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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 2021 AND APPOINTMENT OF NON-EXECUTIVE DIRECTOR

FINANCIAL HIGHLIGHTS

	2021	2020	Change
Revenue (<i>HK\$ million</i>)	35,298	20,164	+75%
Profit attributable to owners of the Company (<i>HK\$ million</i>)	713	262	+172%
Basic earnings per share (<i>HK cents</i>)	113.96	41.85	+172%
Dividend per share (<i>HK cents</i>)			
– Final proposed	30.00	16.50	
– Interim paid	15.00	4.50	
Total	45.00	21.00	+114%

The Board of Directors (the “Board”) of S.A.S. Dragon Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021 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 2021

	<i>NOTES</i>	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Revenue	3	35,297,778	20,164,341
Cost of sales		(33,710,530)	(19,292,477)
Gross profit		1,587,248	871,864
Other income	5(b)	23,057	16,710
Other gains and losses, net	5(c)	75,877	(6,811)
Reversal of impairment losses (impairment losses) under expected credit loss model, net		420	(1,594)
Distribution and selling expenses		(102,990)	(67,440)
Administrative expenses		(355,005)	(298,763)
Change in fair value of investment properties		(40,608)	(32,320)
Share of (loss) profit of associates		(16,175)	9,986
Share of profit of a joint venture		710	296
Finance costs		(34,130)	(49,007)
Loss from derecognition of trade receivables at fair value through other comprehensive income		(29,386)	(23,467)
Profit before tax		1,109,018	419,454
Income tax expense	4	(183,884)	(69,571)
Profit for the year	5(a)	925,134	349,883
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>NOTE</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<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		(27,387)	(28,314)
Reclassification adjustment for cumulative loss included in profit or loss upon disposal of trade receivable measured at fair value through other comprehensive income		29,386	23,467
Exchange differences arising on translation of foreign operations of subsidiaries		17,196	42,238
Share of other comprehensive expense of associates and a joint venture		615	2,231
		<u>19,810</u>	<u>39,622</u>
Other comprehensive income for the year		<u>19,810</u>	<u>105,342</u>
Total comprehensive income for the year		<u>944,944</u>	<u>455,225</u>
Profit for the year attributable to:			
Owners of the Company		713,191	261,897
Non-controlling interests		211,943	87,986
		<u>925,134</u>	<u>349,883</u>
Total comprehensive income attributable to:			
Owners of the Company		732,716	367,962
Non-controlling interests		212,228	87,263
		<u>944,944</u>	<u>455,225</u>
Basic earnings per share (HK cents)	7	<u>113.96</u>	<u>41.85</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Non-current Assets			
Investment properties		810,300	832,740
Property, plant and equipment		408,208	436,208
Intangible assets		14,477	15,321
Right-of-use assets		178,207	185,288
Interests in associates		51,958	72,085
Interest in a joint venture		11,571	10,715
Financial assets at fair value through profit or loss		2,998	2,998
Finance lease receivables		9,986	25,997
Deferred tax assets		9,602	8,794
		1,497,307	1,590,146
Current Assets			
Inventories		2,654,073	1,801,012
Trade and other receivables	8(a)	2,125,160	1,239,960
Trade receivables at fair value through other comprehensive income	8(b)	1,127,877	1,406,049
Finance lease receivables		12,848	19,528
Amount due from an associate		132	93
Derivative financial instruments		876	–
Financial assets at fair value through profit or loss		130,439	31,669
Tax recoverable		894	1,447
Pledged bank deposits		25,366	25,596
Bank balances and cash		1,758,977	1,166,982
		7,836,642	5,692,336
Current Liabilities			
Trade and other payables	9	3,428,943	2,981,766
Contract liabilities	10	366,996	48,548
Lease liabilities due within one year		584	977
Derivative financial instruments		–	13,797
Tax liabilities		139,055	33,516
Bank and other borrowings due within one year		2,280,502	1,769,011
		6,216,080	4,847,615

