD TV, DVD players, Set Top Box, portable navigation devices, digital photo frame and PMP boosted the Group's revenue from the distribution of components of consumer electronic products.



Mobile Phone Products

During the period under review, despite an overall drop in global handset shipments, handset shipments in China stayed in healthy level supported by the strong demand from white-box market and the rural-subsidy programme. The Group recorded satisfactory sales on distribution of components of mobile phone products.

Computer Products

Fueled by strong demand for inexpensive netbook and low-end notebook, computer products shipments started to rebound in 2Q 09. China telecom operators started to offer netbook/mobile broadband bundle also encouraged more desktop users to switch to netbooks and stimulated sales of netbook during the period under review.

Communication Products

The building and operation of 3G network in China has boosted the demand of the Group's video communication cards as well as the peripheral components.

LED Lighting Products

During the period under review, demand of LED lighting grew sharply due to similar abandonment of incandescent-based lightings plans announced by a number of major countries including China. The Group is benefited by providing wide range of LED lighting solutions for streetlights, tunnel lights and indoor general lighting products.

Properties investment

As of 30 June 2009, the Group was holding 6 units of investment properties (31 December 2008: 8 units), including 4 commercial units and 2 residential units located at Hong Kong. The aggregate market value of investment properties amounted to HK\$100.7 million (31 December 2008: HK\$119.4 million) after disposal of two properties during the period under review.

The above investment properties generated rental income of HK\$2.6 million (2008: HK\$2.1 million) with an annualized return of 5.2%.



OUTLOOK

Amid recovering consumer demand, it is believed that electronics industry has bottomed out in 1H 09 and will move upward in 2H 09. Market research firms are revising up their 2009 forecasts on overall shipments of electronic products and components. The Group will continue to focus on China market to catch up the accelerating economic growth in the second half of 2009.

Supplement to the Group distribution business of electronic components and semiconductors, the Group added one product line related to channeling a system solution specializes for quality, safety and health management called "TrackWise" from July 09. TrackWise system is well recognized in US and Europe and its target customers are those big medicine, food and beverages manufacturing firms in Greater China. S.A.S. Systems Co. Ltd., a wholly owned subsidiary of the Group, has a professional consultant team to capture this new and important market opportunity when everyone places big concern on health care and food quality nowadays.

FINANCIAL REVIEW

For the period ended 30 June 2009, the Group's turnover decreased by 11.9% to HK\$1,385,240,000 (2008: HK\$1,572,521,000), gross profit declined by 3.1% to HK\$85,179,000 (2008: HK\$87,880,000), and EBITDA (represented gross profit plus other income minus distribution and selling expenses and administrative expenses plus depreciation and amortization) increased by 24.9% to HK\$35,529,000 (2008: HK\$28,437,000).

Net profit attributable to owners of the Company increased 144.2% to HK\$20,242,000 (2008: HK\$8,290,000). Basic earnings per share was HK7.80 cents (2008: HK3.19 cents).

Liquidity and Financial Resources

As of 30 June 2009, the Group's current ratio was 124% (31 December 2008: 121%), net gearing ratio was 53% (31 December 2008: 76%), which was calculated based on the Group's net borrowings (calculated as total bank borrowings minus total cash and bank balances minus financial assets at fair value through profit or loss and available-for-sale investments) of approximately HK\$229,802,000 (31 December 2008: HK\$314,354,000) and total equity of HK\$431,313,000 (31 December 2008: HK\$413,794,000).



The Group recorded debtors turnover of approximately 47 days for the period under review (2008: 49 days) based on the amount of trade and bills receivable as at 30 June 2009 divided by sales for the same period and multiplied by 181 days.

The Group recorded inventory turnover and average payable period of approximately 47 days and 43 days respectively for the period under review (2008: approximately 52 days and 39 days respectively) based on the amount of inventory and trade and bills payables as at 30 June 2009 divided by cost of sales for the same period and multiplied by 181 days.

The Group generated net operating cash inflow of HK\$71,639,000 and used in net repayment of bank borrowings of HK\$92,027,000 in for the period under review, compare with net operating cash inflow of HK\$57,037,000 and net repayment of bank borrowings of HK\$58,644,000 for the same period in 2008.

Foreign Exchange Risk Management

The Group has foreign currency sales and purchases and foreign bank deposits and borrowing which expose the Group to foreign currency risk.

The Group currently does not have any foreign currency hedging policy. However, management will monitor foreign exposure closely and consider the usage of hedging instruments when the need arise.

Employee and Remuneration Policy

At 30 June 2009, the Group employed approximately 350 employees in the PRC and Hong Kong. The Group ensures that their employees are offered competitive remuneration packages. Other staff benefits include share option scheme, provident fund schemes and medical insurance. Also, discretionary bonus was granted to eligible employees based on the Group's financial results and individual performance.

