GROUP

S.A.S. Dragon Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 1184)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	2018	2017	Change
Revenue (HK$ million)	**25,273.9**	19,461.9	**+30%**
Profit attributable to owners of the Company (HK$ million)	**313.1**	303.0	**+3%**
Basic earnings per share (HK cents)	**50.03**	48.50	**+3%**
Dividend per share (HK cents)			
— Final proposed	**16.0**	15.2	
— Interim paid	**5.0**	4.8	
Total	**21.0**	20.0	**+5%**

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 2018 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 2018

	NOTES	**2018** *HK$'000*	2017 *HK$'000*
Revenue	3	**25,273,864**	19,461,921
Cost of sales		**(24,349,999)**	(18,652,275)
Gross profit		**923,865**	809,646
Other income	5(b)	**11,917**	18,825
Other gains and losses, net	5(c)	**20,663**	37,625
Reversal of impairment loss, net		**(2,489)**	(15,390)
Distribution and selling expenses		**(100,400)**	(110,894)
Administrative expenses		**(307,568)**	(273,501)
Net increase in fair value of investment properties		**69,505**	39,366
Share of profit of associates		**1,362**	12,643
Share of profit of a joint venture		**300**	304
Finance costs		**(157,168)**	(94,333)
Profit before tax		**459,987**	424,291
Income tax expense	4	**(90,165)**	(67,509)
Profit for the year	5(a)	**369,822**	356,782
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Fair value gain on property, plant and equipment transferred to investment properties		**64,722**	10,493

	NOTE	2018 HK$'000	2017 HK$'000
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on available-for-sale investments		**—**	38,010
Reclassification adjustment for cumulative gain included in profit or loss upon disposal of available-for-sale investments		**—**	(19,746)
Reclassification adjustment for cumulative exchange losses included in profit or loss upon deregistration of a subsidiary		**—**	960
Fair value loss on trade receivables measured at fair value through other comprehensive income		**(44,083)**	—
Reclassification adjustment for cumulative loss included in profit or loss upon disposal of trade receivables measured at fair value through other comprehensive income		**44,083**	—
Exchange differences arising on translation of foreign operations of subsidiaries		**(19,191)**	32,782
Share of other comprehensive (expense) income of associates and a joint venture		**(1,232)**	1,891
		(20,423)	53,897
Other comprehensive income for the year		**44,299**	64,390
Total comprehensive income for the year		**414,121**	421,172
Profit for the year attributable to:			
Owners of the Company		**313,095**	303,003
Non-controlling interests		**56,727**	53,779
		369,822	356,782
Total comprehensive income attributable to:			
Owners of the Company		**357,463**	366,923
Non-controlling interests		**56,658**	54,249
		414,121	421,172
Earnings per share (HK cents)	7		
— basic		**50.03**	48.50
— diluted		**N/A**	48.49

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	NOTES	**2018** **HK$'000**	2017 *HK$'000*
Non-current Assets			
Investment properties		**738,270**	580,660
Property, plant and equipment		**707,874**	525,740
Intangible assets		**3,237**	4,389
Interests in associates		**78,961**	79,322
Interest in a joint venture		**5,806**	5,517
Financial assets at fair value through profit or loss		**3,197**	—
Available-for-sale investments		**—**	69,607
Club memberships		**2,862**	2,862
Finance lease receivables		**55,883**	48,960
Deferred tax assets		**7,467**	6,391
		1,603,557	1,323,448
Current Assets			
Inventories		**1,589,318**	1,232,929
Trade and other receivables	8(a)	**1,742,784**	3,098,602
Trade receivables at fair value through other comprehensive income	8(b)	**660,239**	—
Finance lease receivables		**26,694**	24,150
Amount due from an associate		**32**	65
Derivative financial instruments		**704**	1,210
Financial assets at fair value through profit or loss		**15,113**	9,026
Tax recoverable		**4,383**	365
Pledged bank deposits		**32,972**	13,819
Bank balances and cash		**932,640**	583,201
		5,004,879	4,963,367

