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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 2022**

#### **FINANCIAL HIGHLIGHTS**

	<b>2022</b>	2021	Change
Revenue ( <i>HK\$ million</i> )	<b>24,969</b>	35,298	-29.3%
Profit attributable to owners of the Company ( <i>HK\$ million</i> )	<b>400</b>	713	-43.9%
Basic earnings per share ( <i>HK cents</i> )	<b>63.97</b>	113.96	-43.9%
Dividend per share ( <i>HK cents</i> )			
– Final proposed	<b>25.00</b>	30.00	
– Interim paid	<b>10.00</b>	15.00	
Total	<b>35.00</b>	45.00	-22.2%

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 2022 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 2022**

		<b>2022</b>	2021
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	<b>24,968,652</b>	35,297,778
Cost of sales		<b>(23,683,325)</b>	(33,710,530)
Gross profit		<b>1,285,327</b>	1,587,248
Other income	5(b)	<b>30,191</b>	23,057
Other gains and losses, net	5(c)	<b>(16,638)</b>	75,877
Reversal of impairment losses under expected credit loss model, net		<b>2,669</b>	420
Distribution and selling expenses		<b>(222,991)</b>	(229,209)
Administrative expenses		<b>(207,817)</b>	(228,786)
Change in fair value of investment properties		<b>(65,606)</b>	(40,608)
Share of loss of an associate		<b>(23,641)</b>	(16,175)
Share of profit of a joint venture		<b>335</b>	710
Finance costs		<b>(56,278)</b>	(34,130)
Loss from derecognition of trade receivables at fair value through other comprehensive income		<b>(46,686)</b>	(29,386)
Profit before tax		<b>678,865</b>	1,109,018
Income tax expense	4	<b>(114,958)</b>	(183,884)
<b>Profit for the year</b>	5(a)	<b>563,907</b>	925,134

	<i>NOTES</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Other comprehensive income (expense)</b>			
<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		<b>(55,837)</b>	(27,387)
Reclassification adjustment for cumulative loss included in profit or loss upon disposal of trade receivable measured at fair value through other comprehensive income		<b>46,686</b>	29,386
Exchange differences arising on translation of foreign operations of subsidiaries		<b>(72,096)</b>	17,196
Share of other comprehensive (expense) income of an associate and a joint venture		<b>(2,666)</b>	615
Other comprehensive (expense) income for the year		<b>(83,913)</b>	19,810
Total comprehensive income for the year		<b>479,994</b>	944,944
Profit for the year attributable to:			
Owners of the Company		<b>400,337</b>	713,191
Non-controlling interests		<b>163,570</b>	211,943
		<b>563,907</b>	925,134
Total comprehensive income attributable to:			
Owners of the Company		<b>317,206</b>	732,716
Non-controlling interests		<b>162,788</b>	212,228
		<b>479,994</b>	944,944
Basic earnings per share ( <i>HK cents</i> )	7	<b>63.97</b>	113.96

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	<i>NOTES</i>	<b>2022</b>	2021
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current Assets</b>			
Investment properties		<b>706,440</b>	810,300
Property, plant and equipment		<b>381,540</b>	408,208
Intangible assets		<b>14,477</b>	14,477
Right-of-use assets		<b>171,761</b>	178,207
Interest in an associate		<b>27,731</b>	51,958
Interest in a joint venture		<b>10,977</b>	11,571
Financial assets at fair value through profit or loss		<b>2,998</b>	2,998
Finance lease receivables		<b>2,941</b>	9,986
Deferred tax assets		<b>9,481</b>	9,602
		<b><u>1,328,346</u></b>	<u>1,497,307</u>
<b>Current Assets</b>			
Inventories		<b>2,398,330</b>	2,654,073
Trade and other receivables	8(a)	<b>1,113,014</b>	2,125,160
Trade receivables at fair value through other comprehensive income	8(b)	<b>1,702,299</b>	1,127,877
Finance lease receivables		<b>9,499</b>	12,848
Amount due from an associate		<b>345</b>	132
Derivative financial instruments		<b>77</b>	876
Financial assets at fair value through profit or loss		<b>109,230</b>	130,439
Tax recoverable		<b>6,477</b>	894
Pledged bank deposits		<b>39,222</b>	25,366
Bank balances and cash		<b>1,432,029</b>	1,758,977
		<b><u>6,810,522</u></b>	<u>7,836,642</u>
<b>Current Liabilities</b>			
Trade and other payables	9	<b>3,086,560</b>	3,428,943
Contract liabilities	10	<b>209,306</b>	366,996
Lease liabilities due within one year		<b>234</b>	584
Tax liabilities		<b>206,991</b>	139,055
Bank and other borrowings due within one year		<b>1,383,029</b>	2,280,502
		<b><u>4,886,120</u></b>	<u>6,216,080</u>

