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S.A.S. Dragon Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1184)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Revenue (<i>HK\$ million</i>)	10,605	10,798	-1.8%
Profit attributable to owners of the Company (<i>HK\$ million</i>)	145.5	172.1	-15.5%
Basic earnings per share (<i>HK cents</i>)	24.35	32.52 [#]	-25.1%
Dividend per share (<i>HK cents</i>)			
– Interim paid	3.00	3.25 [#]	-7.7%
– Final proposed	9.00	10.00 [#]	-10.0%
– Special paid	–	1.75 [#]	N/A
Total	12.00	15.00 [#]	-20.0%

As restated for the issue of the bonus shares on the basis of one bonus share for every one ordinary share held to shareholders on 11 June 2014.

The Board of Directors (the “Board”) of S.A.S. Dragon Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2014 together with last year’s comparative figures are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	<i>NOTES</i>	2014 <i>HK\$’000</i>	2013 <i>HK\$’000</i>
Revenue	3	10,605,352	10,797,607
Cost of sales		(10,200,450)	(10,354,629)
Gross profit		404,902	442,978
Other income		4,512	5,526
Other gains and losses	5	951	21,351
Distribution and selling expenses		(51,322)	(57,191)
Administrative expenses		(161,959)	(160,646)
Increase in fair value of investment properties		40,994	15,300
Share of loss of associates		(45)	(259)
Share of profit of joint ventures		4,897	3,812
Finance costs		(24,419)	(20,894)
Profit before tax		218,511	249,977
Income tax expense	4	(33,457)	(35,952)
Profit for the year	5	185,054	214,025
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value gain on available-for-sale investments		1,012	300
Exchange differences arising on translation of foreign operations		(1,793)	1,073
Share of other comprehensive income of associates		–	8
Share of other comprehensive income of joint ventures		(146)	139
Other comprehensive (expense) income for the year		(927)	1,520
Total comprehensive income for the year		184,127	215,545

	<i>NOTE</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit for the year attributable to:			
Owners of the Company		145,479	172,134
Non-controlling interests		39,575	41,891
		<u>185,054</u>	<u>214,025</u>
Total comprehensive income attributable to:			
Owners of the Company		144,675	173,595
Non-controlling interests		39,452	41,950
		<u>184,127</u>	<u>215,545</u>
Earnings per share (<i>HK cents</i>)			
– basic	7	<u>HK24.35 cents</u>	<u>HK32.52 cents</u>
– diluted		<u>HK24.35 cents</u>	<u>HK30.72 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	<i>NOTES</i>	2014	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current Assets			
Investment properties		269,856	192,600
Property, plant and equipment		150,480	195,721
Prepaid lease payments		–	9,136
Goodwill		16,419	16,419
Interests in associates		18,723	166
Interests in joint ventures		22,522	17,771
Available-for-sale investments		34,544	33,542
Club memberships		3,278	3,278
Deposit paid for acquisition of property, plant and equipment		35,878	13,598
Deferred tax assets		5,284	4,493
		<hr/> 556,984 <hr/>	<hr/> 486,724 <hr/>
Current Assets			
Inventories		859,599	660,775
Trade and other receivables	8	1,429,008	928,615
Bills receivable	8	46,592	26,848
Derivative financial instruments		612	465
Prepaid lease payments		–	199
Financial assets at fair value through profit or loss		41,807	24,841
Taxation recoverable		5,485	931
Pledged bank deposits		13,553	13,153
Bank balances and cash		803,067	614,989
		<hr/> 3,199,723 <hr/>	<hr/> 2,270,816 <hr/>

	<i>NOTES</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current Liabilities			
Trade and other payables	9	623,067	747,868
Bills payable	9	171,021	202,277
Derivative financial instruments		22,941	1,926
Tax liabilities		6,982	27,721
Bank borrowings – due within one year		1,926,504	899,349
		<u>2,750,515</u>	<u>1,879,141</u>
Net Current Assets		<u>449,208</u>	<u>391,675</u>
Total assets less current liabilities		1,006,192	878,399
Non-current Liabilities			
Deferred tax liabilities		5,448	–
Net Assets		<u>1,000,744</u>	<u>878,399</u>
Capital and Reserves			
Share capital		62,428	26,494
Share premium and reserves		818,834	736,053
Equity attributable to owners of the Company		881,262	762,547
Non-controlling interests		119,482	115,852
Total Equity		<u>1,000,744</u>	<u>878,399</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section to the annual report.

