



# S.A.S. Dragon Holdings Limited

(Incorporated in Bermuda with limited liability)  
(Stock Code: 1184)

## INTERIM REPORT 2022



This Interim Report is printed on environmentally friendly paper

## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors

Dr. Yim Yuk Lun, Stanley *BBS JP*  
(*Chairman and Managing Director*)

Mr. Wong Sui Chuen

Mr. Yim Tsz Kit, Jacky

Mr. Wong Wai Tai

Mr. Tsui Chi Wing, Eric

#### Non-Executive Director

Ms. Yim Kei Man, Carmen

#### Independent Non-Executive Directors

Mr. Wong Tak Yuen, Adrian

Mr. Liu Chun Ning, Wilfred

Mr. Cheung Chi Kwan

Mr. Wong Wai Kin

### AUDIT COMMITTEE

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

Mr. Cheung Chi Kwan

Mr. Wong Wai Kin

### REMUNERATION COMMITTEE

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

Mr. Wong Sui Chuen

Mr. Wong Wai Kin

### 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

19th Floor, S.A.S. Tower

55 Lei Muk Road

Kwai Chung, N.T.

Hong Kong

### SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Secretaries Limited

17th Floor, Far East Finance Centre

16 Harcourt Road

Hong Kong

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Hang Seng Bank Limited

Mizuho Bank Limited

Standard Chartered Bank

(Hong Kong) Limited

The Hongkong and Shanghai Banking

Corporation Limited

### AUDITORS

Deloitte Touche Tohmatsu

### STOCK CODE

The Stock Exchange of

Hong Kong Limited: 1184

### WEBSITE

[www.sasdragon.com.hk](http://www.sasdragon.com.hk)

## FINANCIAL HIGHLIGHTS

	For the six months ended		Change
	30 June		
	2022	2021	
	(Unaudited)	(Unaudited)	
Revenue (HK\$'000)	<b>14,996,092</b>	17,180,654	<b>-12.7%</b>
Profit attributable to owners of the Company (HK\$'000)	<b>300,663</b>	426,571	<b>-29.5%</b>
Basic earnings per share (HK cents)	<b>48.04</b>	68.16	<b>-29.5%</b>
Interim dividend per share (HK cents)	<b>10.00</b>	15.00	<b>-33.3%</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 2022, 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 2022

		For the six months ended	
		30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	2	<b>14,996,092</b>	17,180,654
Cost of sales		<b>(14,272,966)</b>	(16,333,168)
Gross profit		<b>723,126</b>	847,486
Other income	4(b)	<b>15,183</b>	14,279
Other gains and losses, net	4(c)	<b>(36,741)</b>	35,690
Reversal of impairment losses under expected credit loss model, net		<b>824</b>	1,169
Distribution and selling expenses		<b>(41,297)</b>	(46,702)
Administrative expenses		<b>(163,912)</b>	(171,460)
Share of profit of associates		<b>4,426</b>	9,839
Share of profit of a joint venture		<b>479</b>	317
Finance costs		<b>(21,681)</b>	(17,930)
Loss from derecognition of trade receivables at fair value through other comprehensive income		<b>(17,885)</b>	(16,115)
Profit before tax		<b>462,522</b>	656,573
Income tax expense	3	<b>(70,339)</b>	(110,419)
Profit for the period	4(a)	<b>392,183</b>	546,154

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

For the six months ended 30 June 2022

	Note	For the six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Other comprehensive (loss) income: <i>Items that may be reclassified subsequently to profit or loss:</i>			
Change in fair value on trade receivables at fair value through other comprehensive income		<b>(18,876)</b>	(15,823)
Reclassification adjustment for cumulative loss included in profit or loss upon disposal of trade receivable measured at fair value through other comprehensive income		<b>17,885</b>	16,115
Other comprehensive income for the period		<b>(991)</b>	292
Total comprehensive income for the period		<b>391,192</b>	546,446
Profit for the period attributable to:			
Owners of the Company		<b>300,663</b>	426,571
Non-controlling interests		<b>91,520</b>	119,583
		<b>392,183</b>	546,154
Total comprehensive income attributable to:			
Owners of the Company		<b>300,362</b>	427,088
Non-controlling interests		<b>90,830</b>	119,358
		<b>391,192</b>	546,446
Earnings per share (HK cents)			
– basic and diluted	6	<b>48.04</b>	68.16

