GROUP

S.A.S. Dragon Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 1184)

2016 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2016	2015	Change
	(Unaudited)	(Unaudited)	
Revenue *(HK$'000)*	**4,301,948**	5,344,063	–19.5%
Profit attributable to owners of the Company *(HK$'000)*	**78,322**	55,679	+40.7%
Basic earnings per share *(HK cents)*	**12.55**	8.92	+40.7%
Interim dividend per share *(HK cents)*	**3.50**	2.50	+40.0%

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	**4,301,948**	5,344,063
Cost of sales		**(4,122,647)**	(5,137,605)
Gross profit		**179,301**	206,458
Other income		**3,609**	1,630
Other gains and losses		**46,363**	3,399
Distribution and selling expenses		**(28,621)**	(28,650)
Administrative expenses		**(86,982)**	(87,313)
Share of gain (loss) of associates		**1,940**	(1,275)
Share of (loss) profit of joint ventures		**(61)**	6,295
Finance costs		**(15,133)**	(14,212)
Profit before tax		**100,416**	86,332
Income tax expense	3	**(11,947)**	(11,067)
Profit for the period	4	**88,469**	75,265
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(8,720)**	(2,684)
Fair value gain on available-for-sale investments		**4,032**	3,597
Realisation of exchange reserve		**(1,304)**	–
Total comprehensive income for the period		**82,477**	76,178
Profit for the period attributable to:			
Owners of the Company		**78,322**	55,679
Non-controlling interests		**10,147**	19,586
		88,469	75,265
Total comprehensive income attributable to:			
Owners of the Company		**72,831**	57,154
Non-controlling interests		**9,646**	19,024
		82,477	76,178
Earnings per share (HK cents)	6		
– basic		**HK12.55 cents**	HK8.92 cents
– diluted		**HK12.55 cents**	HK8.92 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

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

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

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	2015
	HK$'000	*HK$'000*
Distribution of electronic components and semiconductor products	**4,297,742**	5,333,777
Rental income from investment properties	**4,206**	4,212
Distribution of sport products	**–**	6,074
	4,301,948	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	2015
	HK$'000	*HK$'000*
The PRC	**3,118,960**	3,944,392
Hong Kong	**1,027,976**	1,278,368
Taiwan	**81,728**	77,970
Singapore	**1,557**	21,864
Republic of Korea	**1,452**	645
Others	**70,275**	20,824
	4,301,948	5,344,063

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	**873,273**	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	**11,453**	11,340
Taiwan Corporate Income Tax	**388**	(60)
PRC Enterprise Income Tax	**391**	72
Deferred tax	**(285)**	(285)
	11,947	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	**8,020**	8,206
Interest income	**(274)**	(182)
Dividend income	**(2,069)**	(544)
The following items are included in other gains and losses:		
Net gain on fair value change of derivative financial instruments	**(36,763)**	–
Fair value gain on loss of control of a subsidiary	**(23,316)**	–
Change in fair value of financial assets at fair value through profit or loss	**5,478**	1,752
Net foreign exchange loss (gain)	**8,238**	(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)
	(46,363)	(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	**28,092**	56,185

On 7 January 2016, the Group has successfully spun off its non-wholly-owned subsidiary, Hi-Level Technology Holdings Limited ("Hi-Level Holdings"), 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 Holdings 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:

	30 June 2016 *HK$'000*	31 December 2015 *HK$'000*
Current	**994,952**	842,319
Within 30 days	**111,764**	167,099
More than 30 days and within 60 days	**45,360**	45,753
More than 60 days and within 90 days	**15,631**	20,425
More than 90 days	**27,759**	56,425
Trade receivables and bills receivable	**1,195,466**	1,132,021
Other receivables	**83,646**	132,358
	1,297,112	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:

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

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 anualized 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.

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.

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 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.

INTERIM REPORT

The 2016 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.

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

Hong Kong, 24 August 2016

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.