The Company acts as an investment holding company. The principal activities of its subsidiaries are distribution of electronic components and semiconductor products, distribution of sport products and property investment.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRS and the new Interpretation

The Group has applied the following amendments to HKFRS and a new Interpretation issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

Except as described below, the application of the amendments to HKFRSs and the new Interpretation in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

The Group has applied the amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 *Fair Value Measurements*.

The application of these amendments has had no material impact on the disclosures in the Group’s consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁵
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ⁴
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle ⁶
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ⁵

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's available-for-sale investments. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the distribution of electronic components and semiconductor products that can be used in consumer electronic products, mobile phone products, computer products, telecommunication products and lighting products, properties investments and distribution of sport products.

Information reported to chairman and managing director of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses only on revenue analysis by geographical location of customers. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented other than entity-wide disclosures.

Revenue from major business products and services

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

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Distribution of electronic components and semiconductor products	10,576,635	10,762,288
Distribution of sport products	22,030	29,564
Rental income from investment properties	6,687	5,755
	10,605,352	10,797,607

Geographical information

The Group's operations are located in different places of domicile, including the People's Republic of China (the "PRC"), Hong Kong and Taiwan.

The following is an analysis of the Group's revenue by the geographical locations of customers and properties for rental income for the year:

	Sales revenue by Geographical market	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
The PRC	7,515,998	7,213,910
Hong Kong	2,499,782	3,028,080
Taiwan	447,229	413,611
Macao Special Administrative Regions of the PRC	93,657	23,381
Japan	11,909	21,340
Thailand	9,532	–
India	4,503	26,944
Republic of Korea	1,747	1,004
Singapore	1,729	13,854
Mexico	–	34,875
Others	19,266	20,608
	<u>10,605,352</u>	<u>10,797,607</u>

The following is an analysis of the carrying amount of non-current assets excluding financial instruments and deferred tax assets by geographical area in which the assets are located:

	Carrying amount of non-current assets	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Hong Kong	354,268	315,411
The PRC	161,725	121,233
Taiwan	233	11,115
Others	930	930
	<u>517,156</u>	<u>448,689</u>

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	231,072	1,644,593
Customer B	1,668,897	–
Customer C	1,124,178	–
	<u> </u>	<u> </u>

4. TAXATION

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
– current year	23,000	33,086
– underprovision in prior years	168	138
PRC Enterprise Income Tax		
– current year	2,830	1,987
Taiwan Corporate Income Tax		
– current year	2,802	1,835
	<u>28,800</u>	<u>37,046</u>
Deferred tax		
– current year	4,657	(1,094)
	<u>33,457</u>	<u>35,952</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of The People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Corporate Income Tax in Taiwan is charged at 17%.

5. PROFIT FOR THE YEAR

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remunerations		
– salaries and other benefits	76,257	72,009
– performance related incentive payments	12,888	15,798
– retirement benefits scheme contributions	8,539	7,780
– share-based payment expenses	400	–
	<u>98,084</u>	<u>95,587</u>
Auditor's remuneration	1,415	1,383
Depreciation of property, plant and equipment	16,854	16,629
Amortisation of prepaid lease payments	–	199
Allowance of trade and other receivables	501	3,152
Cost of inventories recognised as an expense (including reversal of allowance of inventories of HK\$350,000 (2013: HK\$1,682,000))	10,200,450	10,354,629
Interest income	(457)	(970)
Dividend income from equity investments	(2,152)	(3,000)
Rental income from investment properties, net of outgoings of Nil (2013: HK\$24,000)	(6,687)	(5,731)
The following items are included in other gains and losses:		
Change in fair value of derivative financial instruments	20,868	(6,448)
Settlement from derivative financial instruments	(9,299)	(13,809)
Change in fair value of financial assets at fair value through profit or loss	(795)	1,418
Gain on disposal of financial assets at fair value through profit or loss	(4,323)	(1,574)
Loss on disposal of available-for-sale investments	1	–
Gain on disposal of property, plant and equipment	(4,439)	(784)
Impairment loss on available-for-sale investment	–	1,172
Impairment loss recognised in respect of goodwill	–	3,973
Impairment loss on interest in an associate	117	–
Net foreign exchange gain	<u>(3,081)</u>	<u>(5,299)</u>

6. DIVIDENDS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2014 Interim dividend of HK3.00 cents (2013: 2013 interim dividend of HK3.25 cents [#]) per share	18,728	17,221
2013 Final dividend of HK10.00 cents [#] and special dividend of HK1.75 cents [#] (2013: 2012 final dividend of HK6.00 cents [#]) per share	73,354	31,793
	92,082	49,014

Subsequent to the end of the reporting period, a final dividend of HK9.00 cents per share in respect of the year ended 31 December 2014 (2013: final dividend of HK10.00 cents[#] and a special dividend of HK1.75 cents[#] per share in respect of the year ended 31 December 2013) has been proposed by the directors and are subject to approval by the shareholders in the forthcoming general meeting.