	NOTES	2018 HK$'000	2017 HK$'000
Current Liabilities			
Trade and other payables	9	**1,740,346**	1,479,450
Bills payable	9	**9,216**	129,450
Contract liabilities	10	**61,969**	—
Amount due to an associate		**—**	7,634
Derivative financial instruments		**499**	1,448
Tax liabilities		**43,488**	38,024
Bank borrowings — due within one year		**2,687,644**	3,085,577
Other borrowings — due within one year		**25,519**	23,565
		4,568,681	4,765,148
Net Current Assets		**436,198**	198,219
Total Assets less Current Liabilities		**2,039,755**	1,521,667
Non-current Liabilities			
Deferred tax liabilities		**39,239**	19,700
Bank borrowings — due after one year		**256,080**	—
Other borrowings — due after one year		**54,093**	48,112
		349,412	67,812
Net Assets		**1,690,343**	1,453,855
Capital and Reserves			
Share capital		**62,584**	62,584
Share premium and reserves		**1,471,421**	1,253,978
Equity attributable to owners of the Company		**1,534,005**	1,316,562
Non-controlling interests		**156,338**	137,293
Total Equity		**1,690,343**	1,453,855

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.

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 and property investments.

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK (IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 — 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and 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.

2.1 HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- distribution of electronic components and semiconductor products and light-emitting diode ("LED") lighting products; and

- distribution of home appliances and business equipment and provision of related ancillary services;

In addition to the above, the Group also recognises revenue from the leases of home appliances and business equipment and rental income from LED products and investment properties.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	**Carrying amounts under HKFRS 15 at 1 January 2018**
	HK$'000	*HK$'000*	***HK$'000***
Current liabilities			
Trade and other payables	1,479,450	(22,931)	**1,456,519**
Contract liabilities	—	22,931	**22,931**

Note: As at 1 January 2018, advances from customers of HK$22,931,000 previously included in trade and other payables were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	**Adjustment**	**Amounts without application of HKFRS 15**
	HK$'000	***HK$'000***	***HK$'000***
Current liabilities			
Trade and other payables	1,740,346	61,969	1,802,315
Contract liabilities	61,969	(61,969)	—

Impact on the consolidated statement of cash flows

	As reported *HK$'000*	Adjustment *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Operating activities			
Increase in trade and other payables	356,175	(13,715)	342,460
Decrease in contract liabilities	(13,715)	13,715	—

2.2 HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Note	Financial assets at amortised cost (previously classified as loans and receivables)	Available-for-sale investments	Financial assets at fair value through profit or loss ("FVTPL") required by HKAS 39/ HKFRS 9	Trade receivables at fair value through other comprehensive income ("FVTOCI")	Investments revaluation reserve	Retained profits	Non-controlling interests
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Closing balance at 31 December 2017 — HKAS 39		3,602,801	69,607	9,026	—	41,013	1,115,153	137,293
Effect arising from initial application of HKFRS 9:								
Reclassification								
From available-for-sale	(a)	—	(69,607)	69,607	—	(41,013)	41,013	—
From loans and receivables	(b)	(667,573)	—	—	667,573	—	—	—
Remeasurement								
Impairment under ECL model	(d)	(7,649)	—	—	—	—	(7,595)	(54)
From cost less impairment to fair value	(a)	—	—	(8,580)	—	—	(6,006)	(2,574)
Opening balance at 1 January 2018		(2,927,579)	—	70,053	667,573	—	1,142,565	134,665

(a) Available-for-sale ("AFS") investments

From AFS investments to FVTPL

At the date of initial application of HKFRS 9, the Group's equity investments of HK$66,610,000 were reclassified from AFS investments to financial assets at FVTPL. The fair value losses of HK$8,580,000 relating to those equity investments previously carried at cost less impairment were adjusted to financial assets at FVTPL and retained profits as at 1 January 2018. The fair value gains of HK$41,013,000 relating to those investments previously carried at fair value were transferred from investment revaluation reserve to retained profits.