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net Current Assets	1,620,562	844,721
Total Assets less Current Liabilities	3,117,869	2,434,867
Non-current Liabilities		
Deferred tax liabilities	40,428	49,776
Lease liabilities due after one year	214	508
Bank and other borrowings due after one year	233,940	260,359
	274,582	310,643
Net Assets	2,843,287	2,124,224
Capital and Reserves		
Share capital	62,584	62,584
Share premium and reserves	2,327,762	1,793,173
Equity attributable to owners of the Company	2,390,346	1,855,757
Non-controlling interests	452,941	268,467
Total Equity	2,843,287	2,124,224

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

APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

Except as describe below, the application of the amendments to HKFRSs in the current year has 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.

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform - Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* (“HKFRS 7”).

As at 1 January 2021, the Group has several financial liabilities, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The following table shows the total amounts of these outstanding contracts. The amounts of financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

	HKD	USD
	Hong Kong	London
	Interbank	Interbank
	Offered Rate	Offered Rate
	(“HIBOR”)	(“LIBOR”)
	HK\$’000	HK\$’000
Financial liabilities		
Bank borrowings	245,410	1,743,552

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost. Additional disclosures as required by HKFRS 7.

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 ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³

Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
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 April 2021

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

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective for annual periods beginning on or after a date to be determined

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 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue

	For the year ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
Type of goods or services		
Sales of electronic components and semiconductors	35,140,829	19,953,290
Sales of home appliances and business equipment and provision of related ancillary services	72,594	94,079
Contract works of LED lighting and display products	32,822	52,781
Sales of LED lighting and display products	25,030	45,939
	<hr/>	<hr/>
Revenue from contracts with customers	35,271,275	20,146,089
	<hr/>	<hr/>
Income from leasing activities		
For operating leases - lease payments that are fixed:		
– Rental income from investment properties	24,185	17,689
– Rental income from LED lighting and display products	2,318	563
	<hr/>	<hr/>
	26,503	18,252
	<hr/>	<hr/>
Total revenue	35,297,778	20,164,341
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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, telecommunication products, distribution of home appliances and business equipment and provision of related ancillary services, sales of LED lighting and display products, contract works 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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	26,347,932	13,351,375
Mainland China	6,988,900	5,744,297
Taiwan	1,020,662	366,764
Singapore	286,565	153,500
United States of America	283,813	309,709
Vietnam	143,927	164,849
Macao Special Administrative Region of the PRC	130,575	13,526
India	11,528	19,867
Others	83,876	40,454
	<u>35,297,778</u>	<u>20,164,341</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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	977,432	1,030,134
Mainland China	481,431	507,367
Taiwan	14,929	13,927
Others	929	929
	<u>1,474,721</u>	<u>1,552,357</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	<u><u>14,519,001</u></u>	<u><u>10,114,638</u></u>

4. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
– current year	186,154	68,595
– overprovision in prior years	(509)	(1,349)
PRC EIT		
– current year	1,511	1,132
– underprovision in prior year	–	282
Taiwan corporate income tax		
– current year	8,576	6,555
– overprovision in prior years	<u>(1,227)</u>	<u>(1,037)</u>
	<u>194,505</u>	<u>74,178</u>
Deferred tax credit	<u>(10,621)</u>	<u>(4,607)</u>
	<u><u>183,884</u></u>	<u><u>69,571</u></u>

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

	2021 <i>HK\$'000</i>	2020 <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	113,904	98,021
– performance related incentive payments	77,638	26,289
– retirement benefits scheme contributions	13,035	8,465
	<u>204,577</u>	<u>132,775</u>
Auditor's remuneration	2,434	2,232
Depreciation of property, plant and equipment	38,942	45,383
Depreciation of right-of-use assets	7,511	14,446
Amortisation of intangible assets (included in administrative expenses)	844	1,126
Cost of inventories recognised as an expense (including net allowance for inventories of HK\$66,266,000 (2020: net reversal for allowance of HK\$30,678,000))	33,694,550	19,280,375
	<u><u>33,694,550</u></u>	<u><u>19,280,375</u></u>

