



# S.A.S. Dragon Holdings Limited

(Stock Code: 1184)



This Interim Report is printed on environmentally friendly paper

## 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
	2016 (Unaudited)	2015 (Unaudited)	
Revenue (HK\$'000)	<b>4,301,948</b>	5,344,063	<b>-19.5%</b>
Profit attributable to owners of the Company (HK\$'000)	<b>78,322</b>	55,679	<b>+40.7%</b>
Basic earnings per share (HK cents)	<b>12.55</b>	8.92	<b>+40.7%</b>
Interim dividend per share (HK cents)	<b>3.50</b>	2.50	<b>+40.0%</b>

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 2016, 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 2016

		For the six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	2	<b>4,301,948</b>	5,344,063
Cost of sales		<b>(4,122,647)</b>	(5,137,605)
Gross profit		<b>179,301</b>	206,458
Other income		<b>3,609</b>	1,630
Other gains and losses		<b>46,363</b>	3,399
Distribution and selling expenses		<b>(28,621)</b>	(28,650)
Administrative expenses		<b>(86,982)</b>	(87,313)
Share of gain (loss) of associates		<b>1,940</b>	(1,275)
Share of (loss) profit of joint ventures		<b>(61)</b>	6,295
Finance costs		<b>(15,133)</b>	(14,212)
Profit before tax		<b>100,416</b>	86,332
Income tax expense	3	<b>(11,947)</b>	(11,067)
Profit for the period	4	<b>88,469</b>	75,265



## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 June 2016

	Note	For the six months ended	
		2016 <b>(Unaudited)</b> HK\$'000	2015 (Unaudited) 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>(8,720)</b>	(2,684)
Fair value gain on available-for-sale investments		<b>4,032</b>	3,597
Realisation of exchange reserve		<b>(1,304)</b>	–
Total comprehensive income for the period		<b>82,477</b>	76,178
Profit for the period attributable to:			
Owners of the Company		<b>78,322</b>	55,679
Non-controlling interests		<b>10,147</b>	19,586
		<b>88,469</b>	75,265
Total comprehensive income attributable to:			
Owners of the Company		<b>72,831</b>	57,154
Non-controlling interests		<b>9,646</b>	19,024
		<b>82,477</b>	76,178
Earnings per share (HK cents)	6		
– basic		<b>HK12.55 cents</b>	HK8.92 cents
– diluted		<b>HK12.55 cents</b>	HK8.92 cents

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2016

		<b>30 June 2016</b>	31 December 2015
		<b>(Unaudited)</b>	(Audited)
	<i>Note</i>	<b>HK\$'000</b>	HK\$'000
<b>Non-current Assets</b>			
Investment properties		<b>446,103</b>	299,498
Property, plant and equipment		<b>398,773</b>	395,097
Goodwill		–	15,050
Interests in associates		<b>78,073</b>	12,298
Investments in joint ventures		<b>5,276</b>	5,450
Available-for-sale investments		<b>26,087</b>	22,054
Club memberships		<b>3,012</b>	3,278
Deposit paid for acquisition of property, plant and equipment		–	140,392
Deferred tax assets		<b>5,631</b>	5,405
		<b>962,955</b>	898,522
<b>Current Assets</b>			
Inventories		<b>730,276</b>	668,775
Trade and other receivables	7	<b>1,279,112</b>	1,248,767
Bills receivable	7	–	15,612
Derivative financial instruments		–	114
Financial assets at fair value through profit or loss		<b>48,301</b>	33,797
Taxation recoverable		<b>4,212</b>	5,592
Pledged bank deposits		<b>15,585</b>	21,513
Bank balances and cash		<b>731,006</b>	658,131
		<b>2,808,492</b>	2,652,301