As restated for the bonus shares issued on 11 June 2014.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Earnings:		
Profit for the year attributable to owners of the Company, for the purpose of basic and diluted earnings per share	145,479	172,134
	2014	2013 (restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	597,534	264,680
Adjustment in relation to bonus shares issued by the Company	–	280,199
Effect of dilutive potential ordinary shares in respect of warrants	–	15,519
Weighted average number of ordinary shares for diluted earnings per share	597,534	560,398

The weighted average number of ordinary shares for 2013 for the purpose of basic earnings per share has been restated for the bonus shares issued on 11 June 2014.

During the year ended 31 December 2014, the computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options because the exercise price of those share options was higher than the average market price for shares for the year.

8. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

	31.12.2014 <i>HK\$'000</i>	31.12.2013 <i>HK\$'000</i>
Trade receivables	1,333,660	879,796
Less: allowance for doubtful debts	(6,556)	(6,268)
	1,327,104	873,528
Other receivables	52,046	42,278
Prepayment and deposits paid	49,858	12,809
Total trade and other receivables	1,429,008	928,615
Bills receivable	46,592	26,848

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

The following is an aged analysis of trade receivables and bills receivable net of allowance for doubtful debts presented based on the due date at the end of the reporting period:

	31.12.2014 <i>HK\$'000</i>	31.12.2013 <i>HK\$'000</i>
Current	1,028,379	711,853
Within 30 days	204,608	155,355
More than 30 days and within 60 days	46,921	25,188
More than 60 days and within 90 days	68,451	3,960
More than 90 days	25,337	4,020
	1,373,696	900,376

9. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

	31.12.2014	31.12.2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	544,507	673,471
Other payables	39,148	27,573
Accruals and deposits received	39,412	46,824
	<hr/>	<hr/>
Total trade and other payables	623,067	747,868
	<hr/> <hr/>	<hr/> <hr/>
Bills payable	171,021	202,277
	<hr/> <hr/>	<hr/> <hr/>

The average credit period on purchase of goods ranged from 30 days to 120 days.

The following is an aged analysis of trade payables and bills payable presented based on the due date at the end of the reporting period:

	31.12.2014	31.12.2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	572,455	778,799
Within 30 days	85,636	43,986
More than 30 days and within 60 days	35,511	21,119
More than 60 days and within 90 days	3,161	16,029
More than 90 days	18,765	15,815
	<hr/>	<hr/>
	715,528	875,748
	<hr/> <hr/>	<hr/> <hr/>

DIVIDENDS

The Board has recommended a final dividend of HK9.00 cents per share for the year ended 31 December 2014 subject to approval by the shareholders at the forthcoming annual general meeting. Together with an interim dividend of HK3.00 cents per share already paid, total dividend per share for the year will amount to HK12.00 cents (2013: total HK15.00 cents, as restated for the issue of the bonus share on the basis of one bonus share for one ordinary share in 2014).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 13 May 2015 to 18 May 2015 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the attending and voting at the annual general meeting, all transfers accompanied by the relevant share certificates, should be lodged with the Company's Registrars in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 12 May 2015.

The Register of Members will be closed from 26 May 2015 to 28 May 2015 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement of the proposed final dividend, all transfers accompanied by the relevant share certificates, should be lodged with the Company's Registrars in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 22 May 2015. Dividend warrants will be dispatched on 4 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Distribution of Electronic Components and Semiconductor Products

Due to keen market competition during transition from 3G to 4G mobile products in the PRC domestic market, the Group's mobile phone segment revenue was adversely affected and overall electronic components distribution recorded sales revenue of HK\$10.6 billion for the year ended 31 December 2014, down 1.8% from HK\$10.8 billion recorded last year.

