S.A.S. Dragon Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 1184)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

	2016	2015	Change
Revenue *(HK$ million)*	**10,339.6**	11,262.1	–8%
Profit attributable to owners of the Company *(HK$ million)*	**201.8**	80.5	+151%
Basic earnings per share *(HK cents)*	**32.33**	12.90	+151%
Dividend per share *(HK cents)*			
– Final proposed	**6.5**	4.5	
– Special proposed	**5.0**	–	
– Interim paid	**3.5**	2.5	
– Total	**15.0**	7.0	+114%

The Board of Directors (the "Board") of S.A.S. Dragon Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 together with last year's comparative figures are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	**2016** *HK$'000*	2015 *HK$'000*
Revenue	3	**10,339,603**	11,262,149
Cost of sales		**(9,858,208)**	(10,834,015)
Gross profit		**481,395**	428,134
Other income	5(b)	**10,862**	6,588
Other gains and losses	5(c)	**69,031**	(36,725)
Distribution and selling expenses		**(68,655)**	(54,320)
Administrative expenses		**(209,583)**	(205,504)
Net increase in fair value of investment properties		**12,033**	18,452
Share of loss of associates		**(1,428)**	(6,425)
Share of (loss) profit of joint ventures		**(64)**	6,031
Finance costs		**(36,979)**	(30,227)
Profit before tax		**256,612**	126,004
Income tax expense	4	**(32,500)**	(28,392)
Profit for the year	5(a)	**224,112**	97,612
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Fair value gain on property, plant and equipment transferred to investment properties		**28,652**	–

	NOTE	2016 HK$'000	2015 HK$'000
Items that may be reclassified subsequently to profit or loss:			
Fair value gain (loss) on available-for-sale investments		**29,841**	(4,312)
Reclassification adjustment on disposal of available-for-sale investments		**(8,641)**	(2,269)
Reclassification adjustment on impairment of available-for-sale investments		**–**	5,569
Exchange differences arising on translation of foreign operations		**(30,823)**	(8,143)
Share of other comprehensive expense of associates and joint ventures		**(1,463)**	(114)
		(11,086)	(9,269)
Other comprehensive income (expense) for the year		**17,566**	(9,269)
Total comprehensive income for the year		**241,678**	88,343
Profit for the year attributable to:			
Owners of the Company		**201,842**	80,530
Non-controlling interests		**22,270**	17,082
		224,112	97,612
Total comprehensive income attributable to:			
Owners of the Company		**219,908**	71,964
Non-controlling interests		**21,770**	16,379
		241,678	88,343
Earnings per share *(HK cents)*	7		
– basic		**32.33**	12.90
– diluted		**32.33**	12.90

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	**31.12.2016** **HK$'000**	31.12.2015 HK$'000
Non-current Assets			
Investment properties		**493,940**	299,498
Property, plant and equipment		**415,466**	395,097
Goodwill		**–**	15,050
Other intangible assets		**6,914**	–
Interests in associates		**70,522**	12,298
Interest in a joint venture		**5,021**	5,450
Available-for-sale investments		**58,491**	22,054
Club memberships		**3,012**	3,278
Finance lease receivables		**56,746**	–
Deposit paid for acquisition of non-current asset		**–**	140,392
Deferred tax assets		**6,508**	5,405
		1,116,620	898,522
Current Assets			
Inventories		**1,109,780**	668,775
Trade and other receivables	8	**1,559,258**	1,248,767
Bills receivable	8	**–**	15,612
Finance lease receivables		**26,239**	–
Amount due from an associate		**220**	–
Derivative financial instruments		**190**	114
Financial assets at fair value through profit or loss		**34,217**	33,797
Tax recoverable		**2,764**	5,592
Pledged bank deposits		**–**	21,513
Bank balances and cash		**606,185**	658,131
		3,338,853	2,652,301

	NOTES	31.12.2016 HK$'000	31.12.2015 HK$'000
Current Liabilities			
Trade and other payables	9	**939,797**	758,853
Bills payable	9	**36,981**	34,021
Amount due to an associate		**1,410**	–
Derivative financial instruments		**18,593**	53,611
Tax liabilities		**17,484**	11,933
Bank borrowings – due within one year		**2,062,397**	1,682,830
Other borrowings		**26,239**	–
		3,102,901	2,541,248
Net Current Assets		**235,952**	111,053
Total assets less current liabilities		**1,352,572**	1,009,575
Non-current Liabilities			
Deferred tax liabilities		**12,737**	8,986
Bank borrowings – due after one year		**145,085**	–
Other borrowings		**56,746**	–
		214,568	8,986
Net Assets		**1,138,004**	1,000,589
Capital and Reserves			
Share capital		**62,428**	62,428
Share premium and reserves		**984,997**	820,223
Equity attributable to owners of the Company		**1,047,425**	882,651
Non-controlling interests		**90,579**	117,938
Total Equity		**1,138,004**	1,000,589