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*

As at 30 June 2016

	Note	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
<b>Current Liabilities</b>			
Trade and other payables	8	<b>860,564</b>	758,853
Bills payable	8	<b>59,910</b>	34,021
Derivative financial instruments		<b>16,734</b>	53,611
Tax liabilities		<b>9,499</b>	11,933
Bank borrowings – due within one year		<b>1,703,692</b>	1,682,830
		<b>2,650,399</b>	2,541,248
<b>Net Current Assets</b>		<b>158,093</b>	111,053
<b>Total assets less current liabilities</b>		<b>1,121,048</b>	1,009,575
<b>Non-current Liabilities</b>			
Bank borrowings – due after one year		<b>111,400</b>	–
Deferred tax liabilities		<b>8,986</b>	8,986
		<b>120,386</b>	8,986
<b>Net Assets</b>		<b>1,000,662</b>	1,000,589
<b>Capital and Reserves</b>			
Share capital		<b>62,428</b>	62,428
Share premium and reserves		<b>851,031</b>	820,223
<b>Equity attributable to owners of the Company</b>		<b>913,459</b>	882,651
<b>Non-controlling interests</b>		<b>87,203</b>	117,938
<b>Total Equity</b>		<b>1,000,662</b>	1,000,589

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company							Attributable to Non-controlling interests					
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Contributed surplus HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Retained profit HK\$'000	Total HK\$'000	Total HK\$'000
At 1 January 2016	62,428	1,718	1,109	11,145	(19,238)	13,519	37,347	1,549	(3,544)	1,634	774,984	882,651	1,000,589
Profit for the period	-	-	-	-	-	-	-	-	-	-	78,322	78,322	10,147
Fair value gain available-for-sale investment	-	-	-	-	-	-	-	4,032	-	-	-	4,032	-
Realization of exchange reserve	-	-	-	-	-	-	-	-	(1,304)	-	-	(1,304)	-
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	(8,219)	-	-	(8,219)	(501)
Total comprehensive income for the period	-	-	-	-	-	-	-	4,032	(9,523)	-	78,322	72,831	9,646
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(19,600)
Dividend paid (note 5)	-	-	-	-	-	-	-	-	-	-	(28,092)	(28,092)	-
Dividend by way of a distribution in specie	-	-	-	-	-	-	-	-	-	-	(13,950)	(13,950)	-
Equity-settled share-based payments	-	-	-	-	-	-	-	-	-	19	-	19	19
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	3,000
Derecognition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(23,781)
At 30 June 2016 (unaudited)	62,428	1,718	1,109	11,145	(19,238)	13,519	37,347	5,581	(13,067)	1,653	811,264	913,459	87,203
													1,000,662



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2016

	Attributable to owners of the Company										Attributable to Non-controlling interests		Total HK\$ '000	
	Share capital HK\$ '000	Share premium HK\$ '000	Capital redemption reserve HK\$ '000	Capital reserve HK\$ '000	Other reserve HK\$ '000	Contributed surplus HK\$ '000	Property revaluation reserve HK\$ '000	Investment revaluation reserve HK\$ '000	Translation reserve HK\$ '000	Share option reserve HK\$ '000	Retained profit HK\$ '000	Total HK\$ '000		Total HK\$ '000
At 1 January 2015	62,428	1,718	1,109	11,145	(19,238)	13,519	37,347	2,561	4,044	400	766,229	881,262	119,482	1,000,744
Profit for the period	-	-	-	-	-	-	-	-	-	-	55,679	55,679	19,586	75,265
Exchange differences arising on translation arising on operations	-	-	-	-	-	-	-	-	(2,122)	-	-	(2,122)	(562)	(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	19,024	76,178
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(2,940)	(2,940)
Dividend paid (note 5)	-	-	-	-	-	-	-	-	-	-	(56,185)	(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	(19,238)	13,519	37,347	6,158	1,922	1,017	765,723	882,848	135,566	1,018,414

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2016*

	For the six months ended 30 June	
	2016 <b>(Unaudited)</b> HK\$'000	2015 (Unaudited) HK\$'000
Net cash from operating activities	<b>32,403</b>	139,273
Net cash (used in) investing activities	<b>(65,701)</b>	(93,701)
Net cash from (used in) financing activities	<b>106,351</b>	(252,213)
Net increase (decrease) in cash and cash equivalents	<b>73,053</b>	(206,641)
Cash and cash equivalents at beginning of the period	<b>658,131</b>	803,067
Effect of foreign exchange rate changes	<b>(178)</b>	(271)
Cash and cash equivalents at end of the period, represented by bank balances and cash	<b>731,006</b>	596,155