Mobile Phone

According to International Data Corporation, the worldwide smartphone market shipped a total of 1,301.1 million units in 2014, up 27.6% from the 1,019.4 million units shipped in 2013. Replacement of feature phones by smartphones in emerging markets remains the key driver of smartphone growth. However, the rising popularity of 4G smartphones weakened the demand for 3G smartphones and in turn led to fierce competition among the selling prices and margins of the 3G smartphone market in the PRC.


Amid the challenging mobile market, the Group recorded largest segment revenue in mobile phone segment by delivering competitive baseband processors, larger and high resolution panels, larger storage memory, high resolution camera modules, more sensible touch panel as well as multi-function motion sensors and related driver ICs solutions to those branded handset manufacturers, design houses and module factories in the Greater China region. Also, to further extend our one stop solution coverage, during the second half of 2014, the Group started to promote Oberthur mobile payment solution to our customers and obtained positive responses.

Consumer Electronic


During the year under review, high definition 4K2K smart TVs, tablets, electronic learning devices as well as smart set-top boxes remain the Group's focus and it generated second largest segment revenue from the consumer electronic segment by delivering competitive baseband processors, larger and high resolution panels, larger storage memory, high resolution camera modules as well as multi-function motion sensors and related driver ICs solutions to those branded TV and tablet manufacturers in the Greater China region. Also, to further extend our one stop solution coverage, the Group successfully promoted and shipped a number of high definition display processing solutions to those aerial filming aircraft and sport camera manufacturers during the second half of 2014.

IoT, Telecommunication and Networking

IoT (“Internet of Things”) is next trillion USD market in the next 5 years. We are proven to provide the all- round technology support to all sort of RF requirement and focus on the major connectivity technology such as WiFi, Bluetooth and Zigbee. With our integration capability of system on chip, radio frequency module, APPs and cloud computing, we delivered million set of connectivity solutions to those networking equipment manufacturers and system integrators during the year under review.

Also, we launched our new brand “Life In Motion”  to provide total home and commercial automation product solutions to control and monitor dozens of home and commercial devices by one simple interface and obtained positive responses from a number of property developers during the year under review.

LED Lighting

Despite the slowdown of property and retail markets in China and Hong Kong, the Group extended its footprint and completed more commercial indoor and outdoor LED lighting installation projects with smart control systems for property developers, hotels, banks, shopping malls, retail shops, offices and factories in the Asia Pacific region under our brand “Light In Motion” .

By leveraging the Group’s engineering expertise to deliver one-stop LED lighting solutions, the Group achieved sales revenue under the LED lighting business of approximate HK\$418 million for the year ended 31 December 2014, representing a gentle growth compared with HK\$411 million recorded in last year.

Cloud Computing

To be better prepared for the next mega trends, the Group participated in the joint venture with TCL Corporation and Cisco, jointly invest in enterprise cloud services platform to the in-depth exploration and development in cloud computing, next-generation video communications and interaction technologies in the second half of 2014.

E-Commence

In order to provide comprehensive online and offline services to our customers, the Group started to develop its own transaction-based e-commerce platform “sasdragonmall.com” in late 2014 and targeted to launch such platform in 2015.

Properties investment

As of 31 December 2014, the Group carried the 7 units of investment properties (31 December 2013: 6 units). The aggregate carrying value of investment properties amounted to HK\$270 million (31 December 2013: HK\$193 million).

The Group started to rent out its PRC Dongguan factory premise in October 2014. The above investment properties altogether generated rental income of HK\$6.7 million (2013: HK\$5.8 million) with an annualized return of 2.5% (2013: 3.0%).

OUTLOOK

Looking ahead, we are still cautiously optimistic about our business outlook.

We are confident to record organic growth of our core distribution business in 2015 after successfully formed partnership with more renowned suppliers like Adesto, Cirrus Logic, HiDeep, LRC, Oberthur and Seoul Semiconductor during the second half of 2014 and beginning of 2015.

At the same time, the Group will continue to deepen its sales penetration in Hon Hai Group and expected to get more order allocation from Hon Hai Group in 2015.

We believe those IT hardware likes smartphones, tablets, smart watch and bracelets, smart home control devices and networking products will be the core for next mega trends such as cloud computing, IoT and big data mining and we are bullish for the future demand of electronic components, smart home and lighting products as well as cloud-related services.