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2022

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
<i>Note</i>		
<b>Non-current Assets</b>		
Investment properties	<b>812,768</b>	810,300
Property, plant and equipment	<b>391,464</b>	408,208
Intangible assets	<b>14,477</b>	14,477
Right-of-use assets	<b>174,439</b>	178,207
Interests in associates	<b>53,858</b>	51,958
Interest in a joint venture	<b>12,050</b>	11,571
Financial assets at fair value through profit or loss	<b>2,998</b>	2,998
Finance lease receivables	<b>6,062</b>	9,986
Deferred tax assets	<b>9,608</b>	9,602
	<b>1,477,724</b>	1,497,307
<b>Current Assets</b>		
Inventories	<b>2,892,841</b>	2,654,073
Trade and other receivables	<b>1,554,732</b>	2,125,160
Trade receivables at fair value through other comprehensive income	<b>1,270,457</b>	1,127,877
Finance lease receivables	<b>11,562</b>	12,848
Amount due from associate	–	132
Derivative financial instruments	–	876
Financial assets at fair value through profit or loss	<b>110,929</b>	130,439
Taxation recoverable	<b>1,567</b>	894
Pledged bank deposits	<b>34,254</b>	25,366
Bank balances and cash	<b>1,862,902</b>	1,758,977
	<b>7,739,244</b>	7,836,642

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

As at 30 June 2022

	Note	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
<b>Current Liabilities</b>			
Trade and other payables	8	1,822,620	3,428,943
Contract liabilities		121,591	366,996
Lease liabilities due within one year		389	584
Tax liabilities		180,588	139,055
Amount due to associate		548	–
Derivative financial instruments		640	–
Bank and other borrowings due within one year		3,841,015	2,280,502
		<b>5,967,391</b>	6,216,080
<b>Net Current Assets</b>		<b>1,771,853</b>	1,620,562
<b>Total Assets Less Current Liabilities</b>		<b>3,249,577</b>	3,117,869
<b>Non-current Liabilities</b>			
Deferred tax liabilities		40,668	40,428
Lease liabilities due after one year		–	214
Bank and other borrowings due after one year		224,681	233,940
		<b>265,349</b>	274,582
<b>Net Assets</b>		<b>2,984,228</b>	2,843,287
<b>Capital and Reserves</b>			
Share capital		62,584	62,584
Share premium and reserves		2,439,919	2,327,762
Equity attributable to owners of the Company		<b>2,502,503</b>	2,390,346
Non-controlling interests		481,725	452,941
<b>Total Equity</b>		<b>2,984,228</b>	2,843,287

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company										Non-controlling interests HK\$'000	Total HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Contributed surplus HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	FITOCI reserve HK\$'000	Retained profit HK\$'000			Total HK\$'000
At 31 December 2021 (audited)	62,584	6,521	1,109	11,145	(12,744)	13,519	206,934	17,324	(2,393)	2,086,347	2,390,346	452,941	2,843,287
Profit for the period	—	—	—	—	—	—	—	—	—	300,663	300,663	91,520	392,183
Change in fair value on trade receivables at fair value through other comprehensive income	—	—	—	—	—	—	—	—	(14,634)	—	(14,634)	(4,242)	(18,876)
Reclassification adjustment for cumulative loss included in profit or loss upon disposal of trade receivables measured at fair value through other comprehensive income	—	—	—	—	—	—	—	—	13,879	—	13,879	4,006	17,885
Total comprehensive income (expense) for the period	—	—	—	—	—	—	—	—	(755)	300,663	299,908	91,284	391,192
Dividends paid	—	—	—	—	—	—	—	—	—	(187,751)	(187,751)	—	(187,751)
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(62,500)	(62,500)
At 30 June 2022 (unaudited)	62,584	6,521	1,109	11,145	(12,744)	13,519	206,934	17,324	(3,148)	2,199,259	2,302,503	481,725	2,984,228