## 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.

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKAS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The application of the amendments to 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	
	2016 HK\$'000	2015 HK\$'000
Distribution of electronic components and semiconductor products	<b>4,297,742</b>	5,333,777
Rental income from investment properties	<b>4,206</b>	4,212
Distribution of sport products	<b>–</b>	6,074
	<b>4,301,948</b>	5,344,063

### 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	
	2016 HK\$'000	2015 HK\$'000
The PRC	<b>3,118,960</b>	3,944,392
Hong Kong	<b>1,027,976</b>	1,278,368
Taiwan	<b>81,728</b>	77,970
Singapore	<b>1,557</b>	21,864
Republic of Korea	<b>1,452</b>	645
Others	<b>70,275</b>	20,824
	<b>4,301,948</b>	5,344,063



2. Revenue and Segment Information (Continued)

Revenue from a customer individually contributing over 10% of the Group's revenue is as follows:

	Revenue from a customer individually contributing over 10% of the Group's revenue For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Customer A	<b>873,273</b>	1,219,009

3. Income Tax Expense

	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	<b>11,453</b>	11,340
Taiwan Corporate Income Tax	<b>388</b>	(60)
PRC Enterprise Income Tax	<b>391</b>	72
Deferred tax	<b>(285)</b>	(285)
	<b>11,947</b>	11,067

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	
	2016	2015
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	<b>8,020</b>	8,206
Interest income	<b>(274)</b>	(182)
Dividend income	<b>(2,069)</b>	(544)
The following items are included in other gains and losses:		
Net gain on fair value change of derivative financial instruments	<b>(36,763)</b>	–
Fair value gain on loss of control of a subsidiary	<b>(23,316)</b>	–
Change in fair value of financial assets at fair value through profit or loss	<b>5,478</b>	1,752
Net foreign exchange loss (gain)	<b>8,238</b>	(2,854)
Gain on disposal of financial assets at fair value through profit or loss	–	(2,270)
Gain on disposal of property, plant and equipment	–	(27)
	<b>(46,363)</b>	(3,399)

## 5. Dividend Paid

**For the six months  
ended 30 June**

	2016	2015
	HK\$'000	HK\$'000

Final dividend paid during the period in respect of the previous financial year of HK4.5 cents (2015: final dividend paid during the period in respect of the previous financial year of HK9.0 cents) per share

	<b>28,092</b>	56,185
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On 7 January 2016, the Group has successfully spun off its non-wholly-owned subsidiary, Hi-Level Technology Holdings Limited ("Hi-Level Technology"), through a separate listing on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited and 45,000,000 ordinary shares of Hi-Level Technology of HK\$0.01 each in issue were distributed in specie by the Company to the qualifying shareholders of the Company.

## 6. Earnings per share

The calculation of the basic earnings per share for the six months ended 30 June 2016 is based on the profit for the period attributable to owners of the Company of approximately HK\$78,322,000 (2015: HK\$55,679,000) and on the weighted average number of 624,281,440 (2015: 624,281,440) ordinary shares in issued during the period.

The computation of diluted earnings per share for the six months ended 30 June 2016 and 2015 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 2016 HK\$'000</b>	31 December 2015 HK\$'000
Current	<b>994,952</b>	842,319
Within 30 days	<b>111,764</b>	167,099
More than 30 days and within 60 days	<b>45,360</b>	45,753
More than 60 days and within 90 days	<b>15,631</b>	20,425
More than 90 days	<b>27,759</b>	56,425
Trade receivables and bills receivable	<b>1,195,466</b>	1,132,021
Other receivables	<b>83,646</b>	132,358
	<b>1,297,112</b>	1,264,379

## 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 2016 HK\$'000</b>	31 December 2015 HK\$'000
Current	<b>713,301</b>	544,929
Within 30 days	<b>62,436</b>	119,932
More than 30 days and within 60 days	<b>30,198</b>	37,483
More than 60 days and within 90 days	<b>2,158</b>	7,501
More than 90 days	<b>57,466</b>	8,847
Trade payables and bills payable	<b>865,559</b>	718,692
Other payables	<b>54,915</b>	74,182
	<b>920,474</b>	792,874