From AFS debt investments to FVTPL

Club debenture with a fair value of HK$2,997,000 were reclassified from available-for-sale investments to financial assets at FVTPL. This is because even though the Group's business model is to hold financial assets in order to collect contractual cash flows, the cash flows of these investments do not meet the HKFRS 9 criteria as solely payments of principal and interest on the principal amount outstanding.

(b) Loans and receivables

As part of the Group's cash flow management, the Group has the practice of factoring some of the trade receivables from certain debtors to financial institutions before the trade receivables are due for payment and derecognises the trade receivables on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties. Accordingly, the Group's trade receivables of HK$667,573,000 were considered as within the hold to collect contractual cash flows and to sell business model, and reclassified to trade receivables at FVTOCI. The related fair value of those trade receivables was approximately the same as their par value and no adjustment was considered necessary as at 1 January 2018.

(c) Financial assets at FVTPL

The Group has reassessed its investments in equity securities classified as held for trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, HK$9,026,000 of the Group's investments were held for trading and continued to be measured at FVTPL.

There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9.

(d) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and finance lease receivables. Except for those which had been determined as credit impaired under HKFRS 9, trade receivables and finance lease receivables are grouped based on internal credit rating and the ECL on these assets are assessed collectively using a provision matrix with the above groupings.

ECL for other financial assets at amortised cost, including other receivables, amounts due from an associate, pledged bank deposits and bank balances and cash are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, additional credit loss allowance of HK$7,649,000 has been recognised against retained profits for trade receivables at amortised cost.

All loss allowances, including trade receivables as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Trade receivables at amortised cost *HK$'000*
At 31 December 2017 — HKAS 39	29,385
Amounts remeasured through opening retained profits	7,649
At 1 January 2018	37,034

2.3 Amendments to HKAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 January 2018.

2.4 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited) *HK$'000*	HKFRS 15 *HK$'000*	HKFRS 9 *HK$'000*	**1 January 2018 (Restated)** ***HK$'000***
Non-current Assets				
Financial assets at FVTPL	—	—	61,027	**61,027**
Available-for-sale investments	69,607	—	(69,607)	**—**
Current Assets				
Trade and other receivables	3,098,602	—	(675,222)	**2,423,380**
Trade receivables at FVTOCI	—	—	667,573	**667,573**
Current Liabilities				
Trade and other payables	1,479,450	(22,931)	—	**1,456,519**
Current liabilities	—	22,931	—	**22,931**
Capital and Reserves				
Share Premium and reserves	1,253,978	—	(13,601)	**1,240,377**
Non-controlling interest	137,293	—	(2,628)	**134,665**

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening statement of financial position as at 1 January 2018 as disclosed above.

New and amendments 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 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK (IFRIC) — Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[5] Effective for annual periods beginning on or after 1 January 2020

3. REVENUE AND SEGMENT INFORMATION

A. For the year ended 31 December 2018

REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2018 *HK$'000*
Type of goods or services	
Sales of goods	
Sales of electronic components and semiconductors	24,827,147
Sales of LED lighting products	65,912
Sales of home appliances and business equipment	179,110
	25,072,169
Contract works of LED screen	85,825
Provision of related ancillary services of distribution of home appliances and business equipment	46,822
Revenue from contracts with customers	25,204,816
Income from leasing activities	
Rental income from LED lighting products	18,689
Rental income from investment properties	15,040
Lease of home appliances and business equipment	35,319
	69,048
Total revenue	25,273,864
Timing of revenue recognition	
A point in time	25,118,991
Overtime	85,825
Revenue from contracts with customers	25,204,816
Rental income from LED lighting products	18,689
Finance lease of home appliances and business equipment	35,319
Rental income from investment properties	15,040
Total revenue	25,273,864

(ii) Performance obligations for contracts with customers

Sales of electronic components and semiconductors, LED lighting products and home appliances and business equipment (revenue recognised a one point in time)

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specific location (delivery). The normal credit term is 30 to 120 days upon delivery.

