

# Interim Report 2015



S.A.S. Dragon Holdings Limited

(Stock Code: 1184)

# S.A.S.



鏡報主理



Availed by The Hong Kong Council of Social Services  
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. Lau Ping Cheung

Mr. Yim Tsz Kit, Jacky

#### Independent Non-Executive Directors

Dr. Lui Ming Wah *SBS JP*

Mr. Wong Tak Yuen, Adrian

Mr. Liu Chun Ning, Wilfred

Mr. Cheung Chi Kwan

### AUDIT COMMITTEE

Mr. Wong Tak Yuen, Adrian (*Chairman*)

Dr. Lui Ming Wah *SBS JP*

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. Wong Sui Chuen

Mr. Cheung Chi Kwan

### COMPANY SECRETARY

Mr. Wong Wai Tai

### 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  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
DBS Bank (Hong Kong) Limited  
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](http://www.sasdragon.com.hk)

### STOCK CODE

The Stock Exchange of Hong Kong Limited:  
1184

## FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Change
	2015	2014	
	(Unaudited)	(Unaudited)	
Revenue ( <i>HK\$ million</i> )	<b>5,344</b>	5,017	<b>+7%</b>
Profit attributable to owners of the Company ( <i>HK\$ million</i> )	<b>55.7</b>	65.5	<b>-15%</b>
Basic earnings per share ( <i>HK cents</i> )	<b>8.92</b>	11.49	<b>-22%</b>
Interim dividend per share ( <i>HK cents</i> )	<b>2.50</b>	3.00	<b>-17%</b>

The board of directors (the “Board”) of S.A.S. Dragon Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2015, together with comparative figures for the previous period, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		For the six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	2	<b>5,344,063</b>	5,017,367
Cost of sales		<b>(5,137,605)</b>	(4,822,129)
Gross profit		<b>206,458</b>	195,238
Other income		<b>1,630</b>	1,276
Other gains and losses		<b>3,399</b>	13,339
Distribution and selling expenses		<b>(28,650)</b>	(24,873)
Administrative expenses		<b>(87,313)</b>	(74,882)
Share of loss of associates		<b>(1,275)</b>	(11)
Share of profit of joint ventures		<b>6,295</b>	3,007
Finance costs		<b>(14,212)</b>	(10,472)
Profit before tax		<b>86,332</b>	102,622
Income tax expense	3	<b>(11,067)</b>	(13,686)
Profit for the period	4	<b>75,265</b>	88,936

		<b>For the six months ended 30 June</b>	
		<b>2015</b>	2014
		<b>(Unaudited)</b>	(Unaudited)
<i>Note</i>		<b>HK\$'000</b>	HK\$'000
	Other comprehensive (expense) income: <i>Items that may be reclassified subsequently to profit or loss:</i>		
	Exchange differences arising on translation of foreign operations	<b>(2,684)</b>	(2,004)
	Fair value gain on available-for-sale investments	<b>3,597</b>	5,061
	<b>Total comprehensive income for the period</b>	<b>76,178</b>	91,993
	<b>Profit for the period attributable to:</b>		
	Owners of the Company	<b>55,679</b>	65,541
	Non-controlling interests	<b>19,586</b>	23,395
		<b>75,265</b>	88,936
	<b>Total comprehensive income attributable to:</b>		
	Owners of the Company	<b>57,154</b>	68,721
	Non-controlling interests	<b>19,024</b>	23,272
		<b>76,178</b>	91,993
	<b>Earnings per share (HK cents)</b>		
	– basic	<b>HK8.92 cents</b>	HK11.49 cents
	– diluted	<b>HK8.92 cents</b>	HK11.49 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		<b>30 June 2015 (Unaudited) HK\$'000</b>	31 December 2014 (Audited) HK\$'000
	<i>Notes</i>		
<b>Non-current Assets</b>			
Investment properties		<b>275,441</b>	269,856
Property, plant and equipment		<b>144,912</b>	150,480
Goodwill		<b>16,419</b>	16,419
Interests in associates		<b>17,448</b>	18,723
Investments in joint ventures		<b>5,832</b>	22,522
Available-for-sale investments		<b>32,231</b>	34,544
Club memberships		<b>3,278</b>	3,278
Deposit paid for acquisition of property, plant and equipment		<b>76,855</b>	35,878
Deferred tax assets		<b>5,537</b>	5,284
		<b>577,953</b>	556,984
<b>Current Assets</b>			
Inventories		<b>1,073,543</b>	859,599
Trade and other receivables	7	<b>1,657,176</b>	1,429,008
Bills receivable	7	<b>10,519</b>	46,592
Derivative financial instruments		<b>612</b>	612
Financial assets at fair value through profit or loss		<b>37,963</b>	41,807
Taxation recoverable		<b>12,793</b>	5,485
Pledged bank deposits		<b>29,502</b>	13,553
Bank balances and cash		<b>596,155</b>	803,067
		<b>3,418,263</b>	3,199,723

