



S.A.S. Dragon Holdings Limited

(Stock Code: 1184)

Interim Report 2012

商界展關懷

caringcompany 2009-12

Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Yim Yuk Lun, Stanley JP
(*Chairman and Managing Director*)
Mr. Wong Sui Chuen
Mr. Lock Shui Cheung
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 Tak Yuen, Adrian (*Chairman*)
Dr. Lui Ming Wah *SBS JP*
Mr. Wong Sui Chuen

NOMINATION COMMITTEE

Mr. Wong Tak Yuen, Adrian (*Chairman*)
Mr. Cheung Chi Kwan
Mr. Wong Sui Chuen

COMPANY SECRETARY

Mr. Wong Wai Tai

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL OFFICE

6th Floor, Tower B
Hungghom 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 (Hong Kong)
Limited

AUDITORS

Deloitte Touche Tohmatsu

WEBSITE

www.sasdragon.com.hk

STOCK CODE

The Stock Exchange of Hong Kong
Limited: 1184

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Change
	2012 HK\$'million	2011 HK\$'million	
Revenue	2,813.9	2,580.4	+9%
Net profit attributable to owners of the Company	30.2	40.6	-26%
Basic and diluted earnings per share (HK cents)	11.51	15.51	-26%
Interim dividend per share (HK cents)	3.0	3.0	—

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 2012, together with comparative figures for the previous period, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Notes	For the six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue	2	2,813,949	2,580,429
Cost of sales		(2,683,157)	(2,439,219)
Gross profit		130,792	141,210
Other income		5,604	1,359
Other gains and losses		2,754	3,291
Distribution and selling expenses		(23,708)	(26,761)
Administrative expenses		(65,162)	(58,512)
Finance costs		(7,326)	(5,751)
Share of results of associates		(64)	(73)
Profit before tax		42,890	54,763
Income tax expense	3	(4,818)	(7,894)
Profit for the period	4	38,072	46,869
Other comprehensive income:			
Exchange differences arising on translation of foreign operation		266	1,272
Fair value loss on available-for-sale investments		(10,632)	(885)
Total comprehensive income for the period		27,706	47,256

		For the six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
Note		HK\$'000	HK\$'000
Profit for the period attributable to:			
	Owners of the Company	30,169	40,647
	Non-controlling interests	7,903	6,222
		38,072	46,869
Total comprehensive income attributable to:			
	Owners of the Company	19,673	40,951
	Non-controlling interests	8,033	6,305
		27,706	47,256
Earnings per share			
		6	
	Basic and diluted	HK11.51 cents	HK15.51 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
	Notes		
Non-Current Assets			
Investment properties		136,300	136,300
Property, plant and equipment		185,731	154,149
Prepaid lease payments		8,985	9,080
Goodwill		20,392	20,392
Interests in associates		442	506
Available-for-sale investments		41,390	13,912
Club memberships		3,278	3,278
Deposit paid for acquisition of property, plant and equipment		—	14,508
Deferred tax assets		3,200	2,918
		399,718	355,043
Current Assets			
Inventories		574,987	397,045
Trade and other receivables	7	703,256	479,520
Bills receivable	7	5,678	7,448
Prepaid lease payments		189	189
Financial assets at fair value through profit or loss		103,862	113,744
Taxation recoverable		6,281	4,720
Pledged bank deposits		2,874	3,149
Bank balances and cash		391,094	648,860
		1,788,221	1,654,675
Current Liabilities			
Trade and other payables	8	498,621	460,708
Bills payable	8	213,257	59,125
Derivative financial instruments		8,776	8,776
Tax liabilities		7,510	5,899
Bank borrowings — due within one year		833,413	836,595
		1,561,577	1,371,103
Net Current Assets		226,644	283,572
Total Assets less Current Liabilities		626,362	638,615