Pledge of Assets

At 30 June 2009, certain of the Group's assets (including investment properties, leasehold land and buildings, bank deposits, trade receivables and financial assets at fair value through profit or loss) with the carrying value of totaling approximately HK\$283 million were pledged to secure general banking facilities granted to the Group.



DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

On 30 June 2009, the interests of the directors of the Company in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Future Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions

Ordinary shares of HK\$0.10 each of the Company

| Name of directors | Capacity | Number of issued ordinary shares held | Percentage of issued share capital of the Company |
|--------------------------------|------------------------------------------------|----------------------------------------------|----------------------------------------------------------|
| Yim Yuk Lun, Stanley <i>JP</i> | Beneficial owner | 13,990,000 | 5.39% |
| | Held by controlled corporation (<i>Note</i>) | 63,771,400 | 24.58% |
| | | <u>77,761,400</u> | <u>29.97%</u> |
| Chang Chu Cheng | Beneficial owner | 1,800,000 | 0.69% |
| Wong Sui Chuen | Beneficial owner | 862,000 | 0.33% |
| Lau Ping Cheung | Beneficial owner | 200,000 | 0.08% |

Note: These shares are held by Unimicro Limited, a company incorporated in the British Virgin Islands which is beneficially owned by Mr. Yim Yuk Lun, Stanley *JP*.

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 or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2009.



SUBSTANTIAL SHAREHOLDERS

On 30 June 2009, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

Long positions

Ordinary shares of HK\$0.10 each of the Company

| Name of shareholders | Capacity | Number of issued ordinary shares held | Percentage of the issued share capital of the Company |
|---------------------------------------------|------------------------------------------------|----------------------------------------------|--------------------------------------------------------------|
| Hon Hai | Held by controlled corporation (<i>Note</i>) | 46,000,000 | 17.73% |
| Foxconn Holding Limited ("Foxconn") | Beneficial owner | 46,000,000 | 17.73% |
| Chung Shun Ming | Beneficial owner | 27,343,400 | 10.54% |
| CCB International Assets Management Limited | Beneficial owner | 16,950,000 | 6.53% |

Note: Hon Hai owns 100% interest in Foxconn and is accordingly deemed 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 relevant interests or short positions in the issued share capital of the Company as at 30 June 2009.



SHARE OPTION SCHEMES

Pursuant to the Company's share option scheme, the following share options were outstanding during six months period ended 30 June 2009:

| Date of grant | Exercise price per share | Exercisable period | Options | | | | | Options outstanding as at 30 June 2009 | |
|-----------------|--------------------------|--------------------|------------------------------------------|-----------------------------------|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------------|------------------|
| | | | Options outstanding as at 1 January 2009 | Options granted during the period | Options exercised during the period | Options lapsed during the period | Options cancelled during the period | | |
| Director: | | | | | | | | | |
| Lau Ping Cheung | 3 July 2007 | HK\$1.50 | 3 July 2008 to 2 July 2010 | 500,000 | - | - | - | - | 500,000 |
| Lau Ping Cheung | 3 July 2007 | HK\$1.50 | 3 July 2009 to 2 July 2010 | 500,000 | - | - | - | - | 500,000 |
| Employees | 3 July 2007 | HK\$1.50 | 3 July 2008 to 2 July 2010 | 2,250,000 | - | - | - | - | 2,250,000 |
| Employees | 3 July 2007 | HK\$1.50 | 3 July 2009 to 2 July 2010 | 2,250,000 | - | - | - | - | 2,250,000 |
| | | | | 5,500,000 | - | - | - | - | 5,500,000 |

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months period ended 30 June 2009, except for the following deviations:

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Having considered the current business operation and the size of the Group, the Board is of the view that Mr. Yim Yuk Lun, Stanley JP acting as both the Chairman and the Managing Director of the Group is acceptable and in the best interest of the Group.



Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. The non-executive directors have not been appointed for a specific term. However, according to the Bye-laws of the Company, one-third of the directors for the time being shall retire from office by rotation at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are similar to those in the Code.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with management the accounting principles and policies adopted by the Group and the unaudited interim financial statements for the six months ended 30 June 2009.

MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct adopted by the Company regarding securities transactions by directors.

APPRECIATION

On behalf of the Board, I would like to thank all our employees for their contribution and sacrifices. I also wish to extend my sincere gratitude to our shareholders, customers, suppliers and business partners for their valuable and continuous support.

On behalf of the Board

Yim Yuk Lun, Stanley JP

Chairman and Managing Director

Hong Kong, 31 August 2009