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S.A.S. Dragon Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 1184)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

	2020	2019	Change
Revenue (<i>HK\$ million</i>)	20,164	18,403	+10%
Profit attributable to owners of the Company (<i>HK\$ million</i>)	262	236	+11%
Basic earnings per share (<i>HK cents</i>)	41.85	37.78	+11%
Dividend per share (<i>HK cents</i>)			
– Final proposed	16.50	17.00	
– Interim paid	4.50	4.00	
Total	21.00	21.00	–

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 2020 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 2020

		2020	2019
	<i>NOTES</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	3	20,164,341	18,402,901
Cost of sales		(19,292,477)	(17,504,929)
Gross profit		871,864	897,972
Other income	5(b)	16,710	15,485
Other gains and losses, net	5(c)	(6,811)	9,743
(Impairment losses) reversal of impairment losses under expected credit loss model, net		(1,594)	6,208
Distribution and selling expenses		(67,440)	(97,908)
Administrative expenses		(298,763)	(316,951)
Change in fair value of investment properties		(32,320)	29,757
Share of profit of associates		9,986	5,208
Share of profit of a joint venture		296	292
Impairment loss of an associate		–	(16,271)
Loss from derecognition of trade receivables at fair value through other comprehensive income		(23,467)	(44,012)
Finance costs		(49,007)	(85,120)
Profit before tax		419,454	404,403
Income tax expense	4	(69,571)	(87,406)
Profit for the year	5(a)	349,883	316,997
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value gain on leasehold land and buildings transferred to investment properties		65,720	–

	<i>NOTES</i>	2020 HK\$'000	2019 HK\$'000
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Change in fair value on trade receivables at fair value through other comprehensive income		(28,314)	(44,012)
Reclassification adjustment for cumulative loss included in profit or loss upon disposal of trade receivable at fair value through other comprehensive income		23,467	44,012
Exchange differences arising on translation of foreign operations of subsidiaries		42,238	(22,496)
Share of other comprehensive expense of associates and a joint venture		2,231	(1,351)
		39,622	(23,847)
Other comprehensive income (expense) for the year		105,342	(23,847)
Total comprehensive income for the year		455,225	293,150
Profit for the year attributable to:			
Owners of the Company		261,897	236,435
Non-controlling interests		87,986	80,562
		349,883	316,997
Total comprehensive income attributable to:			
Owners of the Company		367,962	212,588
Non-controlling interests		87,263	80,562
		455,225	293,150
Earnings per share	7		
– Basic (HK cents)		41.85	37.78
– Diluted (HK cents)		N/A	37.78

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	<i>NOTES</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current Assets			
Investment properties		832,740	733,900
Property, plant and equipment		436,208	500,735
Intangible assets		15,321	6,447
Right-of-use assets		185,288	199,422
Interests in associates		72,085	62,529
Interest in a joint venture		10,715	5,878
Financial assets at fair value through profit or loss		2,998	2,998
Finance lease receivables		25,997	63,673
Deferred tax assets		8,794	7,782
		<u>1,590,146</u>	<u>1,583,364</u>
Current Assets			
Inventories		1,801,012	841,591
Trade and other receivables	8(a)	1,239,960	1,272,100
Trade receivables at fair value through other comprehensive income	8(b)	1,406,049	710,957
Contract assets	8(c)	–	3,622
Finance lease receivables		19,528	34,497
Amount due from an associate		93	64
Derivative financial instruments		–	199
Financial assets at fair value through profit or loss		31,669	14,963
Tax recoverable		1,447	1,958
Pledged bank deposits		25,596	46,245
Bank balances and cash		1,166,982	1,103,211
		<u>5,692,336</u>	<u>4,029,407</u>

	<i>NOTES</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current Liabilities			
Trade and other payables	9	2,981,766	1,446,242
Contract liabilities	10	48,548	43,476
Lease liabilities due within one year		977	10,138
Derivative financial instruments		13,797	906
Tax liabilities		33,516	87,412
Bank and other borrowings due within one year		1,769,011	1,829,931
		<u>4,847,615</u>	<u>3,418,105</u>
Net Current Assets		<u>844,721</u>	<u>611,302</u>
Total Assets less Current Liabilities		<u>2,434,867</u>	<u>2,194,666</u>
Non-current Liabilities			
Deferred tax liabilities		49,776	51,769
Lease liabilities due after one year		508	245
Bank and other borrowings due after one year		260,359	308,098
		<u>310,643</u>	<u>360,112</u>
Net Assets		<u>2,124,224</u>	<u>1,834,554</u>
Capital and Reserves			
Share capital		62,584	62,584
Share premium and reserves		1,793,173	1,559,766
		<u>1,855,757</u>	<u>1,622,350</u>
Equity attributable to owners of the Company		1,855,757	1,622,350
Non-controlling interests		268,467	212,204
		<u>2,124,224</u>	<u>1,834,554</u>
Total Equity		<u>2,124,224</u>	<u>1,834,554</u>