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

For the six months ended 30 June 2022

	Attributable to owners of the Company												
	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	Transition reserve HK\$'000	RITOCI reserve HK\$'000	Retained profit HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 31 December 2020 (audited)	62,584	6,521	1,109	11,145	(11,756)	13,519	2,06,934	(470)	(4,124)	1,570,295	1,855,757	288,467	2,144,224
Profit for the period	—	—	—	—	—	—	—	—	—	426,571	426,571	119,588	546,154
Change in fair value on trade receivables at fair value through other comprehensive income	—	—	—	—	—	—	—	—	(11,435)	—	(11,435)	(4,388)	(15,823)
Redesignation adjustment for cumulative loss included in profit or loss upon disposal of trade receivables measured at fair value through other comprehensive income	—	—	—	—	—	—	—	—	11,952	—	11,952	4,163	16,115
Total comprehensive income for the period	—	—	—	—	—	—	—	—	517	426,571	427,088	119,338	546,446
Dividends paid	—	—	—	—	—	—	—	—	—	(103,263)	(103,263)	—	(103,263)
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(2,500)	(2,500)
At 30 June 2022 (unaudited)	62,584	6,521	1,109	11,145	(11,756)	13,519	2,06,934	(470)	(3,607)	1,883,603	2,179,362	385,325	2,564,687

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Net cash (used in) operating activities	<b>(1,169,795)</b>	(124,531)
Net cash (used in) investing activities	<b>(5,193)</b>	(2,067)
Net cash from financing activities	<b>1,278,913</b>	1,055,541
Net increase in cash and cash equivalents	<b>103,925</b>	928,943
Cash and cash equivalents at beginning of the period	<b>1,758,977</b>	1,166,982
Cash and cash equivalents at end of the period, represented by bank balances and cash	<b>1,862,902</b>	2,095,925

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

#### BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**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.

Except as for the adoption of new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2022, the accounting policies applied in preparing this unaudited condensed consolidated financial information for the six months ended 30 June 2022 are consistent with those of the annual financial statements for the year ended 31 December 2021, as described in those annual financial statements. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021.

#### PRINCIPAL ACCOUNTING POLICIES

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

Other than new accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

**1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES** *(Continued)***PRINCIPAL ACCOUNTING POLICIES** *(Continued)****Application of amendments to HKFRSs***

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2018–2020</i>

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 2 REVENUE

## (a) Disaggregation of revenue from contracts with customers

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
<b>Types of goods and services</b>		
<i>Sales of goods</i>		
Sales of electronic components and semiconductors	<b>14,919,387</b>	17,111,032
Sales of business equipment and provision of related ancillary services	<b>32,440</b>	36,812
Sales and contract works of LED lighting and display products	<b>30,855</b>	20,053
	<b>14,982,682</b>	17,167,897
<i>Income from leasing activities</i>		
For operating leases — lease payment that are fixed:		
Rental income from investment properties	<b>12,013</b>	12,065
Rental income from LED lighting and display products	<b>1,397</b>	692
	<b>13,410</b>	12,757
<b>Total revenue</b>	<b>14,996,092</b>	17,180,654