Under the Group's standard contract terms, customers have a right to exchange for defective products within 7 days. The Group uses its accumulated historical experience to estimate the number of exchange on a portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet to be recognised. The Group's right to recover the product when customers exercise their right is recognised as a right to returned goods asset and a corresponding adjustment to cost of sales.

Sales-related warranties associated with home appliances and business equipment serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with its previous accounting treatment.

Contract works of LED screen (revenue recognised over time)

The Group provides construction of LED screen services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on stage of completion to date by using output method.

The payment of the Group's construction contracts is based on the stage of completion certified by qualified surveyors.

Ancillary service of distribution

The Group provide the ancillary service of distribution of home appliances and business equipment to customers. Revenue from the ancillary services is recognised point in time upon reaching destinations.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	Contract works of LED screen
	HK$'000
Within one year	20,029

B. For the year ended 31 December 2017

An analysis of the Group's revenue for the year from continuing operations is as follows:

	2017
	HK$'000
Distribution of electronic components and semiconductor products	19,166,352
Distribution of home appliances and business equipment and provision of related ancillary services	280,698
Rental income from investment properties	14,871
	19,461,921

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, distribution of LED lighting products, distribution of home appliances and business equipment and provision of related ancillary services and properties investments.

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.

Geographical information

The Group's operations are located in different places of domicile, including the Mainland China, 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	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**12,954,773**	3,637,140
Mainland China	**11,291,044**	15,177,437
Taiwan	**286,489**	302,568
United States of America	**243,770**	116,250
India	**217,959**	67,667
Singapore	**104,165**	51,067
Republic of Korea	**48,962**	2,222
Macao Special Administrative Region of the PRC	**42,984**	8,353
Indonesia	**18,829**	28,431
Philippines	**11,379**	15,070
Others	**53,510**	55,716
	25,273,864	19,461,921

The following is an analysis of the carrying amount of non-current assets excluding financial assets at FVTPL, available-for-sale investments, finance lease receivables and deferred tax assets by geographical area in which the assets are located:

	Carrying amount of non-current assets	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**1,089,794**	841,455
Mainland China	**433,394**	355,855
Taiwan	**12,886**	236
Others	**936**	944
	1,537,010	1,198,490

Information about major customers

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

	2018	2017
	HK$'000	*HK$'000*
Customer A	**14,056,892**	6,837,067

4. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
— current year	**55,396**	49,489
— underprovision in prior years	**748**	967
The People's Republic of China (the "PRC") Enterprise Income Tax ("EIT")		
— current year	**3,869**	5,862
Taiwan Corporate Income Tax		
— current year	**10,755**	4,111
	70,768	60,429
Deferred tax		
— current year	**19,397**	7,080
	90,165	67,509

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the" Bill") which introduces the two-tiered Profits Tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. 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

	2018	2017
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remunerations		
— salaries and other benefits	**129,105**	120,538
— performance related incentive payments (note)	**25,808**	23,861
— retirement benefits scheme contributions	**15,579**	11,958
	170,492	156,357
Auditor's remuneration	**2,258**	2,086
Depreciation of property, plant and equipment	**20,473**	14,884
Amortisation of intangible assets (included in administrative expenses)	**1,145**	1,145
Allowance of trade receivables, net	**2,489**	15,390
Cost of inventories recognised as an expense (including allowance of inventories of HK$12,005,000 (2017: HK$22,030,000))	**24,326,122**	18,652,275
Rental income from investment properties, net of outgoings HK$11,000 (2017: HK$11,000)	**15,040**	14,871

