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S.A.S. Dragon Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1184)

2015 INTERIM RESULTS ANNOUNCEMENT

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

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

		For the six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
Notes		HK\$'000	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		(2,684)	(2,004)
Fair value gain on available-for-sale investments		<u>3,597</u>	<u>5,061</u>
Total comprehensive income for the period		<u><u>76,178</u></u>	<u><u>91,993</u></u>
Profit for the period attributable to:			
Owners of the Company		55,679	65,541
Non-controlling interests		<u>19,586</u>	<u>23,395</u>
		<u><u>75,265</u></u>	<u><u>88,936</u></u>
Total comprehensive income attributable to:			
Owners of the Company		57,154	68,721
Non-controlling interests		<u>19,024</u>	<u>23,272</u>
		<u><u>76,178</u></u>	<u><u>91,993</u></u>
Earnings per share (<i>HK cents</i>)	6		
– basic		<u><u>HK8.92 cents</u></u>	<u><u>HK11.49 cents</u></u>
– diluted		<u><u>HK8.92 cents</u></u>	<u><u>HK11.49 cents</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and principal accounting policies

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

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

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

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

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

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

2. Revenue and segment information

Revenue from major business products and services

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

	For the six months ended 30 June	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Distribution of electronic components and semiconductor products	5,333,777	4,999,955
Distribution of sport products	6,074	14,127
Rental income from investment properties	4,212	3,285
	<u>5,344,063</u>	<u>5,017,367</u>

Geographical information

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

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

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

3. Income tax expense

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

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

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

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

4. Profit for the period

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

5. Dividend paid

For the six months ended 30 June	
2015	2014
HK\$'000	HK\$'000

Final dividend paid during the period in respect of
the previous financial year of HK9.0 cents
(2014: final and special dividend paid during the period
in respect of the previous financial year of
HK11.75 cents[#]) per share

<u>56,185</u>	<u>73,353</u>
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[#] *As restated for the issue of the bonus shares on the basis of one bonus share for every one ordinary share held to shareholders on 11 June 2014.*

6. Earnings per share

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

The computation of diluted earnings per share for the six months ended 30 June 2015 and 2014 does not assume the exercise of the Company's outstanding share options because the exercise prices of those share options were higher than the average market price for the corresponding period.

7. Trade and Other Receivables and Bills Receivable

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

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

8. Trade and Other Payables and Bills Payable

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

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

INTERIM DIVIDEND

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

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from 9 September 2015 to 11 September 2015, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 pm on 8 September 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Distribution of Electronic Components and Semiconductor Products

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

Smartphone

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

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

Consumer Electronic

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

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

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

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

Cloud Computing

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

E-Commence

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

Properties Investment

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

OUTLOOK

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

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

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

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

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

FINANCIAL REVIEW

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

Liquidity and Financial Resources

As of 30 June 2015, the Group's current ratio was 115% (31 December 2014: 116%). The Group's net gearing ratio was 106% (31 December 2014: 107%), defined as the Group's net borrowings (calculated as total bank borrowings minus total cash and bank balances minus financial assets at fair value through profit or loss) of approximately HK\$1,084,008,000 (31 December 2014: HK\$1,068,077,000) over total equity of HK\$1,018,414,000 (31 December 2014: HK1,000,744,000).

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

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

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

Foreign Exchange Risk Management

The Group has foreign currency sales and purchases, bank deposits and borrowings primary in United States dollars and Renminbi which expose the Group to foreign currency risk.

The Group entered into foreign currency forward contracts to hedge the currency risk related to its payable denominated in foreign currencies.

Employee and Remuneration Policy

At 30 June 2015, the Group employed approximately 510 employees in the Greater China region. The Group ensures that their employees are offered competitive remuneration packages. Other staff benefits include share option scheme, provident fund schemes and medical insurance. Also, discretionary bonus was granted to eligible employees based on the Group's financial results and individual performance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Group has complied with the applicable code provisions in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "Code") throughout the six months ended 30 June 2015, except for the following deviations:

Under the code provision A.1.8 of the Code, provides that an issuer should arrange appropriate insurance cover in respect of legal action against its directors. With regular and timely communications among the Directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the Directors can be handled effectively, and the possibility of actual litigation against the Directors is very low. The Company will consider to make such an arrangement as and when it thinks necessary.

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

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

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

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with management the accounting principles and policies adopted by the Group and the unaudited interim financial statements for the six months ended 30 June 2015.

MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions.

Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2015.

INTERIM REPORT

The 2015 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 of Directors, I would like to thank all our employees for their contribution and commitments. I also wish to extend my sincere gratitude to our shareholders, customers, suppliers and business partners for their long-term supports and dedication in previous year.

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

Hong Kong, 24 August 2015

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