		<b>30 June 2015 (Unaudited) HK\$'000</b>	31 December 2014 (Audited) HK\$'000
	<i>Notes</i>		
Current Liabilities			
Trade and other payables	8	<b>791,404</b>	623,067
Bills payable	8	<b>394,288</b>	171,021
Derivative financial instruments		<b>22,941</b>	22,941
Tax liabilities		<b>16,093</b>	6,982
Bank borrowings – due within one year		<b>1,747,628</b>	1,926,504
		<b>2,972,354</b>	2,750,515
Net Current Assets		<b>445,909</b>	449,208
Total assets less current liabilities		<b>1,023,862</b>	1,006,192
Non-current Liabilities			
Deferred tax liabilities		<b>5,448</b>	5,448
Net Assets		<b>1,018,414</b>	1,000,744
Capital and Reserves			
Share capital		<b>62,428</b>	62,428
Share premium and reserves		<b>820,420</b>	818,834
Equity attributable to owners of the Company		<b>882,848</b>	881,262
Non-controlling interests		<b>135,566</b>	119,482
Total Equity		<b>1,018,414</b>	1,000,744

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company										Attributable to Non-controlling interests	Total		
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Contributed surplus	Property revaluation reserve	Investment revaluation reserve	Translation reserve	Share option reserve	Warrant reserve			Other reserve	Retained profit
	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 2015	62,428	1,718	1,109	11,145	13,519	37,347	2,561	4,044	400	-	(19,238)	766,229	881,262	
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	55,679	55,679	
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(2,122)	-	-	-	(2,122)	(2,684)	
Fair value gain on available-for-sale investment	-	-	-	-	-	-	3,597	-	-	-	-	3,597	3,597	
Total comprehensive income for the period	-	-	-	-	-	-	3,597	(2,122)	-	-	-	55,679	57,154	
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(2,940)	
Dividend paid (note 5)	-	-	-	-	-	-	-	-	-	-	(56,185)	(56,185)	-	
Equity-settled share-based payments	-	-	-	-	-	-	-	-	617	-	-	617	617	
At 30 June 2015 (unaudited)	62,428	1,718	1,109	11,145	13,519	37,347	6,158	1,922	1,017	-	(19,238)	765,723	882,848	
													135,566	1,018,414