## 9. Connected Party Transactions and Balances

## 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	
		2016 HK\$'000	2015 HK\$'000
Hon Hai Precision Industry Co Ltd ("Hon Hai") (note) and its subsidiaries	Sales of electronic products by the Group	414,615	535,595
	Purchases of electronic products by the Group	170,760	218,772

## (b) Balances

Name of party	Nature of balances	30 June	31 December
		2016 HK\$'000	2015 HK\$'000
Hon Hai and its subsidiaries	Trade receivables	164,310	335,662
	Trade payables	95,158	272,790

Note: Hon Hai is a substantial shareholder of the Company, who held 19.9% of the issued share capital of the Company as at 30 June 2016.

**9. Connected Party Transactions and Balances** *(Continued)*

Pursuant to the renewal agreement entered into the Company and Hon Hai to govern the continuing connected transactions on 9 November 2015, the Group has sold and purchased electronic components and other products between the Group and Hon Hai Group from time to time for a term up to 31 December 2018 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;
- (b) the terms of the Continuing Connected Transactions shall be fair and reasonable and negotiated on arm's length basis;
- (c) for purchases made by the Group from Hon Hai Group, as the members of the Hon Hai Group are the approved vendors designated by certain end-customers, the Group will review and ensure prices for products to be purchased are charged on a cost-plus basis with reasonable profit margin;
- (d) for sales made by the Group to Hon Hai Group, for the purpose of ensuring the terms of sales being fair and reasonable, the Group will review its pricing policy based on the following factors:
  - (i) the historical selling price of similar products;
  - (ii) the market information obtained from current customers or other vendors;
  - (iii) quotations from independent third party(ies); or
  - (iv) continuing to expand the Company's customer base and obtaining market information from those customers; and
- (e) 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.

## **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of HK3.5 cents (2015: HK2.5 cents) per share payable to the shareholders of the Company whose names appear on the Register of Members of the Company on 13 September 2016. The dividend warrants are expected to despatch to shareholders on or about 22 September 2016.

## **CLOSURE OF REGISTERS OF MEMBERS**

The registers of members of the Company will be closed from 9 September 2016 to 13 September 2016, 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 p.m. on 8 September 2016.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### ***BUSINESS REVIEW***

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

During the period under review, the Group continued to record substantial revenue in component segment by delivering boarder range of competitive products such as 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 for mobile, consumer electronics, computer, networking and internet of things products to those branded manufacturers, design houses and module factories in the Greater China region.

However, mainly due to the slowing down of growth of global handset shipments amid weak global economy and the loss of revenue after the spun off of Hi-Level Technology Holdings Limited ("Hi-Level Technology") on 7 January 2016, the Group's component sales revenue for the six months ended 30 June 2016 was HK\$4.3 billion, decreased 19.5% from HK\$5.3 billion recorded in same period in 2015.

In spite of this, after the Group's effort to explore and develop several product lines with high growth potential, the Group component revenue regained growth momentum since May 2016 on a year-on-year basis.

### **Green value engineering (GVE) product**

During the period under review, our GVE team recorded growth in revenue and profit by delivering more innovative environmental-friendly lifestyle enhancement finished products under our owned brands of "Light in Motion"  and "Life in Motion"  in the Asia Pacific region.

Being the preferred and trusted partner of luxury international hotel chains and large property developers, we expected to achieve another record high revenue by our GVE team in 2016.

### **Properties investment**

As at 30 June 2016, the Group carried 8 units of investment properties (31 December 2015: 7 units) after the Group resolved to transform one newly acquired office premise in the PRC to investment property. Such property was leased out in April 2016 and under rent-free period as at 30 June 2016. The aggregate carrying value of investment properties amounted to HK\$446 million (31 December 2015: HK\$299 million). The above investment properties altogether generated rental income of HK\$4.2 million (2015: HK\$4.2 million) with an annualized return of 1.9% (2015: 2.8%).

## **OUTLOOK**

Looking ahead, China's domestic economy is likely to bottom out and stabilise in 2016 and we are cautiously optimistic about our business outlook in second half of 2016.