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Capital and Reserves		
Share capital	26,214	26,214
Share premium and reserves	532,839	539,380
	<hr/>	<hr/>
Equity attributable to owners of the Company	559,053	565,594
Non-controlling interests	67,309	61,771
	<hr/>	<hr/>
Total Equity	626,362	627,365
	<hr/>	<hr/>
Non-Current Liabilities		
Bank borrowings — due after one year	—	11,250
	<hr/>	<hr/>
	—	11,250
	<hr/>	<hr/>
	626,362	638,615
	<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company										Attributable to Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profit HK\$'000	Total HK\$'000		
At 1 January 2012	26,214	33,510	1,109	11,145	13,519	32,225	(1,674)	3,568	445,978	565,594	61,771	627,365
Profit for the period	—	—	—	—	—	—	—	—	30,169	30,169	7,903	38,072
Exchange Differences arising on translation of foreign operations	—	—	—	—	—	—	—	136	—	—	130	266
Fair value loss on available-for-sale investments	—	—	—	—	—	—	(10,632)	—	—	(10,632)	—	(10,632)
Other comprehensive income	—	—	—	—	—	—	(10,632)	136	—	(10,496)	130	(10,366)
Total comprehensive income for the period	—	—	—	—	—	—	(10,632)	136	30,169	19,673	8,033	27,706
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	(995)	(995)
Dividend paid (note 5)	—	—	—	—	—	—	—	—	(26,214)	(26,214)	(1,500)	(27,714)
At 30 June 2012 (unaudited)	26,214	33,510	1,109	11,145	13,519	32,225	(12,306)	3,704	449,933	559,053	67,309	626,362
At 1 January 2011	26,214	33,510	1,109	11,145	13,519	32,225	1,789	1,601	383,216	504,328	51,389	555,717
Profit for the period	—	—	—	—	—	—	—	—	40,647	40,647	6,222	46,869
Exchange Differences arising on translation of foreign operations	—	—	—	—	—	—	—	1,189	—	—	1,189	1,272
Fair value loss on available-for-sale investment	—	—	—	—	—	—	(885)	—	—	—	(885)	(885)
Other comprehensive income	—	—	—	—	—	—	(885)	1,189	—	304	83	387
Total comprehensive income for the period	—	—	—	—	—	—	(885)	1,189	40,647	40,951	6,305	47,256
Dividend paid (note 5)	—	—	—	—	—	—	—	—	(31,457)	(31,457)	—	(31,457)
At 30 June 2011 (unaudited)	26,214	33,510	1,109	11,145	13,519	32,225	904	2,790	392,406	513,822	57,694	571,516

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (used in) operating activities	(163,703)	(99,435)
Net cash (used in) investing activities	(44,591)	(15,029)
Net cash (used in) from financing activities	(49,472)	9,754
Net (decrease) in cash and cash equivalents	(257,766)	(104,710)
Cash and cash equivalents at beginning of the period	648,860	421,820
Cash and cash equivalents at end of the period, represented by bank balances and cash	391,094	317,110

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 Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountant (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

In the current period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

Amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*

Under the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group’s investment property portfolios and concluded that the Group’s investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, the Group does not recognise any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group’s deferred tax liabilities being decreased by HK\$14,709,000 as at 31 December 2011, with the corresponding adjustment being recognised in retained earnings.

The application of the other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

2. REVENUE AND SEGMENT INFORMATION

Revenue from major business product and services

The following is an analysis of the Group's revenue from its major business products and services:

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Distribution of electronic components and semiconductor products	2,794,774	2,563,487
Distribution of sport products	16,278	15,629
Office building rental	2,897	1,313
	2,813,949	2,580,429

Geographical information

The Group's operations are located in different places of domicile, including mainland PRC, Hong Kong and Taiwan.

The following is an analysis of the Group's revenue by geographical locations of customers:

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Hong Kong	1,349,259	945,825
Mainland PRC	1,228,651	1,334,562
Taiwan	124,136	265,919
Mexico	49,501	—
Singapore	27,953	4,654
India	8,753	7,564
Others	25,696	21,905
	2,813,949	2,580,429

3. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Hong Kong Profits Tax	5,100	8,185
Deferred tax	(282)	(291)
	<u>4,818</u>	<u>7,894</u>

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit for period.

4. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment and amortization of prepaid lease payments	8,011	7,381
Interest income	(1,050)	(304)
Dividend income	(4,210)	(362)
	<u>(1,249)</u>	<u>(666)</u>

5. DIVIDEND PAID

	For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, paid during the period, of HK10 cents per share (2011: HK12 cents)	26,214	31,457
	<u>26,214</u>	<u>31,457</u>

6. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2012 is based on the profit for the period attributable to owners of the Company of approximately HK\$30,169,000 (2011: HK\$40,647,000) and on the weighted average number of 262,140,720 (2011: 262,140,720) ordinary shares in issued during the period.

The computation of diluted earnings per share for the six months ended 30 June 2012 and 2011 does not assume the exercise of the Company's outstanding warrants because the exercise prices of those warrants were higher than the average market price for the corresponding period.

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 2012 HK\$'000	31 December 2011 HK\$'000
Current	470,550	355,921
Within 30 days	151,526	77,549
More than 30 days and within 60 days	9,263	7,820
More than 60 days and within 90 days	1,210	2,547
More than 90 days	10,879	7,596
Trade receivables and bills receivable	643,428	451,433
Other receivables	65,506	35,535
	708,934	486,968

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 2012 HK\$'000	31 December 2011 HK\$'000
Current	574,262	392,992
Within 30 days	74,249	53,504
More than 30 days and within 60 days	15,842	14,521
More than 60 days and within 90 days	3,151	251
More than 90 days	2,340	2,069
Trade payables and bills payable	669,844	463,337
Other payables	42,034	56,496
	711,878	519,833

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 end of reporting period with a substantial shareholder and its subsidiaries are as follows:

(a) Transactions

Name of party	Nature of transactions	For the six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000
Hon Hai Precision Industry Co Ltd ("Hon Hai") (note) and its subsidiaries	Purchases of electronic products	237,914	241,821
	Sales of electronic products	106,372	273,241

(b) Balances

Name of party	Nature of transactions	30 June	31 December
		2012 HK\$'000	2011 HK\$'000
Hon Hai and its subsidiaries	Balance		
	— trade receivables	70,947	76,078
	— trade payables	102,274	169,948

Note: Hon Hai is a substantial shareholder of the Company, who held 17.55% (2011: 17.55%) of the issued share capital of the Company as at 30 June 2012.

(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 end of the reporting period, are as follows:

(a) *Transactions*

Name of party	Nature of transactions	For the six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000
Jointly controlled entity:			
SPT Technology Ltd	Purchases of electronic products	31,538	16,464
	Sales of electronic products	157	47,194
Associate:			
Now Electron Inc	Sales of electronic products	—	108

(b) *Balances*

Name of party	Nature of transactions	30 June	31 December
		2012 HK\$'000	2011 HK\$'000
Jointly controlled entity:			
SPT Technology Ltd	Balance		
	— trade receivables	52	764
	— trade payables	7,009	5,351

EVENT AFTER THE REPORTING PERIOD

On 23 May 2012, the Company entered into the Warrant Subscription Agreement with Unimicro Limited, a company incorporated under the laws of the BVI and solely and beneficially owned by Mr. Yim Yuk Lun, Stanley JP, the Chairman and Managing Director of the Company in relation to the allotment and issuance of 50,000,000 Warrants at the Warrant Subscription Price of HK\$0.01 per Warrant, which entitle the holder(s) thereof to subscribe for up to 50,000,000 Shares at the Warrant Exercise Price of HK\$1.80 per Warrant Share. The Warrant Subscription Agreement was completed on 7 August 2012. The information relating to the above transaction contained in the announcements of the Company dated 28 May, 3 July, 27 July and 7 August 2012 and the Company's circular dated 3 July 2012. As of the reporting date, no Warrant was exercised.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK3.0 cents (2011: HK3.0 cent) per share payable to the shareholders of the Company whose names appear on the Register of Members of the Company on 14 September 2012. The dividend warrants are expected to despatch to shareholders on or about 21 September 2012.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from 12 September 2012 to 14 September 2012, 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 11 September 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

DISTRIBUTION OF ELECTRONIC COMPONENTS AND SEMICONDUCTOR PRODUCTS

During the period under review, due to the continued Eurozone debt crisis and slow down of major economies, business environment of electronic industry has not been improved from 2011.