NOTES

1. BASIS OF PRESENTATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

On 7 January 2016, the Group had completed the spin-off of its non-wholly-owned subsidiary, Hi-Level Technology Holdings Limited ("Hi-Level Holdings") and its subsidiaries through a separate listing on the Growth Enterprise Market of the Stock Exchange (the "Spin-Off"). The Spin-Off involved the offering of 150,000,000 shares of HK$0.01 each by Hi-Level Holdings at an offer price of HK$0.31 per share. Immediately following the completion of the Spin-Off, the Group's equity interest in Hi-Level Holdings was diluted from 51.0% to approximately 34.1%.

The Company acts as an investment holding company. The principal activities of its subsidiaries are distribution of electronic components and semiconductor products, distribution of home appliances and business equipment and provision of related ancillary services, distribution of sport products and property investments.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

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

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 *Disclosure Initiative*

The Group has applied the amendments to HKAS 1 for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other HKFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in the consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 *Financial Instruments: Recognition and Measurement*. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of effect of HKFRS 9 until the Group performs a detail review.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows, respectively.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$19,669,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Amendments to HKAS 7 *Disclosure Initiative*

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

3. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the distribution of electronic components and semiconductor products that can be used in mobile phone products, consumer electronic products, computer and networking products, telecommunication products, light-emitting diode ("LED") lighting products, distribution of sport products and properties investments. In the current year, the Group is also engaged in the distribution of home appliances and business equipment and provision of related ancillary services, which is a business newly acquired during the year ended 31 December 2016.

Information reported to chairman and managing director of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses only on revenue analysis by geographical location of customers. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented other than entity-wide disclosures.

Revenue from major business products and services

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

	2016	2015
	HK$'000	*HK$'000*
Distribution of electronic components and semiconductor products	**10,262,530**	11,247,895
Distribution of home appliances and business equipment and provision of related ancillary services	**66,878**	–
Rental income from investment properties	**10,195**	8,180
Distribution of sport products	**–**	6,074
	10,339,603	11,262,149

Geographical information

The Group's operations are located in different places of domicile, including the People's Republic of China (the "PRC"), Hong Kong and Taiwan.

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

	Sales revenue by Geographical market	
	2016	2015
	HK$'000	*HK$'000*
The PRC	**7,581,642**	8,526,505
Hong Kong	**2,422,949**	2,473,006
Taiwan	**210,645**	151,046
United States of America	**78,469**	42,712
Singapore	**7,773**	40,731
Indonesia	**6,467**	–
Republic of Korea	**3,235**	3,294
Philippines	**2,270**	–
Macao Special Administrative Regions of the PRC	**2,430**	110
India	**45**	–
Thailand	**–**	4,098
Others	**23,678**	20,647
	10,339,603	11,262,149

The following is an analysis of the carrying amount of non-current assets excluding financial instruments and deferred tax assets by geographical area in which the assets are located:

	Carrying amount of non-current assets	
	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**699,185**	566,043
The PRC	**294,433**	303,725
Taiwan	**328**	365
Others	**929**	930
	994,875	871,063

Information about major customer

Revenue from a customer of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2016	2015
	HK$'000	*HK$'000*
Customer A	**2,001,497**	2,272,503

4. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
– current year	**27,822**	16,922
– (over)underprovision in prior years	**(963)**	1,150
PRC Enterprise Income Tax ("EIT")		
– current year	**2,801**	4,944
Taiwan Corporate Income Tax		
– current year	**192**	1,959
	29,852	24,975
Deferred tax		
– current year	**2,648**	3,417
	32,500	28,392

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

Under the Law of The People's Republic of China 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 years.

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

5. PROFIT FOR THE YEAR/OTHER INCOME/OTHER GAINS AND LOSSES

(a) Profit for the year

	2016	2015
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Staff costs, including directors' remunerations		
– salaries and other benefits	**89,650**	83,852
– performance related incentive payments *(Note)*	**17,491**	12,534
– retirement benefits scheme contributions	**10,124**	10,734
– share-based payment expenses	**328**	1,234
	117,593	108,354
Auditor's remuneration	**1,910**	2,329
Depreciation of property, plant and equipment	**15,359**	16,742
Amortisation of intangible assets (included in administrative expenses)	**344**	–
Listing expenses (included in administrative expenses)	**–**	10,643
Allowance of trade receivables, net	**16,834**	9,815
Cost of inventories recognised as an expense (including reversal of allowance of inventories of HK$5,417,000 (2015: allowance of inventories of HK$9,686,000))	**9,857,691**	10,834,015
Rental income from investment properties, net of outgoings HK$11,000 (2015: HK$11,000)	**10,195**	8,180

Note: Performance related incentive payments were determined with reference to the Group's operating results, individual performance and comparable market statistics.