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

(b) Other income

	2018	2017
	HK$'000	*HK$'000*
Dividend income from equity investments	**600**	3,481
Interest income on bank deposits	**1,116**	513
Interest income on finance leases	**8,436**	7,835
Others	**1,765**	6,996
	11,917	18,825

(c) Other gains and losses

	2018	2017
	HK$'000	*HK$'000*
Net gain on fair value change of derivative financial instruments	**16,151**	30,622
Gain on disposal of property, plant and equipment	**7,776**	411
Change in fair value of financial assets at FVTPL	**2,719**	2,475
Net foreign exchange loss	**(5,983)**	(6,794)
Cumulative gain reclassified from equity to profit or loss on disposal of available-for-sale investments	**—**	19,746
Written-off of an intangible asset	**—**	(1,395)
Impairment loss on available-for-sale investments	**—**	(7,440)
	20,663	37,625

6. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2018 Interim dividend of HK5.00 cents (2017: 2017 interim dividend of HK4.80 cents) per share	**31,292**	30,040
2017 Final dividend of HK15.20 cents (2017: 2016 final dividend of HK6.50 cents) per share	**95,127**	40,578
2017 Special final dividend of HK5.00 cents per share	**—**	31,214
	126,419	101,832

Subsequent to the end of the reporting period, a final dividend of HK16.00 cents per share in respect of the year ended 31 December 2018 (2017: final dividend of HK15.20 cents per share in respect of the year ended 31 December 2017) has been proposed by the Directors and are subject to approval by the shareholders in the forthcoming general meeting.

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:

	2018	2017
	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	**313,095**	303,003

	2018	2017
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**625,837**	624,721
Effect of dilutive potential shares:		
Share options		166
Weighted average number of shares for the purpose of diluted earnings per share		624,887

No diluted earnings per share for 2018 were presented as there were no potential ordinary shares in issue for 2018.

8. TRADE AND OTHER RECEIVABLES/TRADE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Trade and other receivables

	31.12.2018	31.12.2017
	HK$'000	*HK$'000*
Trade receivables — amortised cost	**1,697,286**	3,002,922
Less: allowance for doubtful debts	**(35,765)**	(29,385)
	1,661,521	2,973,537
Other receivables	**39,481**	32,179
Prepayment and deposits paid	**41,782**	92,886
Total trade and other receivables	**1,742,784**	3,098,602

As at 31 December 2018 and 1 January 2018, trade receivables at amortised cost from contracts with customers amounted to HK$1,661,521,000 and HK$2,298,315,000 respectively.

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

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

	31.12.2018	31.12.2017
	HK$'000	*HK$'000*
Not past due	**1,158,185**	2,497,441
Overdue by:		
1–30 days	**271,112**	407,235
31–60 days	**154,465**	42,754
61–90 days	**40,426**	7,778
Over 90 days	**37,333**	18,329
	1,661,521	2,973,537

(b) Trade receivables at fair value through other comprehensive income

	2018
	HK$'000
Trade receivables held for collecting contractual cash flows or factoring to banks	660,239

As at 31 December 2018 and 1 January 2018, trade receivables at FVTOCI with customers amounted to HK$660,239,000 and HK$667,573,000, respectively.

9. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

	31.12.2018	31.12.2017
	HK$'000	*HK$'000*
Trade payables	**1,596,603**	1,328,875
Other payables	**66,195**	68,524
Accruals and deposits received	**77,548**	82,051
Total trade and other payables	**1,740,346**	1,479,450
Bills payable	**9,216**	129,450

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

Included in the Group's trade and other payables and bills payable with aggregate amount of approximately HK$19,444,000 (2017: HK$27,081,000) are denominated in USD which is other than the functional currency of the relevant group entities.