## Attributable to owners of the Company

	Share capital		Share premium		Capital redemption reserve		Capital reserve		Contributed surplus		Property revaluation reserve		Investment revaluation reserve		Translation reserve		Share option reserve		Warrant reserve		Other reserve		Retained profit		Total		Attributable to 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	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	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2014	26,494	38,634	1,109	11,145	13,519	37,347	1,549	5,860	-	6,140	-	62,075	762,547	115,632	878,399	-	-	-	-	-	-	-	-	-	-	-	-	-	878,399	
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	88,936	
Exchange differences arising on translation arising on translation of foreign operations	-	-	-	-	-	-	-	(1,881)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,004)		
Fair value gain on available-for-sale investment	-	-	-	-	-	-	5,061	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,061			
Total comprehensive income for the period	-	-	-	-	-	-	5,061	(1,881)	-	-	-	65,541	68,721	23,272	91,993	-	-	-	-	-	-	-	-	-	-	-	-	91,993		
Exercise of warrants	4,720	80,240	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	84,960		
Release of warrants reserve on exercise of warrants	-	6,140	-	-	-	-	-	-	-	(6,140)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Bonus share issued	31,214	(31,214)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Dividend paid (note 5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(73,353)	-	-	-	(73,353)			
At 30 June 2014 (unaudited)	62,428	95,800	1,109	11,145	13,519	37,347	6,610	3,979	-	-	-	612,938	842,875	139,124	981,999	-	-	-	-	-	-	-	-	-	-	-	-	981,999		

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Net cash from (used in) operating activities	139,273	(227,660)
Net cash (used in) from investing activities	(93,701)	15,322
Net cash (used in) from financing activities	(252,213)	356,741
Net (decrease) increase in cash and cash equivalents	(206,641)	144,403
Cash and cash equivalents at beginning of the period	803,067	614,989
Effect of foreign exchange rate changes	(271)	–
Cash and cash equivalents at end of the period, represented by bank balances and cash	596,155	759,392

## 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 Accountants (“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.

The accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 June 2015 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2014.

In the current interim period, the Group has applied the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA for the first time in current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of these new and revised HKFRSs did not have any material impact on the Group’s condensed consolidated interim financial information.

## 2. Revenue and segment information

### Revenue from major business products 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	
	2015 HK\$'000	2014 HK\$'000
Distribution of electronic components and semiconductor products	5,333,777	4,999,955
Distribution of sport products	6,074	14,127
Rental income from investment properties	4,212	3,285
	<b>5,344,063</b>	<b>5,017,367</b>

### Geographical information

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

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

	For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
The PRC	<b>3,944,392</b>	3,474,151
Hong Kong	<b>1,278,368</b>	1,240,359
Taiwan	<b>77,970</b>	228,418
Singapore	<b>21,864</b>	1,324
Mexico	–	17,129
India	–	4,503
Others	<b>21,469</b>	51,483
	<b>5,344,063</b>	5,017,367

### 3. Income tax expense

	For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	<b>11,340</b>	13,282
Taiwan Corporate Income Tax	<b>(60)</b>	501
PRC Enterprise Income Tax	<b>72</b>	183
Deferred tax	<b>(285)</b>	(280)
	<b>11,067</b>	13,686

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

Corporate Income Tax in Taiwan is charged at 17% for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

#### 4. Profit for the period

	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	8,206	8,501
Interest income	(182)	(383)
Dividend income	(544)	(461)

#### 5. Dividend paid

	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Final dividend paid during the period in respect of the previous financial year of HK9.0 cents (2014: final and special dividend paid during the period in respect of the previous financial year of HK11.75 cents#) per share	56,185	73,353

# 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.

## 6. Earnings per share

The calculation of the basic earnings per share for the six months ended 30 June 2015 is based on the profit for the period attributable to owners of the Company of approximately HK\$55,679,000 (2014: HK\$65,541,000) and on the weighted average number of 624,281,440 (2014: 570,343,318) ordinary shares in issued during the period.

The computation of diluted earnings per share for the six months ended 30 June 2015 and 2014 does not assume the exercise of the Company's outstanding share options because the exercise prices of those share options 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:

	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
Current	<b>974,482</b>	1,028,379
Within 30 days	<b>340,550</b>	204,608
More than 30 days and within 60 days	<b>64,779</b>	46,921
More than 60 days and within 90 days	<b>10,721</b>	68,451
More than 90 days	<b>51,594</b>	25,337
Trade receivables and bills receivable	<b>1,442,126</b>	1,373,696
Other receivables	<b>225,569</b>	101,904
	<b>1,667,695</b>	1,475,600