We have confidence that the Group will perform competitively in the Greater China region by virtue of our economies of scales, solid customer relations supported by our strong localized sales and field application engineers, competent inventory management and other value added services. Meanwhile, the Group will continue to adopt measures to reduce expenditure, control costs in a proactive manner with the aim of strengthening the operation efficiency of the Group.

To improve our operation and logistic efficiency, we acquired a premise at Kwai Chung, Hong Kong for HK\$222.8 million in October 2014 and will re-develop a new intelligent building for our Hong Kong headquarter and warehouse center within the next 3 years.

To be the leading electronic component distributor in Hong Kong, we will continue to pursue a healthy and sustainable business growth and are confident to generate more returns to our shareholder

FINANCIAL REVIEW

For the year ended 31 December 2014, the Group achieved sales revenue of HK\$10,605,352,000, dropped 1.8% from HK\$10,797,607,000 recorded last year. Gross profit was HK\$404,902,000, dropped 8.6% from HK\$442,978,000 recorded last year. Gross profit margin was 3.8%, declined from 4.1% recorded last year. Net profit for the year was HK\$145,479,000, decreased 15.5% compared with HK\$172,134,000 recorded last year. Basic earnings per share was HK24.35 cents (2013: HK32.52 cents, restated for the issue of the bonus share on the basis of one bonus share for one ordinary share in 2014).

Liquidity and Financial Resources

As of 31 December 2014, the Group's current ratio was 116% (31 December 2013: 121%). The Group's net gearing ratio was 107% (31 December 2013: 28%), defined as 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\$1,068,077,000 (31 December 2013: HK\$246,366,000) over total equity of HK\$1,000,744,000 (31 December 2013: HK\$878,399,000). The increase of net gearing ratio was mainly due to the increase of bank borrowings in relation to the increase of working capital required to develop more agency business with Hon Hai group on 31 December 2014.

The Group recorded debtors turnover of approximately 47 days for the year under review (2013: 30 days) based on the amount of trade and bills receivable as at 31 December 2014 divided by sales for the same year and multiplied by 365 days.

The Group recorded inventory turnover and average payable year of approximately 31 days and 26 days respectively for the year under review (2013: approximately 23 days and 31 days respectively) based on the amount of inventory and trade and bills payables as at 31 December 2014, divided by cost of sales for the same year and multiplied by 365 days.

In 2014, the Group recorded net operating cash outflow of HK\$716,119,000 compared with net operating cash inflow of HK\$251,572,000 in 2013.

Foreign Exchange Risk Management

The Group has foreign currency sales and purchases, bank deposits and borrowings primary 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 related to its payables denominated in foreign currencies.

Employee and Remuneration Policy

At 31 December 2014, the Group employed approximately 500 employees in the Greater China region. 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 31 December 2014, 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\$718 million were pledged to secure general banking facilities granted to the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2014, neither the Company nor its subsidiaries purchased, sold or redeemed any of its listed securities.

BONUS SHARES

The Group issued bonus shares on 11 June 2014 on the basis of one bonus share for every one ordinary share held to shareholders whose names appear on the register of members on 10 June 2014.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2014.

CORPORATE GOVERNANCE

The Group has complied with the applicable code provisions in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "Code") for the year ended 31 December 2014, except for the following deviations:

Under the code provision A.1.8 of the Code, 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 very 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 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 of the Company 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.

Under the code provision A.6.7 of the Code, two non-executive directors were unable to attend the AGM meeting of the Company held on 30 May 2014 due to their unexpected business engagement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.sasdragon.com.hk) and the Stock Exchange of Hong Kong Limited (www.hkex.com.hk). The 2014 annual report will be dispatched to the shareholders and available on the above websites in due course.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all our employees for their contribution and commitments. I also wish to extend my sincere gratitude to our shareholders, customers, suppliers and other business partners for their long-term supports and dedication.

By Order of the Board
S.A.S. Dragon Holdings Limited
Yim Yuk Lun, Stanley
Chairman and Managing Director

Hong Kong, 26 March 2015

As at the date of this announcement, the Board comprises five executive directors are Mr. Yim Yuk Lun, Stanley, Mr. Wong Sui Chuen, Mr. Lock Shui Cheung, Mr. Lau Ping Cheung and Mr. Yim Tsz Kit, Jacky and four independent non-executive directors are Dr. Lui Ming Wah SBS JP, Mr. Wong Tak Yuen, Adrian, Mr. Liu Chun Ning, Wilfred and Mr. Cheung Chi Kwan.