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 ultimate controlling shareholder of the Company is Dr. Yim Yuk Lun, Stanley *BBS JP*. 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 AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and other amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these 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 17	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
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 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 June 2020

⁵ Effective for annual periods beginning on or after 1 January 2021

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and (Note)

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform - Phase 2 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;
- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and
- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 December 2020, the Group has several London Interbank Offered Rate and Hong Kong Interbank Offered Rate bank loans which will or may be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

3. REVENUE AND SEGMENT INFORMATION

Revenue

	For the year ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
Type of goods or services		
Sales of electronic components and semiconductors	19,953,290	18,020,910
Sales of home appliances and business equipment and provision of related ancillary services	94,079	193,742
Contract works of LED lighting and display products	52,781	97,882
Sales of LED lighting and display products	45,939	67,816
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Revenue from contracts with customers	20,146,089	18,380,350
	<hr/>	<hr/>
Income from leasing activities		
For operating leases - lease payments that are fixed:		
– Rental income from investment properties	17,689	18,466
– Rental income from LED lighting and display products	563	4,085
	<hr/>	<hr/>
	18,252	22,551
	<hr/>	<hr/>
Total revenue	20,164,341	18,402,901
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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 and telecommunication products, sales of home appliances and business equipment and provision of related ancillary services, contract works of LED lighting and display products, sales of LED lighting and display products 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 based on billing address of products or services or location of properties or products for rental income for the year:

	Sales revenue by geographical market	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	13,351,375	12,747,575
Mainland China	5,744,297	4,430,842
Taiwan	366,764	479,999
United States of America	309,709	396,765
Vietnam	164,849	8,003
Singapore	153,500	123,983
India	19,867	81,982
Macao Special Administrative Regions of the PRC	13,526	70,724
Others	40,454	63,028
	<u>20,164,341</u>	<u>18,402,901</u>

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

	Carrying amount of non-current assets	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	1,030,134	1,015,829
Mainland China	507,367	478,487
Taiwan	13,927	13,666
Others	929	929
	<u>1,552,357</u>	<u>1,508,911</u>

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	10,114,638	10,185,656

4. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
– current year	68,595	60,649
– overprovision in prior years	(1,349)	(701)
PRC EIT		
– current year	1,414	2,917
Taiwan corporate income tax		
– current year	5,518	11,109
	74,178	73,974
Deferred tax (credit) charge	(4,607)	13,432
	69,571	87,406

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 EIT (the “EIT Law”) and Implementation Regulation of the EIT Law in the PRC, the applicable tax rate of the PRC subsidiaries is 25% for both years.

Corporate income tax in Taiwan is charged at 20% for both years.

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

(a) Profit for the year

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' and chief executives' remuneration		
– salaries and other benefits	98,021	119,727
– performance related incentive payments	26,289	24,581
– retirement benefits scheme contributions	8,465	13,391
	132,775	157,699
Auditor's remuneration	2,232	2,382
Depreciation of property, plant and equipment	45,383	35,959
Depreciation of right-of-use assets	14,446	12,833
Amortisation of intangible assets (included in administrative expenses)	1,126	1,145
Cost of inventories recognised as an expense (including net reversal for allowance for inventories of HK\$30,678,000 (2019: net allowance of HK\$39,696,000))	19,280,375	17,473,866

(b) **Other income**

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income on finance leases	4,753	6,057
Interest income on bank deposits	1,074	2,687
Dividend income from equity investments	1,897	2,104
Others	8,986	4,637
	<u>16,710</u>	<u>15,485</u>

(c) **Other gains and losses**

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Change in fair value of derivative financial instruments	(13,090)	17,223
Change in fair value of financial assets at FVTPL	900	(755)
Net foreign exchange gains (losses)	902	(6,620)
Gain on disposal of property, plant and equipment, net	787	39
Gain on disposal of right-of-use assets under a finance sublease	918	–
Gain on substantial termination of lease arrangements	12	–
Gain on substantial modification of a finance sublease in respect of lease liabilities	2,760	–
Loss on modification of a finance sublease in respect of finance lease receivables	–	(4,690)
Loss on written-off of intangible assets	–	(116)
Gain on disposal of a subsidiary	–	4,662
	<u>(6,811)</u>	<u>9,743</u>

