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S.A.S. Dragon Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1184)

2010 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2010	2009	Change
	HK\$'million	HK\$'million	
Revenue	2,014.1	1,385.2	+45%
EBITDA	49.7	35.5	+40%
Net profit attributable to shareholders	30.7	20.2	+52%
Basic earnings per share	HK11.78 cents	HK7.80 cents	+51%
Interim dividend per share	HK3.00 cents	HK2.50 cents	+20%
Net asset value per share	HK\$1.71	HK\$1.54	+11%

INTERIM RESULTS

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 2010, together with comparative figures for the previous period, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		For the six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	2	2,014,093	1,385,240
Cost of sales		(1,891,860)	(1,300,061)
Gross profit		122,233	85,179
Other income		2,123	5,651
Distribution and selling expenses		(25,067)	(19,232)
Administrative expenses		(56,360)	(42,777)
Finance costs		(3,368)	(4,055)
Share of results of associates		(28)	(46)
Profit before tax		39,533	24,720
Income tax expense	3	(5,264)	(1,797)
Profit for the period	4	34,269	22,923
Other comprehensive income:			
Reclassification adjustment on disposal of available-for-sale investment		—	(357)
Total comprehensive income for the period		34,269	22,566
Profit for the period attributable to:			
Owners of the Company		30,669	20,242
Minority interests		3,600	2,681
		34,269	22,923
Total comprehensive income attributable to:			
Owners of the Company		30,669	19,943
Minority interests		3,600	2,623
		34,269	22,566
Dividend paid	5	17,039	5,190
Earnings per share	6		
Basic		HK11.78 cents	HK7.80 cents
Diluted		HK11.76 cents	HK7.80 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

		30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
	Notes		
Non-Current Assets			
Investment properties		122,660	112,800
Property, plant and equipment		139,655	142,537
Goodwill		16,419	16,419
Interests in associates		288	316
Available-for-sale investments		7,447	7,447
Club memberships		3,278	3,278
		<u>289,747</u>	<u>282,797</u>
Current Assets			
Inventories		441,703	393,987
Trade and other receivables	7	489,220	475,926
Bills receivable	7	9,612	15,279
Financial assets at fair value through profit or loss		53,707	57,133
Taxation recoverable		76	76
Pledged bank deposits		19,372	10,751
Bank balances and cash		216,263	250,724
		<u>1,229,953</u>	<u>1,203,876</u>
Current Liabilities			
Trade and other payables	8	359,753	319,391
Bills payable	8	91,328	79,949
Derivative financial instruments		2,383	2,383
Tax liabilities		10,902	7,225
Bank borrowings – due within one year		520,564	563,398
		<u>984,930</u>	<u>972,346</u>
Net Current Assets		<u>245,023</u>	<u>231,530</u>
Total Assets less Current Liabilities		<u><u>534,770</u></u>	<u><u>514,327</u></u>

	30 June 2010 (Unaudited) <i>HK\$'000</i>	31 December 2009 (Audited) <i>HK\$'000</i>
<i>Notes</i>		
Capital and Reserves		
Share capital	26,214	25,949
Share premium and reserves	<u>421,083</u>	<u>403,744</u>
Equity attributable to owners of the Company	447,297	429,693
Minority interests	<u>39,419</u>	<u>35,819</u>
Total Equity	<u>486,716</u>	<u>465,512</u>
Non-Current Liabilities		
Bank borrowings – due after one year	40,729	41,490
Deferred tax liabilities	<u>7,325</u>	<u>7,325</u>
	<u>48,054</u>	<u>48,815</u>
	<u>534,770</u>	<u>514,327</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accounts (the “HKICPA”).

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

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new HKFRSs”) issued by HKICPA, which are effective for the Group’s financial year beginning 1 January 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 included in Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

The Group has not early adopted the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendment)	Classification of Rights Issues ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 9	Financial Instruments ⁵
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 February 2010.

³ Effective for annual periods beginning on or after 1 July 2010.

⁴ Effective for annual periods beginning on or after 1 January 2011.

⁵ Effective for annual periods beginning on or after 1 January 2013.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

2. Revenue and segment information

Revenue from major business product and services

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

	For the six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Distribution of electronic components and semiconductors products	1,986,913	1,348,469
Office building rental	1,990	2,631
Others	25,190	34,140
	<u>2,014,093</u>	<u>1,385,240</u>

Geographical information

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

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

	For the six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Place of domicile of relevant group entities		
– Mainland PRC	1,128,916	869,371
– Hong Kong	650,667	400,770
Other places		
– Taiwan	200,285	105,791
– Others	34,225	9,308
	<u>2,014,093</u>	<u>1,385,240</u>

3. Income tax expense

	For the six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Hong Kong Profits Tax	5,264	1,797

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profit for period.