(b) Other income

	2016	2015
	HK$'000	*HK$'000*
Dividend income from equity investments	**2,923**	2,532
Interest income	**682**	574
Interest income on finance leases	**1,847**	–
Others	**5,410**	3,452
	10,862	6,558

(c) Other gains and losses

	2016	2015
	HK$'000	*HK$'000*
Net (gain) loss on fair value change of derivative financial instruments	**(31,269)**	24,379
Fair value gain on retained interest in Hi-Level Holdings held by the Group	**(27,714)**	–
Fair value gain on dividend by way of distribution in specie	**(10,454)**	–
Gain on disposal of available-for-sale investments	**(8,641)**	(2,269)
(Gain) loss on disposal of financial assets at fair value through profit or loss	**(391)**	104
Change in fair value of financial assets at fair value through profit or loss	**(120)**	5,438
Gain on disposal of property, plant and equipment	**(41)**	(26)
Net foreign exchange loss	**9,599**	2,161
Impairment loss on available-for-sale investments	**–**	5,569
Impairment loss on goodwill	**–**	1,369
	(69,031)	36,725

6. DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2016 Interim dividend of HK3.50 cents (2015: 2015 interim dividend of HK2.50 cents) per share	**21,851**	15,607
2015 Final dividend of HK4.50 cents (2015: 2014 final dividend of HK9.00 cents) per share	**28,092**	56,185
Special interim dividend by way of a distribution in specie *(Note)*	**13,950**	–
	63,893	71,792

Subsequent to the end of the reporting period, a final dividend of HK6.5 cents per share in respect of the year ended 31 December 2016 (2015: final dividend of HK4.5 cents per share in respect of the year ended 31 December 2015) together with a special dividend of HK5.0 cents (2015: Nil) per share has been proposed by the directors and are subject to approval by the shareholders in the forthcoming general meeting.

Note: Pursuant to a resolution passed by the board of directors of the Company on 23 December 2015, a special interim dividend was declared conditionally upon the Spin-Off, which would be satisfied by way of distribution in specie of an aggregate of 45,000,000 shares of Hi-Level Holdings, equivalent to approximately 7.5% of the issued share capital of Hi-Level Holdings as enlarged by the Spin-Off. Such dividend became unconditional upon the Spin-Off on 7 January 2016. The net assets value of Hi-Level Holdings to be distributed in specie was approximately HK$3,496,000 and its fair value was approximately HK$13,950,000 based on the Spin-Off price of the shares of Hi-Level Holdings.

7. 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:

	2016	2015
	HK$'000	*HK$'000*
Earnings:		
Profit for the year attributable to owners of the Company, for the purpose of basic and diluted earnings per share	**201,842**	80,530

	2016	2015
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**624,281**	624,281

The computation of diluted earnings per share for the years ended 31 December 2016 and 2015 did not assume the exercise of the Company's outstanding share options as the exercise price of those share options was higher than the average market price for shares.

8. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

	31.12.2016	31.12.2015
	HK$'000	*HK$'000*
Trade receivables	**1,441,890**	1,128,023
Less: allowance for doubtful debts	**(20,885)**	(11,614)
	1,421,005	1,116,409
Other receivables	**103,772**	78,894
Prepayment and deposits paid	**34,481**	53,464
Total trade and other receivables	**1,559,258**	1,248,767
Bills receivable	**–**	15,612

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

The following is an aged analysis of trade receivables and bills receivable net of allowance for doubtful debts presented based on the due date at the end of the reporting period:

	31.12.2016	31.12.2015
	HK$'000	*HK$'000*
Current	**1,058,299**	842,319
Within 30 days	**229,000**	167,099
More than 30 days and within 60 days	**57,378**	45,753
More than 60 days and within 90 days	**23,847**	20,425
More than 90 days	**52,481**	56,425
	1,421,005	1,132,021

9. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

	31.12.2016	31.12.2015
	HK$'000	*HK$'000*
Trade payables	**832,258**	684,671
Other payables	**37,010**	27,415
Accruals and deposits received	**70,529**	46,767
Total trade and other payables	**939,797**	758,853
Bills payable	**36,981**	34,021

The average credit period on purchase of goods ranged from 30 days to 120 days.