(b) Other income

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividend income from equity investments	7,033	1,897
Interest income on finance leases	2,337	4,753
Interest income on bank deposits	1,383	1,074
Others	12,304	8,986
	<u>23,057</u>	<u>16,710</u>
	<u><u>23,057</u></u>	<u><u>16,710</u></u>

(c) **Other gains and losses, net**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Change in fair value of financial assets at FVTPL	54,875	900
Change in fair value of derivative financial instruments	14,673	(13,090)
Net foreign exchange gains	4,772	902
Gain on disposal of a subsidiary	1,232	–
Gain on modification of a finance sublease in respect of lease liabilities	339	2,760
Gain on disposal of right-of-use assets under a finance sublease	–	918
Gain on termination of lease arrangements	–	12
(Loss) gain on disposal of property, plant and equipment, net	<u>(14)</u>	<u>787</u>
	<u>75,877</u>	<u>(6,811)</u>

6. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2021 interim dividend of HK15.0 cents (2020: 2020 interim dividend of HK4.5 cents) per share	93,876	28,163
2020 final dividend of HK16.5 cents (2020: 2019 final dividend of HK17.0 cents) per share	<u>103,263</u>	<u>106,392</u>
	<u>197,139</u>	<u>134,555</u>

Subsequent to the end of the reporting period, a final dividend of HK30.0 cents per share in respect of the year ended 31 December 2021 (2020: final dividend of HK16.5 cents per share in respect of the year ended 31 December 2020) 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 earnings per share attributable to the owners of the Company is based on the following data:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings:		
Profit for the year attributable to owners of the Company, for the purpose of basic earnings per share	<u>713,191</u>	<u>261,897</u>
	2021 '000	2020 '000
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	<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

	31.12.2021 <i>HK\$'000</i>	31.12.2020 <i>HK\$'000</i>
Trade receivables at amortised cost	1,861,771	1,200,211
Less: allowance for credit losses	<u>(10,775)</u>	<u>(11,844)</u>
	1,850,996	1,188,367
Other receivables	73,853	36,716
Prepayment and deposits paid	<u>200,311</u>	<u>14,877</u>
Total trade and other receivables	<u>2,125,160</u>	<u>1,239,960</u>

As at 1 January 2020, trade receivables from contracts with customers measured at amortised cost amounted to HK\$1,187,720,000.

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 measured at amortised cost net of allowance for credit losses presented based on the due date at the end of the reporting period:

	31.12.2021	31.12.2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not past due	1,397,994	878,812
Overdue by:		
1 - 30 days	316,151	129,039
31 - 60 days	76,179	42,475
61 - 90 days	6,781	39,283
Over 90 days	53,891	98,758
	1,850,996	1,188,367

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

	31.12.2021	31.12.2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables held for collecting contractual cash flows or factoring to banks	1,127,877	1,406,049

As at 1 January 2020, trade receivables at fair value through other comprehensive income from contracts with customers amounted to HK\$710,957,000.

9. TRADE AND OTHER PAYABLES

	31.12.2021	31.12.2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables (<i>note i</i>)	3,188,807	2,819,088
Other payables (<i>note ii</i>)	149,019	101,546
Accruals and deposits received	91,117	61,132
Total trade and other payables	3,428,943	2,981,766

Notes:

- (i) As at 31 December 2021, the balance of trade payables included bills presented by the Group of HK\$95,367,000 (2020: HK\$122,221,000), which the Group issued letter of credit to suppliers but the related facilities were not drawn.
- (ii) As at 31 December 2021, included in other payable of HK\$107,563,000 (2020: HK\$67,341,000) 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\$63,874,000 (2020: HK\$56,813,000) 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:

	31.12.2021	31.12.2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	2,873,644	2,636,651
Within 30 days	137,034	98,068
More than 30 days and within 60 days	54,076	17,340
More than 60 days and within 90 days	44,183	18,886
More than 90 days	79,870	48,143
	<u>3,188,807</u>	<u>2,819,088</u>

10. CONTRACT LIABILITIES

	31.12.2021	31.12.2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods	364,849	45,978
Contract works	2,147	2,570
	<u>366,996</u>	<u>48,548</u>

At 1 January 2020, contract liabilities amounted to HK\$43,476,000.