4. Profit for the period

	For the six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	6,749	6,708
Interest income	(333)	(440)
Dividend income from listed securities	(333)	(96)

5. Dividend paid

	For the six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, paid during the period, of HK6.5 cents per share (2009: HK2.0 cents)	17,039	5,190

6. Earnings per share

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

	For the six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Earnings:		
Profit for the period attributable to the owners of the Company for the purposes of basic and diluted earnings per share	30,669	20,242
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	260,374,053	259,490,720
Effect of dilutive potential ordinary shares – share options	337,573	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	260,711,626	259,490,720

For the period ended 30 June 2010, weighted average number of ordinary shares for the purpose of the computation of diluted earnings per share has accounted for the effect of the share options with dilutive effect.

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise prices of the Company's share options were higher than the average market price of the shares for the period ended 30 June 2009.

7. Trade and Other Receivables and Bills Receivable

An aged analysis of trade and bills receivables by due dates (net of allowance for doubtful debts) is as follows:

	30 June 2010	31 December 2009
	HK\$'000	HK\$'000
Current	307,544	320,344
Within 30 days	78,401	96,393
More than 30 days and within 60 days	14,368	17,672
More than 60 days and within 90 days	1,790	480
More than 90 days	31,955	12,087
Trade receivables and bills receivable	434,058	446,976
Other receivables	64,774	44,229
	498,832	491,205

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

8. Trade and Other Payables and Bills Payable

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

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Current	295,592	232,901
Within 30 days	82,407	88,940
More than 30 days and within 60 days	14,615	15,201
More than 60 days and within 90 days	76	–
More than 90 days	5,325	8,670
Trade payables and bills payable	398,015	345,712
Other payables	53,066	53,628
	451,081	399,340

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK3.00 cents (2009: HK2.50 cents) per share payable to the shareholders of the Company whose names appear on the Register of Members of the Company on 9 September 2010. The dividend warrants are expected to despatch to shareholders on or about 17 September 2010.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from 8 September 2010 to 9 September 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 7 September 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group specializes in design, development, sourcing, quality assurance and logistics management of global proprietary electronic components and semiconductors products including chipset solutions, display panel, memory chips, LED lighting solutions, power supply system solutions, multimedia system solutions, PEMCO and other premier solutions for a wide range of applications for mobile, consumer electronic, computer, telecommunication and lighting products.

BUSINESS REVIEW

Distribution of Electronic Components and Semiconductor Products

During the period under review, the Group recorded a 47.3% growth in this segment. It was mainly attributable by the solid domestic demand from China and other developing countries. The Group benefited from providing stable electronic supply chain services to a large number of manufacturers and EMS factories in China.

Consumer Electronic Products

China's subsidy program for home appliance purchases has expanded during the period under review. More provinces were added into the scheme and more appliances are eligible for the subsidy. The increasing domestic spending on televisions, air-conditioners, DVD players and other consumer electronic products has boosted the Group's revenue during the period under review.

Mobile Phone Products

The strong sales of smartphone and the surge in the number of 3G mobile subscribers contributed to a thriving handsets market in China. During the period under review, the Group was able to capture such high growth segments by providing stable supply chain services to the handset manufacturers and EMS factories in China, the world's largest mobile market.

Computer Products

During the period under review, the demand for global PC and notebook shipments for commercial and consumer sectors remained strong, with the increasing popularity of Windows 7. Also, as the Group anticipated that iPad-like multimedia touch-screen tablet PC would be the next fast growing segment, a special engineering team has been allocated to support the development of this segment.

LED Lighting Products

Leveraging on the rising domestic demand for energy-saving lighting products, the Group benefited from providing one-stop LED lighting supply chain solutions for a large number of LED lighting apparatus manufacturers and energy management consultants both in Hong Kong and China. Cost saving is a primary concern for the commercial, industrial and outdoor lighting. We expected a swift adoption of LED lighting in these areas. The industry estimated that the global LED lighting market value will expand to US\$55 billion in 2015 when the ratio of LED lighting rises to 50%. We believe that the proactive government policies will also further support the penetration of LED lighting in the US and China.

Properties investment

As of 30 June 2010, the Group held 8 units of investment properties (31 December 2009: 7 units), all of which are commercial units located at Hong Kong. The aggregate carrying value of investment properties amounted to HK\$122.7 million (31 December 2009: HK\$112.8 million).