The Group will continue to focus on fast growing sectors and expand its component and GVE product businesses by exploring more new product lines as scale is critical in the distribution business.



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**

### **Results**

For the period ended 30 June 2016, the Group achieved sales revenue of HK\$4,301,948,000 decreased 19.5% from HK\$5,344,063,000 recorded in same period last year. Gross profit was HK\$179,301,000, decreased 13.2% from HK\$206,458,000 recorded in same period last year. Due to the change of product line mix, gross profit margin improved to 4.2% from 3.9% recorded in same period last year. Also, after including a fair value gain on loss of control of Hi-Level Technology and written back of mark-to-market fair value loss of derivative financial instruments, net profit for the period was HK\$78,322,000, increased 40.7% compared with HK\$55,679,000 recorded in same period last year. Basic earnings per share for the period was HK12.55 cents (2015: HK8.92 cents).

### **Liquidity and Financial Resources**

As of 30 June 2016, the Group's current ratio was 106% (31 December 2015: 104%). The Group's net gearing ratio was 102% (31 December 2015: 97%), 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\$1,020,200,000 (31 December 2015: HK\$969,389,000) over total equity of HK\$1,000,662,000 (31 December 2015: HK\$1,000,589,000).

The Group recorded debtors turnover of approximately 51 days for the period under review (2015: 49 days) based on the amount of trade and bills receivable as at 30 June 2016 divided by sales for the respective period and multiplied by 182 days (2015: 181 days).

The Group recorded inventory turnover and average payable period of approximately 32 days and 38 days respectively for the period under review (2015: approximately 38 days and 39 days respectively) based on the amount of inventory and trade and bills payables as at 30 June 2016, divided by cost of sales for the respective period and multiplied by 182 days (2015: 181 days).

### **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.

### **Pledge of Assets**

As at 30 June 2016, certain of the Group's assets (including investment properties, leasehold land and building, bank deposits, factored trade receivables and investments held-for-trading) with the carrying value of totaling approximately HK\$383 million were pledged to banks to secure general banking facilities granted to the Group.

### **Employee and Remuneration Policy**

At 31 December 2016, the Group employed approximately 400 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.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2016, 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 JP	Beneficial owner	49,922,000	8.00%
	Held by controlled corporation (note)	227,542,800	36.45%
		277,464,800	44.45%
Wong Sui Chuen	Beneficial owner	1,824,000	0.29%
Lau Ping Cheung	Beneficial owner	1,702,000	0.27%

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 2016.

## SUBSTANTIAL SHAREHOLDERS

At 30 June 2016, 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> )	124,000,000	19.9%
Foxconn Holding Limited ("Foxconn")	Beneficial owner	124,000,000	19.9%

*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 2016.



## SHARE OPTION SCHEME

Pursuant to the Company's share option scheme, the following share options were outstanding during six months period ended 30 June 2016:

	Date of grant	Exercise price <i>HK\$</i>	Exercisable period	Number of options outstanding at 1 January 2016	Granted during the period	Number of options outstanding at 30 June 2016
Employees	25.9.2014	2.60	25.9.2015-24.9.2017	1,805,000	-	1,805,000
	25.9.2014	2.60	25.9.2016-24.9.2017	1,805,000	-	1,805,000
				3,610,000	-	3,610,000

As at the date of this report, the outstanding number of shares of the Company available for issue which options had been granted under the Company's share option scheme was 3,610,000, representing approximately 0.58% of the existing issued share capital of the Company.

No option was granted by the Company under the share option scheme during the period.

As at the date of this Report, save as otherwise approved by shareholders of the Company, the maximum number of Shares available for issue under options which may be granted is 22,604,072, representing approximately 3.6% of the number of existing issued shares of the Company.

## 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 2016, 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 2016 due to their unexpected business engagement.

The Company has in practice complied with the new requirements under the amendments of the Code relating to risk management and internal control since 1 January 2016. The Board has adopted new terms of reference for the audit committee of the Board on 24 August 2015 to comply with the new requirements under the amendments of the Code.

## **AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed with management the accounting principles and policies adopted by the Group and the unaudited interim financial statements for the six months ended 30 June 2016.

## **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 2016.

## **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.

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

Hong Kong, 24 August 2016