## 2 REVENUE (Continued)

## (a) Disaggregation of revenue from contracts with customers (Continued)

**Geographical markets**

Segments	For the six months ended 30 June 2022			Total HK\$'000
	Sales of electronic components and semiconductors HK\$'000	Sales of business equipment and provision of related ancillary services HK\$'000	Sales and contract works of LED lighting and display products HK\$'000	
Hong Kong	10,112,421	31,707	18,012	10,162,140
Mainland China	3,724,009	-	5,518	3,729,527
Taiwan	723,103	-	19	723,122
Others	359,854	733	7,306	367,893
<b>Revenue from contracts with customers</b>	<b>14,919,387</b>	<b>32,440</b>	<b>30,855</b>	<b>14,982,682</b>
Rental income from investment properties				12,013
Rental income from LED lighting and display products				1,397
<b>Total revenue</b>				<b>14,996,092</b>

## 2 REVENUE (Continued)

## (a) Disaggregation of revenue from contracts with customers (Continued)

**Geographical markets** (Continued)

Segments	For the six months ended 30 June 2021			Total HK\$'000
	Sales of electronic components and semiconductors HK\$'000	Sales of business equipment and provision of related ancillary services HK\$'000	Sales and contract works of LED lighting and display products HK\$'000	
Hong Kong	13,142,798	35,755	10,159	13,188,712
Mainland China	3,232,583	–	7,046	3,239,629
Taiwan	354,078	–	24	354,102
Others	381,573	1,057	2,824	385,454
Revenue from contracts with customers	17,111,032	36,812	20,053	17,167,897
Rental income from investment properties				12,065
Rental income from LED lighting and display products				692
Total revenue				<u>17,180,654</u>

## 2 REVENUE (Continued)

## (a) Disaggregation of revenue from contracts with customers (Continued)

**Geographical markets** (Continued)

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
<b>Timing of revenue recognition</b>		
A point in time	<b>14,960,915</b>	17,158,668
Overtime	<b>21,767</b>	9,229
Revenue from contracts with customers	<b>14,982,682</b>	17,167,897
Rental income from investment properties	<b>12,013</b>	12,065
Rental income from LED lighting and display products	<b>1,397</b>	692
<b>Total revenue</b>	<b>14,996,092</b>	17,180,654

## (b) Information about major customer

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

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Customer A	<b>5,845,034</b>	9,200,559



## 3 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
<hr/>		
The charge comprises:		
Hong Kong Profits Tax	65,284	106,949
Taiwan Corporate Income Tax	4,533	2,734
PRC Enterprise Income Tax	499	848
Deferred tax	23	(112)
	<hr/>	<hr/>
	<b>70,339</b>	110,419
	<hr/> <hr/>	<hr/> <hr/>

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 20% 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/OTHER INCOME/OTHER GAINS AND LOSSES

		For the six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
<b>(a)</b>	<b>Profit for the period</b>		
	Profit for the period has been arrived at after charging (crediting):		
	Staff costs, including directors' remunerations		
	– salaries and other benefits	58,624	55,647
	– performance related incentive payments	20,442	36,032
	– retirement benefits scheme contributions	7,017	6,328
		<u>86,083</u>	98,007
	Depreciation of property, plant and equipment	19,216	19,370
	Depreciation of right-of-use assets	3,767	3,753
	Amortisation of intangible assets (included in administrative expenses)	–	563
	(Reversal of) allowance of trade receivables, net	(824)	(1,169)
	Cost of inventories recognized as an expense (including reversal of allowance of inventories of HK\$72,511,000 (2021: allowance of inventories of HK\$27,652,000))	<u>14,263,619</u>	16,333,168
<b>(b)</b>	<b>Other income</b>		
	Dividend income from equity investments	2,085	2,412
	Interest income on bank deposits	1,334	492
	Interest income on finance leases	832	2,019
	Others	10,932	9,356
		<u>15,183</u>	14,279
<b>(c)</b>	<b>Other gains and losses</b>		
	Gain on disposal of available-for-sale investments	6,228	3,901
	Gain (Loss) on disposal of property, plant and equipment	141	(13)
	Fair value change in finance lease	–	339
	Net (loss) gain on fair value change of derivative financial instruments	(1,516)	10,887
	Net foreign exchange (losses) gains	(18,406)	1,386
	Change in fair value of financial assets at fair value through profit or loss	(23,188)	19,190
		<u>(36,741)</u>	35,690

## 5 DIVIDEND PAID

The final dividend of HK30.00 cents per share amounting to HK\$187,751,232 for the financial year ended 31 December 2021 was approved on 20 May 2022 and paid on 7 June 2022.