Other payables are unsecured, interest-free and repayable on demand.

The following is an aged analysis of trade payables and bills payable presented based on the due date at the end of the reporting period:

	31.12.2016	31.12.2015
	HK$'000	*HK$'000*
Current	**699,956**	544,929
Within 30 days	**79,608**	119,932
More than 30 days and within 60 days	**20,402**	37,483
More than 60 days and within 90 days	**11,688**	7,501
More than 90 days	**57,585**	8,847
	869,239	718,692

DIVIDENDS

To repatriate enhanced value to our shareholders and to celebrate the Group's 35th incorporation anniversary, the Board has recommended a final dividend of HK6.5 cents per ordinary share (2015: HK4.5 cents per ordinary share) together with a special dividend of HK5.0 cents per ordinary share (2015: Nil), payable to the shareholders of the Company whose names appear on the Register of Members of the Company on 29 May 2017. Together with an interim dividend of HK3.5 cents per ordinary share already paid, total dividend per ordinary share for the year will amount to HK15.0 cents (2015: HK7 cents).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 15 May 2017 to 18 May 2017 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the attending and voting at the annual general meeting, all transfers accompanied by the relevant share certificates, should be lodged with the Company's Registrars in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 12 May 2017.

The Register of Members will be closed from 25 May 2017 to 29 May 2017 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement of the proposed final dividend, all transfers accompanied by the relevant share certificates, should be lodged with the Company's Registrars in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 24 May 2017. Dividend warrants will be dispatched on 7 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Distribution of Electronic Components and Semiconductor

Amid slow China's economic growth and a more saturated smartphone market, riding on the Group's strategy to focus on fast-growing sectors and expansion on supplier base to provide comprehensive portfolio of electronic components and semiconductor to our customers in the Greater China region, the Group's core segment recorded sales revenue of HK$10.26 billion in 2016, increased 3% from HK$9.94 billion recorded last year (assuming no consolidation of revenue generated by Hi-Level Technology Holdings Limited and its subsidiaries in 2015 *(Note)*).

Mobile Phone

According to a research company, the worldwide smartphone market shipped a record total of 1.47 billion units in 2016, up 2% from the 1.44 billion units shipped in 2015. During the year under review, amid the challenging smartphone market, several major China branded mobile customers of the Group achieved excellent differentiation and performance by delivering high-end smartphone with better specifications and advanced features such as dual cameras and the Group recorded revenue growth in mobile phone segment by delivering boarder range of competitive products such as larger and high resolution panels, larger storage memory, high resolution camera modules, auto focus actuator, 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 camera module factories in the Greater China region.

Consumer Electronic

During the year under review, riding on the Group's proven all-round technical support of IoT (internet of things) and smart home connectivity solutions, the Group recorded mild revenue growth in consumer electronics segment by delivering competitive system on chip, radio frequency module, larger storage memory, multi-function motion sensors, optical coupler, frequency conversion IC and related IC drivers to those branded TV, robot, health equipment, household electrical appliance and office equipment manufacturers.

Green value engineering (GVE)

Over the years, our GVE team has received high recognition by international luxury hotel chains, large property developers, shopping malls, retail shops and offices in the Asia Pacific region in respect of its LED lighting products under our owned brand of "Light In Motion" . So as to provide more environmental-friendly solutions to our existing and potential customers, by leveraging our team's engineering expertise on LED product, we launched a new brand of "Light In Motion Plus" to focus on LED display and advertising screen installation and rental management services and successfully confirmed landmark orders for installation of large LED display and advertising screens in Hong Kong and the PRC in 2017.

Distribution of home appliances and business equipments and provision of related ancillary services

S.A.S. Electric Company Limited, a wholly owned subsidiary of the Company, has been appointed by SHARP Corporation as the sole and exclusive distributor of SHARP's audio-visual products, home appliances, lifestyle electronics products, business equipment and solutions in Hong Kong and Macau since 26 September 2016. To enhance user experience and build stronger relationship with customers, we launched "MySharp Membership" in 2016 and it will be further integrated into our transaction-based e-commerce platform in 2017 in order to provide a comprehensive online and offline sale and after-sale services to our customers.

Properties investment

As of 31 December 2016, the Group carried 12 units of investment properties (31 December 2015: 7 units) for commercial and industrial uses in Hong Kong and the PRC. The aggregate carrying value of investment properties amounted to HK$494 million (31 December 2015: HK$299 million).