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

	31.12.2018	31.12.2017
	HK$'000	*HK$'000*
Current	**587,075**	1,246,885
Within 30 days	**920,583**	149,540
More than 30 days and within 60 days	**41,237**	19,416
More than 60 days and within 90 days	**9,033**	11,961
More than 90 days	**47,891**	30,523
	1,605,819	1,458,325

10. CONTRACT LIABILITIES

The amounts represented advance payments from customers for sale of goods. The amounts of HK$22,931,000 that represented the entire contract liabilities balances at the beginning of the year, were recognised as revenue during the year ended 31 December 2018.

DIVIDENDS

The Board has recommended a final dividend of HK16.00 cents per share for the year ended 31 December 2018 subject to approval by the shareholders at the forthcoming annual general meeting. Together with an interim dividend of HK5.00 cents per share already paid, total dividend for the year will amount to HK21.00 cents (2017: HK20.00 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 15 May 2019 to 21 May 2019 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 14 May 2019.

The Register of Members will be closed from 24 June 2019 to 26 June 2019 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 21 June 2019. Dividend warrants will be dispatched on 5 July 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Distribution of Electronic Components and Semiconductor

During the year under review, the Group kept focusing on our strategy to provide comprehensive portfolio of design and supply chain services to our target customers in the Greater China region by broadening our world's leading electronic component supplier base as well as expending our geographical sales network, the Group's component team delivered another year of strong results and achieved record sales revenue of HK$24.99 billion in 2018, increased 30% from HK$19.17 billion recorded last year. Moreover, according to Gartner's data, the Group rose from the eleventh to the ninth position in the top global semiconductor distributor ranking in terms of revenue and became the first China cum Hong Kong based distributor to be ranked in top ten.

Mobile Phone

According to IDC, the worldwide smartphone market became saturated after rapid growth and shipped a total of 1.4 billion units in 2018, making a 4 percent decline when compare with 2017. During the year under review, even consumer's replacement cycles are lengthening, top China branded mobile customers of the Group successfully recorded solid growth by delivering higher average selling price flagship models with better specifications and advanced features such as full screen display, high-end dual camera, 3D sensing face detection and in-display fingerprint recognition technology. As a results, the Group recorded significant revenue growth in mobile phone segment by delivering broader range of competitive products such as larger storage DRAM and NAND flash memory chips, full screen high resolution display panels, large megapixel camera CMOS sensors, auto focus actuators, mobile payment security ICs, fingerprint, force touch and multi-function motion sensors to those branded handset manufacturers, design houses and camera module factories in the Greater China region.

Consumer Electronic

During the year under review, as the popularity of artificial intelligence (AI) — integrated devices such as smart speakers, smart appliances, wearables, robots and home security devices increased, riding on the Group's proven all-round technical support of Internet of Things (IoT) and smart home connectivity solutions, the Group recorded satisfactory revenue growth in consumer electronics segment by delivering competitive system on chips, radio frequency modules, larger storage memory chips, distance measurement and proximity sensors, optical couplers, frequency conversion ICs to our branded manufacturers.

Green value engineering (GVE)

Leverage on our GVE team expertise on customization of environmentally friendly LED lighting solutions, our GVE team successfully entered into bulk purchase agreements with a leading luxury hotel group, managing over 100 hotels and resorts throughout the world, as well as a global grant concession store group which extended our footholds beyond the Greater China region. Also, after the Group tapped into the digital display market in 2017, our GVE team completed substantial number of sizeable indoor and outdoor LED display projects including another prominent large new generation root-top LED signage located at Tsim Sha Tsui East along Victoria Harbor, being the largest roof-top LED display in Kowloon side in terms of display size under our brand name LIM LIGHT IN MOTION and LIM InfraSystems during the year under review.

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

Since being appointed as the sole and exclusive distributor by SHARP Corporation in 2016, we posted satisfactory results by distributing SHARP's full-line products in Hong Kong and Macau.

During the year under review, we launched range of new products such as 120" 4K display panel, new generation top-load washing machine and air vacuum cleaner that received overwhelming market response. Also, our B2B team delivered solid sales of SHARP's professional panels, such as video wall display and interactive touch panel, SMART educational panels and CISCO Partner security solutions to schools, hotels, hospitals, government departments and small to large corporates.