6. DIVIDENDS

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2020 interim dividend of HK4.50 cents (2019: 2019 interim dividend of HK4.00 cents) per share	28,163	25,034
2019 final dividend of HK17.00 cents (2019: 2018 final dividend of HK16.00 cents) per share	106,392	100,134
	<u>134,555</u>	<u>125,168</u>

Subsequent to the end of the reporting period, a final dividend of HK16.50 cents per share in respect of the year ended 31 December 2020 (2019: final dividend of HK17.00 cents per share in respect of the year ended 31 December 2019) has been proposed by the directors and are subject to approval by the shareholders in the forthcoming annual 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:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings:		
Profit for the year attributable to owners of the Company, for the purpose of basic and diluted earnings per share	261,897	236,435
	<u>261,897</u>	<u>236,435</u>
	2020	2019
	'000	'000
Number of shares:		
Number of ordinary shares for the purpose of basic and diluted earnings per share	625,837	625,837
	<u>625,837</u>	<u>625,837</u>

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

(a) Trade and other receivables

	31.12.2020	31.12.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables at amortised cost	1,200,211	1,199,927
Less: allowance for credit losses	(11,844)	(12,207)
	1,188,367	1,187,720
Other receivables	36,716	38,572
Prepayment and deposits paid	14,877	45,808
Total trade and other receivables	1,239,960	1,272,100

As at 1 January 2019, trade receivables from contracts with customers amounted to HK\$1,661,521,000.

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 credit losses presented based on the due date at the end of the reporting period:

	31.12.2020	31.12.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not past due	878,812	869,440
Overdue by:		
1 – 30 days	129,039	245,443
31 – 60 days	42,475	24,915
61 – 90 days	39,283	7,241
Over 90 days	98,758	40,681
	1,188,367	1,187,720

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

	31.12.2020	31.12.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables held for collecting contractual cash flows or factoring to banks	1,406,049	710,957

As at 1 January 2019, trade receivables at fair value through other comprehensive income from contracts with customers amounted to HK\$660,239,000.

(c) **Contract assets**

The contract assets amounted to HK\$3,622,000 as at 31 December 2019 (1 January 2019: nil) were related to the contract works of LED lighting and display products and were transferred to trade receivables during year ended 31 December 2020.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

The payment of the Group's contract works of LED lighting and display products is based on the stage of completion certified by qualified surveyors estimated by the Group's project managers. In some circumstances when the Group has to acquire costly lighting materials for the contract works, the Group would require for down payments from customers.

The Group also typically agrees to a retention period ranging from 12 months to 18 months for 5% to 10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment and the relevant amount of contract asset is reclassified to trade receivables when the defeat liability period expires.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

9. TRADE AND OTHER PAYABLES

	31.12.2020	31.12.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables (<i>note i</i>)	2,819,088	1,305,802
Other payables (<i>note ii</i>)	101,546	73,029
Accruals and deposits received	61,132	67,411
	<hr/>	<hr/>
Total trade and other payables	2,981,766	1,446,242
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Note:

- (i) As at 31 December 2020, the balance of trade payables included bills payable of HK\$122,221,000 (2019: HK\$38,711,000), which the Group issued letter of credit to suppliers but the related facilities were not drawn.
- (ii) As at 31 December 2020, included in other payable was refund liabilities of HK\$67,341,000 (2019: HK\$17,977,000) arising from retrospective sales discount.

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

Included in the Group's trade and other payables with aggregate amount of approximately HK\$56,813,000 (2019: HK\$32,500,000) 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 presented based on the due date at the end of the reporting period:

	31.12.2020	31.12.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	2,636,651	1,103,826
Within 30 days	98,068	141,908
More than 30 days and within 60 days	17,340	28,097
More than 60 days and within 90 days	18,886	8,295
More than 90 days	48,143	23,676
	<hr/>	<hr/>
	2,819,088	1,305,802
	<hr/> <hr/>	<hr/> <hr/>

10. CONTRACT LIABILITIES

The amounts represented advance payments from customers for sale of goods and contract works. The amounts of HK\$43,476,000 (2019: HK\$61,969,000) that represented the entire contract liabilities balances at the beginning of the year, were recognised as revenue in respective years.

DIVIDENDS

The Board has recommended a final dividend of HK16.50 cents per share for the year ended 31 December 2020 subject to approval by the shareholders at the forthcoming annual general meeting. Together with an interim dividend of HK4.50 cents per share already paid, total dividend for the year will amount to HK21.00 cents (2019: HK21.00 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 12 May 2021 to 18 May 2021 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 11 May 2021. The record date for the attending and voting at the annual general meeting is 11 May 2021.