The above investment properties altogether generated rental income of HK$10.2 million (2015: HK$8.2 million) with an annualised return of 2.1% (2015: 2.7%).

OUTLOOK

Looking ahead, as we are entering the era of smart city, intelligent household and vehicle networking, we are bullish for the demand of electronic components, GVE products, IoT devices and other smart consumer electronic products.

In 2017, the Group will complete the construction of a new intelligent 20-story building at Kwai Chung for its headquarter office and warehouse center which is expected to strengthen the operation efficiency of the Group and provide more efficient and reliable services to its customers.

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 localised sales and engineers, competent inventory management and other value added services.

By leveraging on Hon Hai Group and SHARP Corporation's leading position in electronic component to consumer electronic regimes and our over 35 years of experience, industry expertise and market recognition, we are confident to pursue a healthy and sustainable business growth and generate more returns to our shareholders.

FINANCIAL REVIEW

For the year ended 31 December 2016, the Group achieved sales revenue of HK$10,339,603,000, dropped 8% from HK$11,262,149,000 recorded last year. However, if assuming no consolidation of revenue generated by Hi-Level Technology Holdings Limited and its subsidiaries in 2015 *(Note)*, the Group's revenue increased 4% year-on-year. Moreover, benefited from the change of product line mix, the Group's gross profit was HK$481,395,000 grew 12% from HK$428,134,000 recorded last year and gross profit margin was 4.7%, improved from 3.8% recorded last year. Profit attributable to the owners of the Company for the year ended 31 December 2016 was HK$201,842,000, increased by 151% compared with HK$80,530,000 recorded last year. Basic earnings per share was HK32.33 cents (2015: HK12.90 cents).

Liquidity and Financial Resources

As of 31 December 2016, the Group's current ratio was 108% (31 December 2015: 104%). The Group's net gearing ratio was 145% (31 December 2015: 97%), 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$1,650,065,000 (31 December 2015: HK$969,389,000) over total equity of HK$1,138,004,000 (31 December 2015: HK$1,000,589,000). The increase of net gearing ratio was mainly due to the increase of bank borrowings in relation to the increase of working capital required to fulfill unprecedented high level shipments made in the fourth quarter of 2016 and the first quarter of 2017 when compared with same quarters last year.

The Group recorded debtors turnover of approximately 50 days for the year under review (2015: 37 days) based on the amount of trade and bills receivable as at 31 December 2016 divided by sales for the same year and multiplied by 365 days.

The Group recorded inventory turnover and average payable year of approximately 41 days and 32 days respectively for the year under review (2015: approximately 23 days and 24 days respectively) based on the amount of inventory and trade and bills payables as at 31 December 2016, divided by cost of sales for the same year and multiplied by 365 days.

In 2016, the Group recorded net operating cash outflow of HK$415,336,000 compared with net operating cash inflow of HK$642,564,000 in 2015.

Note: On 7 January 2016, upon the completion of the dividend by way of distribution in specie of the shares of Hi-Level Technology Holdings Limited by way of a separate listing on the GEM Board of the Stock Exchange of Hong Kong Limited, the Group's interest in Hi-Level Technology Holdings Limited was diluted from 51% to approximate 34% and Hi-Level Technology Holdings Limited ceased to be a subsidiary and became an associate of the Company. The Group has adopted equity accounting in respect of its interest on Hi-Level Technology Holdings Limited thereafter.

FOREIGN EXCHANGE RISK

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 payables denominated in foreign currencies.

EMPLOYEE AND REMUNERATION POLICY

At 31 December 2016, the Group employed approximately 700 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.

PLEDGE OF ASSETS

At 31 December 2016, certain of the Group's assets (including investment properties, leasehold land and buildings, trade receivables and investments held-for-trading) with the carrying value of totaling approximately HK$694 million were pledged to secure general banking facilities granted to the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2016, neither the Company nor its subsidiaries purchased, sold or redeemed any of its listed securities.

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 audited consolidated financial statements of the Group for the year ended 31 December 2016.

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") for the year ended 31 December 2016, except for the following deviations:

Under the code provision A.1.8 of the Code, 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 of the Company 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, three non-executive directors were unable to attend the AGM meeting of the Company held on 19 May 2016 due to their unexpected business engagement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Company (***www.sasdragon.com.hk***) and the Stock Exchange of Hong Kong Limited (***www.hkex.com.hk***). The 2016 annual report will be dispatched to the shareholders and available on the above websites in due course.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

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 other business partners for their long-term supports and dedication.

By Order of the Board
S.A.S. Dragon Holdings Limited
Yim Yuk Lun Stanley
Chairman and Managing Director

Hong Kong, 29 March 2017

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