Properties investment

As of 31 December 2018, the Group carried the 17 units of investment properties (31 December 2017: 13 units) for commercial and industrial uses in Hong Kong and the PRC. The aggregate carrying value of investment properties amounted to HK$738 million (31 December 2017: HK$581 million).

The above investment properties altogether generated rental income of HK$15.0 million (2017: HK$14.9 million) with an annualized return of 2.0% (2017: 2.6%).

OUTLOOK

Looking ahead, 5G is now a reality, many countries have launched or will have launched 5G networks by end of 2019. We expect smartphones remain the focal point of IoT devices and its next generation will have 5G and AI functionalities and will create solid market demand of our memory chips, display panels and other AIoT (Artificial Intelligence of Things) solutions.

However, as mentioned above, there is a year-on-year decline in handset shipment and the market is saturated. Furthermore, economists further predicted the GDP growth might be worsen in coming years due to multiple uncertainties on trade war, protectionism and custom duty hikes. The Group will continue monitoring the impact and devise counter measures if necessary. We expect 2019 to be a challenging year for the industry, not only for the Group. We believe we are in a much better position than before and have confidence that the Group will maintain competitive in the Greater China region by virtue of our economies of scales and solid long-term customer relations supported by our strong financial strength, localized sales and engineers, competent inventory management and other value added services.

By leveraging on Hon Hai Group and SHARP Corporation's leading position in electronic component to consumer electronic regimes and our over 37 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 2018, the Group achieved a satisfactory growth of revenue by 30% to HK$25,273,864,000 from HK$19,461,921,000 recorded last year, mainly due to the strong performance of our component team because of our comprehensive product lines, continuous sales network expansion and growing operational efficiency. The Group's gross profit was HK$923,865,000 grew by 14% from HK$809,646,000 recorded last year and gross profit margin was 3.7%, compared with 4.2% recorded last year. Profit attributable to the shareholders of the Company for the year ended 31 December 2018 was HK$313,095,000, increased by 3% compared with HK$303,003,000 recorded last year. Basic earnings per share was HK50.03 cents (2017: HK48.50 cents).

Liquidity and Financial Resources

As of 31 December 2018, the Group's current ratio was 110% (31 December 2017: 104%). The Group's net gearing ratio was 121% (31 December 2017: 175%), defined as the Group's net borrowings (calculated as total bank and other borrowings minus total cash and bank balances minus financial assets at fair value through profit or loss) of approximately HK$2,039,414,000 (31 December 2017: HK$2,551,208,000) over total equity of HK$1,690,343,000 (31 December 2017: HK$1,453,855,000).

The Group recorded debtors turnover of approximately 24 days for the year under review (2017: 56 days) based on the amount of trade and bills receivable as at 31 December 2018 divided by sales for the same year and multiplied by 365 days.

The Group recorded inventory turnover and average payable year of approximately 24 days and 24 days respectively for the year under review (2017: approximately 24 days and 29 days respectively) based on the amount of inventory and trade and bills payables as at 31 December 2018, divided by cost of sales for the same year and multiplied by 365 days.

In 2018, the Group recorded net operating cash inflow of HK$924,286,000 compared with net operating cash outflow of HK$651,215,000 in 2017.

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 2018, the Group employed approximately 650 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 2018, certain of the Group's assets (including investment properties, leasehold land and buildings, bank deposits, trade receivables and investments held-for-trading) with the carrying value of totaling approximately HK$794 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 2018, 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 2018.

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 2018, 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, one non-executive director was unable to attend the AGM meeting of the Company held on 5 June 2018 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 2018 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 2018 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, 27 March 2019

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, Mr. Wong Tak Yuen, Adrian, Mr. Liu Chun Ning, Wilfred, Mr. Cheung Chi Kwan and Mr. Wong Wai Kin.