	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Net Current Assets</b>	<b><u>1,924,402</u></b>	<u>1,620,562</u>
<b>Total Assets less Current Liabilities</b>	<b><u>3,252,748</u></b>	<u>3,117,869</u>
<b>Non-current Liabilities</b>		
Deferred tax liabilities	<b>25,130</b>	40,428
Lease liabilities due after one year	<b>947</b>	214
Bank and other borrowings due after one year	<b><u>216,225</u></b>	<u>233,940</u>
	<b><u>242,302</u></b>	<u>274,582</u>
<b>Net Assets</b>	<b><u><u>3,010,446</u></u></b>	<u><u>2,843,287</u></u>
<b>Capital and Reserves</b>		
Share capital	<b>62,584</b>	62,584
Share premium and reserves	<b><u>2,394,633</u></b>	<u>2,327,762</u>
Equity attributable to owners of the Company	<b>2,457,217</b>	2,390,346
Non-controlling interests	<b><u>553,229</u></b>	<u>452,941</u>
<b>Total Equity</b>	<b><u><u>3,010,446</u></u></b>	<u><u>2,843,287</u></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, sales of 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 HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s consolidated 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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related Amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or 1 January 2024.

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

	<b>For the year ended</b>	
	<b>31 December</b>	
	2022	2021
	<i>HK\$’000</i>	<i>HK\$’000</i>
<b>Type of goods or services</b>		
Sales of electronic components and semiconductors	<b>24,818,008</b>	35,140,829
Sales of business equipment and provision of related ancillary services	<b>69,144</b>	72,594
Contract works of LED lighting and display products	<b>32,077</b>	32,822
Sales of LED lighting and display products	<b>26,949</b>	25,030
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Revenue from contracts with customers	<b>24,946,178</b>	35,271,275
	<hr/>	<hr/>
<b>Income from leasing activities</b>		
For operating leases - lease payments that are fixed:		
– Rental income from investment properties	<b>20,061</b>	24,185
– Rental income from LED lighting and display products	<b>2,413</b>	2,318
	<hr/>	<hr/>
	<b>22,474</b>	26,503
	<hr/>	<hr/>
<b>Total revenue</b>	<b>24,968,652</b>	35,297,778
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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, sales of LED lighting and display products, sales of business equipment and provision of related ancillary services, 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:

	<b>Sales revenue by geographical market</b>	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	<b>16,872,681</b>	26,347,932
Mainland China	<b>6,381,942</b>	6,988,900
Taiwan	<b>1,007,710</b>	1,020,662
Singapore	<b>260,605</b>	286,565
United States of America	<b>137,783</b>	283,813
Vietnam	<b>94,848</b>	143,927
Macao Special Administrative Region of the PRC	<b>75,540</b>	130,575
Others	<b>137,543</b>	95,404
	<b><u>24,968,652</u></b>	<b><u>35,297,778</u></b>

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:

	<b>Carrying amount of non-current assets</b>	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	<b>911,360</b>	977,432
Mainland China	<b>386,511</b>	481,431
Taiwan	<b>14,126</b>	14,929
Others	<b>929</b>	929
	<b><u>1,312,926</u></b>	<b><u>1,474,721</u></b>

## 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	<u><u>10,385,712</u></u>	<u><u>14,519,001</u></u>

## 4. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
– current year	117,925	186,154
– overprovision in prior years	(57)	(509)
PRC EIT		
– current year	1,711	1,511
– underprovision in prior year	408	–
Taiwan corporate income tax		
– current year	9,199	8,576
– overprovision in prior years	<u>(1,343)</u>	<u>(1,227)</u>
	<u>127,843</u>	<u>194,505</u>
Deferred tax credit	<u>(12,885)</u>	<u>(10,621)</u>
	<u><u>114,958</u></u>	<u><u>183,884</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

	2022 <i>HK\$'000</i>	2021 <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	112,453	113,904
– performance related incentive payments ( <i>note i</i> )	74,014	77,638
– retirement benefits scheme contributions	13,895	13,035
	<u>200,362</u>	<u>204,577</u>
Auditor's remuneration	2,428	2,434
Depreciation of property, plant and equipment	39,017	38,942
Depreciation of right-of-use assets	7,241	7,511
Amortisation of intangible assets (included in administrative expenses)	–	844
Cost of inventories recognised as an expense (including net allowance for inventories of HK\$62,414,000 (2021: HK\$66,266,000))	23,667,899	33,694,550
	<u><u>23,667,899</u></u>	<u><u>33,694,550</u></u>

#### *Notes:*

Performance related incentive payments were determined with reference to the Group's operating results and individual performance.