Nevertheless, by leveraging on the Group's comprehensive product lines and diversified customer base in the Greater China region, this core segment achieved sales revenue of HK\$2.79 billion, up 9% from HK\$2.56 billion recorded last period. Such growth was driven by the steady growing demand of smartphones, tablet PCs, LED TVs, LED lighting products and networking solutions from the Greater China market.

Mobile Phone Products

As smartphone allows its user to extend the handset functions using application software, its penetration rate is expanding rapidly worldwide. In this regard, China smartphone makers continue to gain global smartphone market share by their product strength. Growing domestic and export demands of high-end and low-end smartphones have boosted the Group revenue during the period under review. The Group was able to capture this important segment by providing wide range product solutions including different 3G/2G baseband processors, large memory storage, high resolution displays, WiFi solutions, low power consumption battery IC, cable connectors and other embedded solutions to many design houses, handset manufacturers and EMS factories in the Greater China region.

Consumer Electronic Products

Growing demand of mobile internet devices (such as tablet PCs and e-books) as well as environmental friendly electronic appliances have continued to boost the Group's revenue during the period under review.

LED Lighting Products

Demand of LED general lighting has been stimulated by shortened payback period to less than two years in most residential and commercial application. The Group completed more commercial indoor and outdoor LED lighting installation projects with smart control system for property developers, hotels, banks, department stores, retail shops, restaurants, offices and factories under the **LED** branding. By leveraging the Group's engineering expertise to deliver one-stop LED lighting solutions (incorporating the new contribution from Cree products), the Group achieved sales revenue under the LED lighting business of approximately HK\$126 million during the period under review, representing a growth of 50% compared with HK\$84 million recorded in previous period.

Networking and Telecommunication Products

Two new product lines, such as Marvell and Qualcomm Atheros generated satisfactory results during the period under review. The Group has secured more sale orders in second half of the year in relation to application in networking, switches, routers and WLAN products.

PROPERTIES INVESTMENT

As of 30 June 2012, the Group held 6 units of investment properties (31 December 2011: 6 units), all of which are commercial units located at Hong Kong. The aggregate carrying value of investment properties amounted to HK\$136.3 million (31 December 2011: HK\$136.3 million).

The above investment properties generated rental income of HK\$2.90 million (2011: HK\$1.31 million) with an annualized return of 4.3% (2011: 2.1%).

OUTLOOK

Looking ahead, facing with the peripheral adverse factors, we are cautiously positive about our business outlook. We believe the Group will manage to perform competitively by virtue of our economies of scales, superior local sales and field application engineers support in the Greater China region, competent inventory management and value added services as well as solid customer relations. Meanwhile, the Group will adopt measures to increase revenue and reduce expenditure, control costs in a proactive manner with the aim of strengthening the cost efficiency of the Group. We will continue to look into further growth and acquisition opportunities and are confident to generate more returns to our shareholders.

FINANCIAL REVIEW

For the six months period ended 30 June 2012, the Group's revenue increased by 9% to HK\$2,813,949,000 (2011: HK\$2,580,429,000), gross profit declined by 7.4% to HK\$130,792,000 (2011: HK\$141,210,000). Gross profit margin slightly dropped to 4.6% compared with 4.7% recorded in full year of 2011 while it was 5.5% for the six months period ended 30 June 2011.

During the period under review, due to increased business costs to grow new product lines, the Group's overall operating expenses increased when compared with the same period in 2011.

Net profit attributable to owners of the Company decreased 25.8% to HK\$30,169,000 (2011: HK\$40,647,000). Basic earnings per share was HK11.51 cents (2011: HK15.51 cents).

LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2012, the Group's current ratio was 115% (31 December 2011: 121%), net gearing ratio was 54% (31 December 2011: 13%), 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) of approximately HK\$335,583,000 (31 December 2011: HK\$82,092,000) and total equity of HK\$626,362,000 (31 December 2011: HK\$627,365,000).