The Register of Members will be closed from 25 May 2021 to 27 May 2021 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 24 May 2021. Dividend warrants will be dispatched on 4 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

CHAIRMAN STATEMENT

When SAS was first established in 1981, the Company was a small business that is privately owned and operated with only 3 employees. Leveraging on the rapid and continuous growth of the Hong Kong electronic export markets, SAS became a publicly listed company in 1994 and has continuously grown by focusing on the electronic supply chain services provider business.

By means of internal growth and integration of acquired companies over the years, now in 2021, we operate over 10 leading semiconductor business units in the Greater China region. SAS collectively serves more than 100 famous semiconductor suppliers globally as well as over 10,000 customers in the Greater China region. The Group, together with Hi-Level Technology Holdings Limited and its subsidiaries, which spun-off in 2016, recorded over HKD100 billion sales in the past 5 years. According to Gartner, the Group is ranked as top 10 global semiconductor distributor and the top China cum Hong Kong based semiconductor distributor for three consecutive years since 2018. As the founder of SAS, I am delightful of the Company's growth and success.

In 2020, amid the global challenging pandemic, economic and business environment, due to our good reputation and proven track record in the electronic supply chain services provider business, the Group maintained relatively good operating momentum in recent years and achieved growth in revenue and profit when compared with last year. We have gained committed supports from our suppliers and customers, which I thought, is essential in this fierce industry.

Looking ahead, we view the past 40 years as just a beginning. We are still looking for business grow and constantly making improvements for the Company. As one of the global leading electronic supply chain services provider, our ultimate goal is to pursue a healthy and sustainable business growth and generate more returns to our shareholders.

BUSINESS REVIEW

Distribution of Electronic Components and Semiconductor

In 2020, challenges to the movement of goods and people has severely disrupted commercial activities and led to shifts in patterns of consumer demand. China has been quick to normalize business and economic activities as the COVID-19 was brought under control. The Group's component team recorded sales revenue of HK\$19.95 billion in 2020, increased 11% from HK\$18.02 billion recorded last year. According to Gartner's data, in terms of revenue, the Group is ranked as top 10 global semiconductor distributor and the top China cum Hong Kong based semiconductor distributor for three consecutive years since 2018. During the year under review, amid the ongoing supply chain disruption situation, we keep 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 semiconductor supplier base as well as expanding our geographical sales network.

Mobile Phone


According to Gartner, due to the impact of the COVID-19 pandemic on the industry, the worldwide smartphone shipped a total of 1.35 billion units in 2020, declined 13 percent when compare with 2019. As 5G is now a standard feature in premium and even lower end smartphones, more than half of smartphones were shipped with a 5G connectivity. During the year under review, certain top China branded mobile customers of the Group successfully recorded shipment and market share growth by delivering higher average selling price 5G flagship models with better specifications and advanced features such as full screen display, high-end multiple cameras with up to 100-mega pixel large image sensors, 3D sensing face detection and fingerprint-on-display solutions. As a results, the Group recorded satisfactory revenue 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, multi-function motion sensors, high-speed and wireless charging solutions to those branded handset manufacturers, design houses and camera module factories in the Greater China region.

Consumer Electronic

During the year under review, PC and gaming equipment, 5G-related equipment and data centers continued to perform well due to increased demand for new business styles and lifestyle changes, such as telecommuting and online education. Robust demand for PC, true wireless stereo earbuds, cloud/edge computing, large datacenters, 5G base stations and servers led the Group recorded satisfactory revenue growth in consumer electronics segment by delivering competitive system on chips, radio frequency modules, Bluetooth low energy solutions, larger storage memory chips, distance measurement and proximity sensors, optical couplers, frequency conversion ICs to our branded manufacturers.

LED technology solution provider

Our LED lighting team specializing in providing customized order fulfilments including sales and contract work of LED lighting and display products under our owned brand of Light in Motion  and LIM InfraSystems , digital out-of-home advertising solutions (including LED display rental solutions) under our own brand of Square  and the newly established business of sales of LED UV-C wellness products under our own brand of Life in Motion  for global market.