## 8. Trade and Other Payables and Bills Payable

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

	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
Current	<b>963,409</b>	572,455
Within 30 days	<b>108,789</b>	85,636
More than 30 days and within 60 days	<b>12,717</b>	35,511
More than 60 days and within 90 days	<b>7,187</b>	3,161
More than 90 days	<b>15,756</b>	18,765
Trade payables and bills payable	<b>1,107,858</b>	715,528
Other payables	<b>77,834</b>	78,560
	<b>1,185,692</b>	794,088

## 9. Connected and Related Party Transactions and Balances

### (I) Connected parties

During the period, the Group had significant transactions and balances with deemed connected parties pursuant to the Listing Rules. The significant transactions during the period and balances at the end of the 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	
		2015 HK\$'000	2014 HK\$'000
Hon Hai Precision Industry Co Ltd ("Hon Hai") (note) and its subsidiaries	Purchases of electronic products by the Group	<b>218,772</b>	264,857
	Sales of electronic products by the Group	<b>535,595</b>	211,263



**(b) Balances**

Name of party	Nature of balances	30 June	31 December
		2015	2014
		HK\$'000	HK\$'000
Hon Hai and	Trade receivables	<b>378,898</b>	498,035
its subsidiaries	Trade payables	<b>109,766</b>	162,697

*Note:* Hon Hai is a substantial shareholder of the Company, who held 19.86% of the issued share capital of the Company as at 30 June 2015.

Pursuant to the conditional master agreement entered into the Company and Hon Hai to govern the continuing connected transactions on 21 November 2006 (as amended by the respective renewal agreements dated 17 November 2009 and 21 November 2012), the Group has sold and purchased electronic components between Hon Hai Group from time to time for a term up to 31 December 2015 upon and subject to the terms and conditions set out therein at a price determined as follows:

- (a) The members of the Group who are parties to the continuing connected transactions shall receive or pay such consideration for the transactions with members of the Hon Hai Group based on market rates or rates which are no less favourable than those available from or to (as appropriate) independent third parties.

In respect of the purchase transactions, certain members of the Hon Hai Group are the only vendors approved by the end customers. Therefore the Group is obliged to purchase the products from Hon Hai Group to satisfy their requirements. Prior to confirming the Purchase Transactions with Hon Hai Group, the Group will ensure that a reasonable profit margin can be secured from the end customers by determining the selling price on a cost-plus basis with reference to the price quote from the Hon Hai Group.

In respect of the sales transactions, the Group determine the market rates based on the past experience and market information from the existing vendors and customers through negotiation with them and compare the rates so determined from quotation obtained from independent third parties. In addition, the Group will continue to seek other independent customers in order to expand its customer base and which will at the same time provide a reference of the prevailing market price to determine the selling price to the Hon Hai Group.

- (b) The terms of the continuing connected transactions shall be fair and reasonable and negotiated on arm's length basis; and
- (c) The total amount of the continuing connected transactions shall not exceed the applicable caps or such other caps as approved by the Independent Shareholders from time to time.

**(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 end of the reporting period, are as follows:

**(a) Transactions**

Name of party	Nature of transactions	For the six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000
Joint venture: SPT Technology Ltd ("SPT") (note)	Purchases of electronic products	43,105	49,494
	Sales of electronic products	78	345

**(b) Balances**

Name of party	Nature of balances	30 June	31 December
		2015 HK\$'000	2014 HK\$'000
Joint venture: SPT	Trade payables	–	10,559
	Trade receivables	–	3

*Note:* SPT became a wholly-owned subsidiary of the Company on 4 June 2015 after completion of acquisition of remaining 45% interest of SPT by the Group.

## INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK2.5 cents (2014: HK3.0 cents) per share payable to the shareholders of the Company whose names appear on the Register of Members of the Company on 11 September 2015. The dividend warrants are expected to despatch to shareholders on or about 18 September 2015.

## CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from 9 September 2015 to 11 September 2015, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 pm on 8 September 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### *Distribution of Electronic Components and Semiconductor Products*

Amid China's economic slowdown during the period under review, thanks to the Group's strategy to focus on fast growing sectors, the Group's core segment recorded a growth of 7% when compared with same period last year.

#### *Smartphone*

According to an international research firm, largely because of the increasingly mature and saturated China smartphone market, global smartphone shipment will grow around 10% in 2015 compared to 28% in 2014. Amid the challenging mobile market, replacement of feature phones by smartphones in emerging markets such as India, Brazil and Africa etc., remains the key driver of smartphone growth.



During the period under review, the Group recorded substantial revenue in smartphone segment by delivering boarder range of competitive products such as baseband processors, larger and high resolution panels, larger storage memory, high resolution camera modules, fingerprint sensors, force touch sensors, mobile payment security ICs, multi-function motion sensors and related IC drivers to those branded handset manufacturers, design houses and module factories in the Greater China region.

### *Consumer Electronic*

During the period under review, the Group's recorded stable shipment of smart TVs, multimedia players, tablets, electronic learning aids, video imaging devices as well as smart set-top boxes products by delivering competitive baseband processors, larger and high resolution panels, larger storage memory, high resolution image sensors as well as multi-media ICs and related IC drivers to those branded TV, education tablet, sport camera and aerial filming aircraft manufacturers.

### *Internet of Things ("IoT"), Smart home and LED Lighting*

Smart home and buildings require secure monitoring and control solutions for IoT.

During the period under review, the Group delivered plenty of all-round IoT connectivity solutions such as low power radio frequency ("RF") ICs and modules for WiFi, Bluetooth and Zigbee technology to those network equipment manufacturers and system integrators in the Greater China region. Also, so as to capture such high growth potential IoT market, we integrate our expertise on connectivity ICs, RF modules, customized APPs and cloud computing and promote and deliver our smart home and building products such as smart LED lightings, smart home control and surveillance devices under our own brands of  and  to existing and potential end customers such as property developers, hotels, banks, shopping malls, retail shops, offices and factories in the Asia Pacific region.

### *Cloud Computing*

In 2014, the Group joined forces with TCL Group and Cisco to develop an enterprise cloud services platform. Sky-Tech Video Cloud Service, a cloud-based video communications platform and cooperation office system, will be launched soon. It will be accessible across 25 multiple sources in parallel and may be extended widely for areas such as online education, long-distance customer service support and long-distance medial services.

### *E-Commerce*

In order to provide comprehensive online and offline services to our customers, the Group is developing its own transaction-based e-commerce platform "sasdragonmall.com" and targeted to launch such platform by end of 2015.

### *Properties Investment*

As of 30 June 2015, the Group carried the 7 units of investment properties (31 December 2014: 7 units). The aggregate carrying value of investment properties amounted to HK\$275 million (31 December 2014: HK\$270 million). The above investment properties altogether generated rental income of HK\$4.2 million (2014: HK\$3.3 million) with an annualized return of 3.1% (2014: 2.5%).

## **OUTLOOK**

Looking ahead, although we expect increasing market challenges and uncertainties in the second half of 2015, we are still cautiously optimistic about our business outlook.

We believe those IT hardware likes smartphones, tablets, smart watch and wearable, smart home and building control devices, storage and networking products will be the core for our future smarter world by IoT and we are bullish for the future demand of electronic components, smart home and building products, e-commerce as well as cloud-related services.

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.

We have confidence that the Group will maintain competitive in the Greater China region by virtue of our economies of scales, solid long-term customer relations supported by our strong localized sales and 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 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 shareholders.

## FINANCIAL REVIEW

For the period ended 30 June 2015, the Group achieved sales revenue of HK\$5,344,063,000, increased 7% from HK\$5,017,367,000 recorded in same period last year. Gross profit was HK\$206,458,000, increased 6% from HK\$195,238,000 recorded in same period last year. Gross profit margin was maintained at 3.9% as recorded in same period last year. Due to increased distribution, selling and other administration expenses for expanding the Group's core distribution business, net profit for the period was HK\$55,679,000, decreased 15% compared with HK\$65,541,000 recorded in same period last year. Basic earnings per share for the period was HK8.92 cents (2014: HK11.49 cents).