## 6 EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2022 is based on the profit for the period attributable to owners of the Company of HK\$300,663,000 (2021: HK\$426,571,000) and on the weighted average number of 625,837,440 (2021: 625,837,440) ordinary shares in issued during the period.

## 7(a) TRADE AND OTHER RECEIVABLES

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Trade receivables at amortised cost	<b>1,453,280</b>	1,861,771
Less: allowance for credit losses	<b>(9,942)</b>	(10,775)
	<b>1,443,338</b>	1,850,996
Other receivables	<b>74,200</b>	73,853
Prepayment and deposits paid	<b>37,194</b>	200,311
Total trade and other receivables	<b>1,554,732</b>	2,125,160

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

**7(a) TRADE AND OTHER RECEIVABLES** *(Continued)*

An aged analysis of trade receivables by due dates (net of allowance for credit losses) is as follows:

	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Current	<b>1,008,615</b>	1,397,994
Within 30 days	<b>255,202</b>	316,151
More than 30 days and within 60 days	<b>105,367</b>	76,179
More than 60 days and within 90 days	<b>15,933</b>	6,781
More than 90 days	<b>58,221</b>	53,891
Trade receivables	<b>1,443,338</b>	1,850,996
Other receivables	<b>111,394</b>	274,164
	<b>1,554,732</b>	2,125,160

During the period under review, the Group's five largest customers accounted for 60% (31 December 2021: 61%) of the Group's total revenue. Subsequent settlements after reporting period of the trade receivables from these major customers have been reviewed and are satisfactory requiring no provisions.

**7(b) TRADE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Trade receivables held for collecting contractual cash flows or factoring to banks	<b>1,270,457</b>	1,127,877

## 8 TRADE AND OTHER PAYABLES

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

	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Current	<b>1,336,285</b>	2,873,644
Within 30 days	<b>113,160</b>	137,034
More than 30 days and within 60 days	<b>33,469</b>	54,076
More than 60 days and within 90 days	<b>32,911</b>	44,183
More than 90 days	<b>86,693</b>	79,870
Trade payables	<b>1,602,518</b>	3,188,807
Other payables	<b>220,102</b>	240,136
	<b>1,822,620</b>	3,428,943

## INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK10.0 cents (2021: HK15.0 cents) per share payable to the shareholders of the Company whose names appear on the register of members of the Company on 28 September 2022. The dividend warrants are expected to despatch to shareholders on or about 7 October 2022.

## CLOSURE OF REGISTERS OF MEMBERS

The register of members of the Company will be closed from 26 September 2022 to 28 September 2022, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on 23 September 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

During the period under review, the resurgence of the COVID-19 pandemic, supply chains and logistics constraints, inflationary pressures and rising global recession risk have lowered consumer demand for mobile phones and other consumer electronic products across the world.

For the six months period ended 30 June 2022, the Group's component team recorded sales revenue of HK\$14.92 billion, decreased by 12.8% from HK\$17.11 billion recorded in the same period last year. We keep focusing on our strategy to provide comprehensive portfolio of design and supply chain services to our target customers in the Greater China region by broadening our world's leading semiconductor supplier base as well as expending our geographical sales network.

### *Mobile phone*

According to Gartner, worldwide smartphone shipments in 2022 have not grown as forecasted and are expected to decrease 5.8% year over year. The demand for 5G phones is weak and is expected to pick up by end of 2022. During the period under review, the Group recorded significant revenue in mobile phone segment by delivering broader range of competitive products such as larger storage DRAM and NAND flash memory chips, full screen high resolution display panels, large megapixel camera CMOS sensors, auto focus actuators, mobile payment security ICs, fingerprint, force touch, multi-function motion sensors, high-speed and wireless charging solutions to those branded handset manufacturers, design houses and camera module factories in the Greater China region.