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 HK30 cents per share for the year ended 31 December 2021 subject to approval by the shareholders at the forthcoming annual general meeting. Together with an interim dividend of HK15 cents per share already paid, total dividend for the year will amount to HK45 cents (2020: HK21 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 16 May 2022 to 20 May 2022 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 13 May 2022. The record date for the attending and voting at the annual general meeting is 13 May 2022.

The Register of Members will be closed from 26 May 2022 to 30 May 2022 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 25 May 2022. Dividend warrants will be dispatched on 7 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Distribution of Electronic Components and Semiconductor

The COVID-19 pandemic accelerated digital transformation over the past two years. During the year under review, global demand for semiconductors is robust across a wide range of customer segments including wireless communications, consumer, computer, industrial and automotive.

The Group's component team recorded sales revenue of HK\$35.14 billion in 2021, increased 76% from HK\$19.95 billion recorded last year. 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 expending our geographical sales network.

According to Gartner’s data, in terms of revenue, the Group is ranked as top 9 global semiconductor distributor and the top China cum Hong Kong based semiconductor distributor in 2021.





Mobile Phone

According to Gartner, worldwide smartphone shipped a total of 1.43 billion units in 2021, grew 6% when compared with 2020. Almost half of smartphones were shipped with 5G connectivity. During the year under review, certain top China branded mobile customers of the Group continued to 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 from work-learn-play from home. Robust demand for true wireless stereo earbuds, cloud/edge computing, large datacenters, 5G base stations and servers, together with the fast growing demand for virtual reality headsets for immersive and virtual gaming, socialising and fitness experiences, led the Group recorded satisfactory revenue growth in consumer electronics segment by delivering competitive system on chips, displays with high resolution and dynamic refresh rate, 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 sales of LED UV-C wellness products under our own brand of Life in Motion  for global market.

During the year under review, the COVID-19 variants extended lockdown of many countries and deterred capital investment from the global tourist industry which negatively impacted our business. However our LED lighting team benefitted from the gradual business recovery in domestic and greater bay area markets and completed several medium to mega size LED lighting and display projects with Macau Jockey Club, Hong Kong Disneyland, Hong Kong MTR, Hong Kong M+ museum, other government departments and local property developers up to the reporting date.

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

During the year under review, social distance measures remained strict in Hong Kong that further weakening consumer spending power. We focus on SHARP B2B business by offering competitive business solutions to enterprises and maintain our promotion and operation to low level. We will review our strategy when sign of the COVID-19 is being controlled and consumer spending returned.

Properties investment

As of 31 December 2021, the Group carried the 18 units of investment properties (31 December 2020: 17 units) for commercial and industrial uses in Hong Kong and the PRC. The aggregate carrying value of investment properties amounted to HK\$810 million (31 December 2020: HK\$833 million).

The above investment properties altogether generated rental income of HK\$24.2 million (2020: HK\$17.7 million) with an annualized return of 3.0% (2020: 2.1%).

OUTLOOK

In late 2021, COVID-19 resurged across the world due to Omicron variant and continue to spread in early 2022. Manufacturers for end products will continue to be affected by the component mismatch problem that the COVID-19 pandemic has brought to the supply chain. However, long-term demands for complex electronic components supporting 5G, data centers, car safety, navigation and infotainment systems 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 over 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 2021, the Group's revenue, gross profit and profit attributable to the shareholders of the Company all reached record high over previous years. The Group recorded revenue of HK\$35,297,778,000, increased by 75.1% from HK\$20,164,341,000 recorded last year. The Group's gross profit was HK\$1,587,248,000 increased by 82.1% from HK\$871,864,000 recorded last year and gross profit margin was 4.5%, compared with 4.3% recorded last year. Profit attributable to the shareholders of the Company for the year ended 31 December 2021 was HK\$713,191,000 increased by 172.3% compared with HK\$261,897,000 recorded last year. Basic earnings per share was HK113.96 cents (2020: HK41.85 cents).