Amid the peak of COVID-19 pandemic, our lighting team launched the sales of LED UV-C health care products (HONEY HONEY and STERIFY *Sterify* series) under own brand of Life in Motion  via online and offline channels to consumer market in different countries, which we design and sell technology proven as well as SGS, Intertek and CMA laboratory certified smart hygienic products that create safe and virus-free environment by utilizing the germicidal properties of UV-C to sanitise and eliminate airborne and surface bacteria, viruses, mold and microorganisms. In September 2020, Hong Kong Baptist University's research and development licensing team officially confirmed that the Honey Pro could deactivate the COVID-19 by up to 99.9 percent at a two centimeter distance and just one minute exposure to UV-C. Also, the Honey Pro even managed to deactivate hard-to-kill germs and spores, such as the vesicular stomatitis virus glycoprotein, the H1N1 virus, escherichia coli, staphylococcus aureus and klebsiella pneumonia by up to 99.99 percent. We got overwhelming market demand and recorded satisfactory sales of our products in 2020.

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

During the year under review, lockdowns and social distancing hampered consumer confidence and retail market in Hong Kong. We have no alternative but to keep certain SHARP promotion and operation to minimal level. We will review our strategy when sign of the COVID-19 is being controlled and deferred enterprise and consumer spending returned.

Properties investment

As of 31 December 2020, the Group carried the 17 units of investment properties (31 December 2019: 15 units) for commercial and industrial uses in Hong Kong and the PRC. The aggregate carrying value of investment properties amounted to HK\$833 million (31 December 2019: HK\$734 million).

The above investment properties altogether generated rental income of HK\$17.7 million (2019: HK\$18.5 million) with an annualized return of 2.1% (2019: 2.5%).

OUTLOOK

Although smartphone is still the largest market for semiconductor companies, overall growth set to grow steadily. Automotive electronics is expected to be the fastest growing markets in the semiconductor industry, where many global automakers have set goals to have electronic vehicles account for 15%-20% of their sales within 10 years. Complex electronic components supporting 5G, data centers, car safety, navigation and infotainment systems, such as high-speed processors, memory, controllers, sensors and display panel, becoming an important growth market to us.

We believe we are in a much better position than before against challenges and 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 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 40 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 2020, the Group recorded revenue of HK\$20,164,341,000, increased by 9.6% from HK\$18,402,901,000 recorded last year. The Group's gross profit was HK\$871,864,000 decreased by 2.9% from HK\$897,972,000 recorded last year and gross profit margin was 4.3%, compared with 4.9% recorded last year. Mainly benefited from the year-on-year increase of the Group's revenue, especially related to the second half of 2020, and the effective cost control measures to reduce the Group's overall expenses, after deduction of the non-cash fair value loss of investment properties of HK\$32,320,000 (2019: fair value gain HK\$29,757,000), profit attributable to the shareholders of the Company for the year ended 31 December 2020 was HK\$261,897,000, increased by 10.8% compared with HK\$236,435,000 recorded last year. Basic earnings per share was HK41.85 cents (2019: HK37.78 cents).

Liquidity and Financial Resources

As of 31 December 2020, the Group's current ratio was 117% (31 December 2019: 118%). The Group's net gearing ratio was 38% (31 December 2019: 53%), 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\$802,125,000 (31 December 2019: HK\$970,612,000) over total equity of HK\$2,124,224,000 (31 December 2019: HK\$1,834,554,000).

The Group recorded debtors turnover of approximately 47 days for the year under review (2019: 38 days) based on the amount of trade receivable as at 31 December 2020 divided by sales for the same year and multiplied by 365 days.

The Group recorded inventory turnover and average payable year of approximately 34 days and 53 days respectively for the year under review (2019: approximately 18 days and 27 days respectively) based on the amount of inventory and trade payables as at 31 December 2020, divided by cost of sales for the same year and multiplied by 365 days.

In 2020, the Group recorded net operating cash inflow of HK\$332,045,000 compared with net operating cash inflow of HK\$1,326,573,000 in 2019.

Foreign Exchange Risk Management

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

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

Employee and Remuneration Policy

At 31 December 2020, the Group employed approximately 450 employees in the Greater China region. The Group ensures that their employees are offered competitive remuneration packages. Other staff benefits include 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 2020, certain of the Group's assets (including leasehold land and buildings, bank deposits, trade receivables, right-of-use assets and investment properties) with the carrying value of totaling approximately HK\$923 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 2020, 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 2020.

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 2020, 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 be performed by the same individual. Having considered the current business operation and the size of the Group, the Board is of the view that Dr. 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.

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 2020 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 2020 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.

Finally, I wish you all stay healthy.

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

Hong Kong, 29 March 2021

As at the date of this announcement, the Board comprises five executive directors, namely Dr. Yim Yuk Lun, Stanley BBS JP, Mr. Wong Sui Chuen, Mr. Yim Tsz Kit, Jacky, Mr. Wong Wai Tai and Mr. Tsui Chi Wing, Eric 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.