### *Consumer electronic*

During the period under review, solid demand for true wireless stereo earbuds, cloud/edge computing, large datacenters, 5G base stations and servers, together with the growing demand for virtual reality headsets for immersive and virtual gaming, socialising and fitness experiences, led the Group recorded significant revenue in consumer electronics segment by delivering competitive system on chips, displays with high resolution and dynamic refresh rate, radio frequency modules, Bluetooth low energy solutions, larger storage memory chips, distance measurement and proximity sensors, optical couplers, frequency conversion ICs to our branded manufacturers.

### ***LED Technology Solution Provider***

During the period under review, macroeconomic uncertainties have deterred capital investment from various industries which negatively impacted our business. However our LED lighting team benefited from the gradual business recovery in domestic and greater bay area markets and completed several medium size LED lighting and display projects with Jockey Club, banks, government departments and local property developers.

## ***Distribution of Business Equipment and Provision of Related Ancillary Services***

During the period under review, we focus on SHARP B2B business by offering competitive business solutions to enterprises and maintain our promotion and operation to low level. We will review our strategy when sign of the COVID-19 is being controlled and consumer spending returned.

## ***Properties Investment***

As of 30 June 2022, the Group carried the 18 units of investment properties (31 December 2021: 18 units) for commercial and industrial uses in Hong Kong and the PRC. The aggregate carrying value of investment properties amounted to HK\$813 million (31 December 2021: HK\$810 million). Such investment properties altogether generated rental income of HK\$12.0 million (2021: HK\$12.1 million) with an annualized return of 3.0% (2021: 3.0%).

## **OUTLOOK**

Looking forward, unfavorable factors such as high inflation, supply chain disruptions, currency fluctuations and geopolitics conflict will persist, weakening demand for end products and further increase downside pressures on the global semiconductor industry. Facing many challenges ahead, we are monitoring our inventory level, controlling our operating costs and will devise counter measures if necessary.

We believe we are in a much better position than before against challenges and 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 financial strength, localized sales and engineers, competent inventory management and other value added services. By leveraging on our over 40 years of experience, industry expertise and market recognition (According to Gartner's data, in terms of revenue, the Group is ranked as top 9 global semiconductor distributor and the top China cum Hong Kong based semiconductor distributor in 2021), we are confident to pursue a healthy and sustainable business growth and generate more returns to our shareholders.



## FINANCIAL REVIEW

### *Results*

For the six month period ended 30 June 2022, the Group recorded revenue of HK\$14,996,092,000, decreased by 12.7% from HK\$17,180,654,000 recorded in the same period last year. The Group's gross profit was HK\$723,126,000 decreased by 14.7% from HK\$847,486,000 recorded last period and gross profit margin was 4.8%, compared with 4.9% recorded in the same period last year. Profit attributable to the shareholders of the Company for the period ended 30 June 2022 was HK\$300,663,000 decreased by 29.5% compared with HK\$426,571,000 recorded in the same period last year. Basic earnings per share was HK48.04 cents (2021: HK68.16 cents).

### *Liquidity, Financial Resources and Capital Structure*

The Group's primary sources of funding included cash generated from operating activities and the credit facilities provided by the Group principal banks in Hong Kong.

As of 30 June 2022, the Group's current ratio was 130% (31 December 2021: 126%). The Group's net gearing ratio was 69% (31 December 2021: 21%), defined as the Group's net borrowings (calculated as total bank and other borrowings minus total cash and bank balances minus financial assets at fair value through profit or loss) of approximately HK\$2,054,613,000 (31 December 2021: HK\$596,662,000) over total equity of HK\$2,984,229,000 (31 December 2021: HK\$2,843,287,000).