Liquidity and Financial Resources

As of 31 December 2021, the Group's current ratio was 126% (31 December 2020: 117%). The Group's net gearing ratio was 21% (31 December 2020: 38%), 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\$596,662,000 (31 December 2020: HK\$802,125,000) over total equity of HK\$2,843,287,000 (31 December 2020: HK\$2,124,224,000).

The Group recorded debtors turnover of approximately 31 days for the year under review (2020: 47 days) based on the amount of trade receivable as at 31 December 2021 divided by sales for the same year and multiplied by 365 days (2020: 366 days).

The Group recorded inventory turnover and average payable year of approximately 29 days and 35 days respectively for the year under review (2020: approximately 34 days and 54 days respectively) based on the amount of inventory and trade and bills payables as at 31 December 2021, divided by cost of sales for the same year and multiplied by 365 days (2020: 366 days).

In 2021, the Group recorded net operating cash inflow of HK\$348,299,000 compared with net operating cash inflow of HK\$332,045,000 in 2020.

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 2021, 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 2021, 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\$975 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 2021, 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 2021.

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 2021, 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 2021 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 2021 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.

APPOINTMENT OF NON-EXECUTIVE DIRECTOR

The board of directors (the “Board”) of S.A.S. Dragon Holdings Limited (the “Company”) announces that:

Ms. Yim Kei Man, Carmen (“Ms. Carmen Yim”) has appointed as the non-executive director of the Company with effect from 25 March 2022. The biographical details of Ms. Carmen Yim are set out below:

Ms. Carmen Yim, aged 33, holds a Bachelor’s degree in Sociology from the London School of Economics. She is currently a Director of Knight Frank Hong Kong Limited and has over 9 years experience in property investment industry. She has been acting as the Board of Directors of Yan Chai Hospital since 2018. She is currently the Manager of Yan Chai Hospital Yim Tsui Yuk Shan Kindergarten, Yan Chai Hospital Ho Sik Nam Primary School as well as Yan Chai Hospital Lan Chi Pat Memorial Secondary School. She is also the Honorary Career Advisor of Hong Kong Baptist University and a member of Young Entrepreneur Committee of Hong Kong Baptist University Foundation. She is the daughter of Dr. Yim (the controlling shareholder, the executive director, the chairman and the managing director of the Company) and nephew of Mr. Tsui Chi Wing, Eric and younger sister of Mr. Yim Tsz Kit, Jacky, both are Executive Director of the Company.

So far as the directors are aware at the date of the announcement, Ms. Carmen Yim did not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, she does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company. Ms. Carmen Yim has no service contract with the Company and she is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Company’s Bye-Laws. Ms. Carmen Yim will be entitled to an annual salary of HK\$240,000 which is determined on the basis of her responsibilities, the prevailing market conditions and the performance of the Company’s results.

This is no information relating to Ms. Carmen Yim that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

The Board would like to express the warmest welcome Ms. Carmen Yim on her appointment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group has always been proactively implementing the concept of sustainable development, taking environmental, social and governance issues as one of the basic consideration of business operation.

In 2021, the Group donated HK\$1,507,000 to charitable and other non-profit organisations in Hong Kong and China. Also, in 2022, the Group donated HK\$1,000,000 to Yan Chai Social Services Fund and our volunteer team delivered 36,000 sets of rapid antigen test kits and our LED UV-C wellness products to hospital, government disciplined service units and communities to support their anti-epidemic activities.

Last but not least, to enhance our Board Diversity Policy, Ms. Carmen Yim joins the Company as non-executive Director at the date of the 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, 25 March 2022

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, one non-executive director namely Ms. Yim Kei Man, Carmen 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.