The above investment properties generated rental income of HK\$2.0 million (2009: HK\$2.6 million) with an annualized return of 3.3%.

OUTLOOK

There have been concerns about a double dip recession in the world economies. Although the economic conditions in Europe and the US might get slightly worse, we believe that relatively strong growth should continue in Asia, in particular China, where possess good fundamentals and far fewer financial crisis aftermath issues. We believe that, despite the chance of a second dip recession in the world economies, the Group will manage to perform competitively by virtue of its long-term cost effective strategies.

The Group's objective is to remain a leading electronic supply chain services provider in Greater China while continuing to improve its profitability and enhance its value to customers. To achieve this objective, the Group adopts a strategy of emphasizing its value-added, full-service capabilities, using its research competence to enhance customer service, continuing to improve its own operating efficiencies, and growing through internal expansion.

Looking ahead, the launch of new innovative products, such as iPhone, iPad, 3D TV and glasses, has aroused great attention in the market. We believe that the growth in the demand for these innovative products in China will become strong, given the rising personal income and the fast progress of urbanization. Hence, we are optimistic about our business outlook. We will continue to look into further growth opportunities in China and bring higher returns for our shareholders.

FINANCIAL REVIEW

For the period ended 30 June 2010, the Group's revenue increased by 45.4% to HK\$2,014,093,000 (2009: HK\$1,385,240,000), gross profit rose by 43.5% to HK\$122,233,000 (2009: HK\$85,179,000), and EBITDA (represented gross profit plus other income minus distribution and selling expenses and administrative expenses plus depreciation and amortization) increased by 39.8% to HK\$49,678,000 (2009: HK\$35,529,000).

Net profit attributable to owners of the Company increased 51.5% to HK\$30,669,000 (2009: HK\$20,242,000). Basic earnings per share was HK11.78 cents (2009: HK7.80 cents).

Liquidity and Financial Resources

As of 30 June 2010, the Group's current ratio was 125% (31 December 2009: 124%), net gearing ratio was 56% (31 December 2009: 61%), which was calculated based on the Group's net borrowings (calculated as total bank borrowings minus total cash and bank balances minus financial assets at fair value through profit or loss) of approximately HK\$271,951,000 (31 December 2009: HK\$286,280,000) and total equity of HK\$486,716,000 (31 December 2009: HK\$465,512,000).

The Group recorded debtors turnover of approximately 39 days for the period under review (2009: 47 days) based on the amount of trade and bills receivable as at 30 June 2010 divided by sales for the same period and multiplied by 181 days.

The Group recorded inventory turnover and average payable period of approximately 42 days and 38 days respectively for the period under review (2009: approximately 47 days and 43 days respectively) based on the amount of inventory and trade and bills payables as at 30 June 2010 divided by cost of sales for the same period and multiplied by 181 days.

The Group generated net operating cash inflow of HK\$45,849,000 and used in net repayment of bank borrowings of HK\$43,595,000 for the period under review, compare with net operating cash inflow of HK\$71,639,000 and net repayment of bank borrowings of HK\$92,027,000 for the same period in 2009.

Foreign Exchange Risk Management

The Group has foreign currency sales and purchases and foreign bank deposits and borrowing which expose the Group to foreign currency risk.

The Group currently does not have any foreign currency hedging policy. However, management will monitor foreign exposure closely and consider the usage of hedging instruments when the need arise.

Employee and Remuneration Policy

At 30 June 2010, the Group employed approximately 380 employees in the PRC and Hong Kong. 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.

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 securities.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months period ended 30 June 2010, except for the following deviations:

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Having considered the current business operation and the size of the Group, the Board is of the view that Mr. Yim Yuk Lun, Stanley acting as both the Chairman and the Managing Director of the Group is acceptable and in the best interest of the Group.

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. The non-executive directors 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 and the unaudited interim financial statements for the six months ended 30 June 2010.

MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct adopted by the Company regarding securities transactions by directors.

INTERIM REPORT

The 2010 Interim Report will be dispatched to shareholders and published on the website of the Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the website of the Company (www.sasdragon.com.hk) in due course.

APPRECIATION

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

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

Hong Kong, 23 August 2010

As at the date of this announcement, the executive directors of the Company are Mr. Yim Yuk Lun, Stanley, Mr. Wong Sui Chuen and Mr. Lock Shui Cheung. The non-executive director is Dr. Chang Chu Cheng. The independent non-executive directors are Mr. Cheung Chi Kwan, Mr. Liu Chun Ning, Wilfred, Dr. Lui Ming Wah SBS JP and Mr. Wong Tak Yuen, Adrian.