The Group recorded debtors turnover of 33 days for the period under review (2021: 35 days) based on the amount of trade receivable as at 30 June 2022 divided by sales for the same period and multiplied by 181 days (2021: 181 days).

The Group recorded inventory turnover and average payable period of 37 days and 20 days respectively for the period under review (2021: 20 days and 29 days respectively) based on the amount of inventory and trade payables as at 30 June 2022, divided by cost of sales for the same period and multiplied by 181 days (2021: 181 days).

During the six months period ended 30 June 2022, the Group recorded net operating cash outflow of HK\$1,169,795,000 compared with net operating cash outflow of HK\$124,531,000 in 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 short-term foreign currency forward contracts to hedge the currency risk related to its payable denominated in foreign currencies.

### ***Pledge of Assets***

As at 30 June 2022, certain of the Group's assets (including land and building, bank deposits and factored trade receivables) with the carrying value of totaling approximately HK\$1,262 million were pledged to banks to secure general banking facilities granted to the Group.

### ***Employee and Remuneration Policy***

At 30 June 2022, the Group employed approximately 450 employees in the Greater China region. The Group ensures that their employees are offered competitive remuneration packages. Other staff benefits include 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 2022, 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

#### (a) 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
Dr. Yim Yuk Lun, Stanley <i>BBS JP</i>	Beneficial owner	114,800,000	18.34%
	Held by controlled corporation ( <i>Note 1</i> )	227,542,800	36.36%
		<u>342,342,800</u>	<u>54.70%</u>
Wong Sui Chuen	Beneficial owner	1,824,000	0.29%
Tsui Chi Wing, Eric	Beneficial owner	714,800	0.11%

**DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES** (Continued)**Long positions** (Continued)**(b) Ordinary shares of HK\$0.01 each of Hi-Level Technology Holdings Limited ("Hi-Level shares")**

<b>Name of directors</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of issued share capital of Hi-Level</b>
Dr. Yim Yuk Lun, Stanley <i>BBS JP</i>	Beneficial owner (Note 2)	43,122,861	6.60%
	Held by controlled corporation (Note 2)	224,423,000	34.38%
		<u>267,545,861</u>	<u>40.98%</u>
Wong Wai Tai	Beneficial owner	3,300,000	0.51%
Tsui Chi Wing, Eric	Beneficial owner	3,233,753	0.50%
Wong Sui Chuen	Beneficial owner	2,531,328	0.39%
Yim Tsz Kit, Jacky	Beneficial owner	300,000	0.05%

*Notes:*

- These shares are held by Unimicro Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Dr. Yim Yuk Lun, Stanley *BBS JP*.
- Dr. Yim Yuk Lun, Stanley *BBS JP* beneficially owns 43,122,861 Hi-Level shares and is the controlling shareholder of the Company; he is therefore under the SFO deemed to be interested in 224,423,000 Hi-Level shares held by S.A.S. Investment Company Limited ("S.A.S. Investment") which is a wholly-owned subsidiary of the Company.

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 2022.

## SUBSTANTIAL SHAREHOLDERS

At 30 June 2022, 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 Precision Industry Co. Ltd ("Hon Hai")	Held by controlled corporation ( <i>Note</i> )	124,000,000	19.81%
Foxconn Holding Limited ("Foxconn")	Beneficial owner	124,000,000	19.81%

*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 2022.

## SHARE OPTION SCHEME

The Company has not granted or issued any share option up to 30 June 2022.

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 24,658,072, representing approximately 3.9% 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 2022, 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 Dr. Yim Yuk Lun, Stanley BBS JP acting as both the Chairman and the Managing Director of the Group is acceptable and in the best interest of the Group.

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

## **AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed with management the accounting principles and policies adopted by the Group, internal control, risk management and the unaudited interim financial statements for the six months ended 30 June 2022.

## **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 2022.

## **APPRECIATION**

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

Finally, I wish you all stay healthy.

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

Hong Kong, 23 August 2022