### Liquidity and Financial Resources

As of 30 June 2015, the Group's current ratio was 115% (31 December 2014: 116%). The Group's net gearing ratio was 106% (31 December 2014: 107%), 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\$1,084,008,000 (31 December 2014: HK\$1,068,077,000) over total equity of HK\$1,018,414,000 (31 December 2014: HK1,000,744,000).

The Group recorded debtors turnover of approximately 49 days for the period under review (2014: 39 days) based on the amount of trade and bills receivable as at 30 June 2015 divided by sales for the same period and multiplied by 181 days (2014: 181 days).

The Group recorded inventory turnover and average payable period of approximately 38 days and 39 days respectively for the period under review (2014: approximately 27 days and 31 days respectively) based on the amount of inventory and trade and bills payables as at 30 June 2015, divided by cost of sales for the same period and multiplied by 181 days (2014: 181 days).

During the period under review, the Group recorded net operating cash inflow of HK\$139,273,000 compared with net operating cash outflow of HK\$227,660,000 for same period last year.

### **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 payable denominated in foreign currencies.

### **Employee and Remuneration Policy**

At 30 June 2015, the Group employed approximately 510 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 30 June 2015, certain of the Group's assets (including investment properties, bank deposits, factored trade receivables and financial assets at fair value through profit or loss) with the carrying value of totaling approximately HK\$563 million were pledged to secure general banking facilities granted to the Group.



## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2015, 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	41,664,000	6.67%
	Held by controlled corporation ( <i>note</i> )	227,542,800	36.45%
		269,206,800	43.12%
Wong Sui Chuen	Beneficial owner	1,824,000	0.29%
Lau Ping Cheung	Beneficial owner	1,400,000	0.22%

*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 2015.

## SUBSTANTIAL SHAREHOLDERS

At 30 June 2015, 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*

<b>Name of shareholders</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of issued share capital of the Company</b>
Hon Hai	Held by controlled corporation ( <i>note</i> )	124,000,000	19.86%
Foxconn Holding Limited ("Foxconn")	Beneficial owner	124,000,000	19.86%

*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 2015.

## UPDATE ON DIRECTOR'S INFORMATION

Pursuant to rule 13.51B(1) of the Listing Rules, the change of directors' information of the Company since the date of the 2014 Annual Report. During the period under review, Mr. Lock Shui Cheung has resigned as executive director of the Company with effect from 30 June 2015.

## SHARE OPTION SCHEME

Pursuant to the Company's share option scheme, the following share options were outstanding during six months period ended 30 June 2015:

	Date of grant	Exercise price <i>HK\$</i>	Exercisable period	Number of options outstanding at 1 January 2015	Granted during the period	Number of options outstanding at 30 June 2015
Employees	25.9.2014	2.60	25.9.2015 – 24.9.2017	1,900,000	–	1,900,000
	25.9.2014	2.60	25.9.2016 – 24.9.2017	1,900,000	–	1,900,000
				3,800,000	–	3,800,000

As at the date of this report, the outstanding number of shares of the Company in respect of which options has been granted under the Company's share option scheme was 3,800,000, representing approximately 0.61% of the issued share capital of the Company as at the date of this report.

## 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 Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "Code") throughout the six months ended 30 June 2015, 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 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 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.

Under the code provision A.6.7 of the Code, two independent non-executive directors of the Company were unable to attend the annual general meeting of the Company held on 19 May 2015 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 2015.

## 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 the six months ended 30 June 2015.

## 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 business partners for their long-term supports and dedication in previous year.

On behalf of the Board  
**S.A.S. Dragon Holdings Limited**  
**Yim Yuk Lun, Stanley JP**  
*Chairman and Managing Director*

Hong Kong, 24 August 2015