The Group recorded debtor turnover of approximately 42 days for the period under review (2011: 33 days) based on the amount of trade and bills receivable as at 30 June 2012 divided by sales for the same period and multiplied by 182 days.

The Group recorded inventory turnover and payable period of approximately 39 days and 45 days respectively for the period under review (2011: approximately 36 days and 37 days respectively) based on the amount of inventory and trade and bills payables as at 30 June 2012 divided by cost of sales for the same period and multiplied by 182 days.

The increase of debtor, inventory and payable turnover days were mainly attributable to more shipments made in the later part of the period under review.

The Group recorded net operating cash outflow of HK\$163,703,000 and net repayment of bank borrowings of HK\$14,432,000 for the period under review, compared with net operating cash outflow of HK\$99,435,000 and increased in net borrowing of bank loan of HK\$46,962,000 for the same period in 2011.

The Board is in the opinion that the Group is in a strong and healthy financial position and has sufficient resources in support of its working capital requirement and meet its foreseeable capital expenditure, if any.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group has foreign currency sales and purchases, bank deposits and borrowings primary denominated in United States dollars and Renminbi which expose the Group to foreign currency risk.

The Group entered into foreign currency forward contracts to hedge the currency risk resulting from its short-term bank loans denominated in foreign currencies.

EMPLOYEE AND REMUNERATION POLICY

At 30 June 2012, the Group employed approximately 480 employees in the PRC, Hong Kong and Taiwan. 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 2012, certain of the Group's assets (including investment properties, leasehold land and buildings, bank deposits, factored trade receivables and financial assets at fair value through profit or loss) with the carrying value of totaling approximately HK\$354 million were pledged to secure general banking facilities granted to the Group.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2012, 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 Issuers, 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	5.33%
	Held by controlled corporation (<i>Note</i>)	63,771,400	24.33%
		77,761,400	29.66%
Chang Chu Cheng	Beneficial owner	1,800,000	0.69%
Lock Shui Cheung	Beneficial owner	1,000,000	0.38%
Wong Sui Chuen	Beneficial owner	912,000	0.35%
Lau Ping Cheung	Beneficial owner	300,000	0.11%

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 at 30 June 2012.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2012, 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 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 issued share capital of the Company
Hon Hai	Held by controlled corporation (<i>Note</i>)	46,000,000	17.55%
Foxconn Holding Limited ("Foxconn")	Beneficial owner	46,000,000	17.55%
Chung Shun Ming	Beneficial owner	27,343,400	10.43%

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 at 30 June 2012.

SHARE OPTION SCHEME

At 30 June 2012, there was no share option scheme adopted by the Company.

Pursuant to an ordinary resolution passed on 27 July 2012, the Company has adopted the new share option scheme (the "Scheme") which will remain in force for a period of 10 years from the adoption date of the Scheme and will expire on 26 July 2022. For details of the Scheme, please refer to the circular of the Company dated 5 July 2012.

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 listed securities.

CORPORATE GOVERNANCE

The Group has complied with the applicable code provisions in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) as contained in Appendix 14 to the Listing Rules (the "Code") throughout the six months period ended 30 June 2012, except for the following deviations:

Under the code provision A.1.8 of the Code, provides that an issuer should arrange appropriate insurance cover in respect of legal action against its directors. With regular and timely communications among the Directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the Directors can be handled effectively, and the possibility of actual litigation against the Directors is low. The Company will consider to make such an arrangement as and when it thinks necessary.

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.

In respect of the code provision A.6.7 of the Code, Dr. Chang Chu Cheng, a non-executive director of the Company and Mr. Liu Chun Ning, Wilfred, an independent non-executive director of the Company were unable to attend the annual general meeting of the Company held on 16 May 2012 due to their unexpected business engagement.

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 2012.

MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions.

Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout throughout the six months ended 30 June 2012.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to all shareholders, customers, suppliers and business partners for their valuable and continuous support, and to all our colleagues for their efforts, hard work and dedication.

On behalf of the Board
Yim Yuk Lun, Stanley JP
Chairman and Managing Director

Hong Kong, 27 August 2012