(b) **Other income**

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividend income from equity investments	12,695	7,033
Government subsidies ( <i>note</i> )	4,960	–
Interest income on bank deposits	2,421	1,383
Interest income on finance leases	1,533	2,337
Others	8,582	12,304
	<u>30,191</u>	<u>23,057</u>

*Notes:* The government subsidies represented the subsidies of the Employment Support Scheme launched by The Government of the Hong Kong Special Administrative Region.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gain on disposal of financial assets at FVTPL	7,461	–
Net foreign exchange gains	6,550	4,772
Gain (loss) on disposal of property, plant and equipment, net	621	(14)
Gain on disposal of a subsidiary	–	1,232
Gain on modification of a finance sublease in respect of lease liabilities	–	339
Change in fair value of derivative financial instruments	(799)	14,673
Change in fair value of financial assets at FVTPL	(30,471)	54,875
	<u>(16,638)</u>	<u>75,877</u>

**6. DIVIDENDS**

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2022 interim dividend of HK10 cents (2021: 2021 interim dividend of HK15.0 cents) per share	62,584	93,876
2021 final dividend of HK30 cents (2021: 2020 final dividend of HK16.5 cents) per share	187,751	103,263
	<u>250,335</u>	<u>197,139</u>

Subsequent to the end of the reporting period, a final dividend of HK25.00 cents per share in respect of the year ended 31 December 2022 (2021: final dividend of HK30 cents per share in respect of the year ended 31 December 2021) has been proposed by the directors and are subject to approval by the shareholders in the forthcoming annual general meeting.

## 7. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings:		
Profit for the year attributable to owners of the Company, for the purpose of basic earnings per share	<u>400,337</u>	<u>713,191</u>
	2022 <i>'000</i>	2021 <i>'000</i>
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

	31.12.2022 <i>HK\$'000</i>	31.12.2021 <i>HK\$'000</i>
Trade receivables at amortised cost	1,012,079	1,861,771
Less: allowance for credit losses	<u>(7,576)</u>	<u>(10,775)</u>
	1,004,503	1,850,996
Other receivables	82,963	73,853
Prepayment and deposits paid	<u>25,548</u>	<u>200,311</u>
Total trade and other receivables	<u>1,113,014</u>	<u>2,125,160</u>

As at 1 January 2021, trade receivables from contracts with customers measured at amortised cost amounted to HK\$1,188,367,000.

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:

	<b>31.12.2022</b>	31.12.2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not past due	<b>628,088</b>	1,397,994
Overdue by:		
1 – 30 days	<b>169,910</b>	316,151
31 – 60 days	<b>97,359</b>	76,179
61 – 90 days	<b>74,504</b>	6,781
Over 90 days	<b>34,642</b>	53,891
	<b>1,004,503</b>	1,850,996

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

	<b>31.12.2022</b>	31.12.2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables held for collecting contractual cash flows or factoring to banks	<b>1,702,299</b>	1,127,877

As at 1 January 2021, trade receivables at fair value through other comprehensive income from contracts with customers amounted to HK\$1,406,049,000.

**9. TRADE AND OTHER PAYABLES**

	<b>31.12.2022</b>	31.12.2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables ( <i>note i</i> )	<b>2,695,849</b>	3,188,807
Other payables ( <i>note ii</i> )	<b>283,094</b>	149,019
Accruals and deposits received	<b>107,617</b>	91,117
Total trade and other payables	<b>3,086,560</b>	3,428,943

*Notes:*

- (i) As at 31 December 2022, the balance of trade payables included bills presented by the Group of HK\$13,521,000 (2021: HK\$95,367,000), which the Group issued letter of credit to suppliers but the related facilities were not drawn.
- (ii) As at 31 December 2022, included in other payable of HK\$89,523,000 (2021: HK\$107,563,000) 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\$87,284,000 (2021: HK\$63,874,000) 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:

	<b>31.12.2022</b>	31.12.2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	<b>2,333,875</b>	2,873,644
Within 30 days	<b>198,586</b>	137,034
More than 30 days and within 60 days	<b>40,699</b>	54,076
More than 60 days and within 90 days	<b>30,782</b>	44,183
More than 90 days	<b>91,907</b>	79,870
	<u><b>2,695,849</b></u>	<u>3,188,807</u>

#### 10. CONTRACT LIABILITIES

	<b>31.12.2022</b>	31.12.2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods	<b>207,257</b>	364,849
Contract works	<b>2,049</b>	2,147
	<u><b>209,306</b></u>	<u>366,996</u>

At 1 January 2021, contract liabilities amounted to HK\$48,548,000.

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 HK25.00 cents per share for the year ended 31 December 2022 subject to approval by the shareholders at the forthcoming annual general meeting. Together with an interim dividend of HK10.00 cents per share already paid, total dividend for the year will amount to HK35.00 cents (2021: HK45.00 cents per share).

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from 16 May 2023 to 22 May 2023 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 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 15 May 2023. The record date for the attending and voting at the annual general meeting is 22 May 2023.

The Register of Members will be closed from 29 May 2023 to 31 May 2023 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 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 25 May 2023. Dividend warrants will be dispatched on 7 June 2023.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **Distribution of Electronic Components and Semiconductor**

During the year under review, unfavorable factors such as geopolitics conflict, rising international trade protectionism, high inflation, high interest cost and currency fluctuations persist, weakening consumption confidence for consumer end products that put downside pressures on the global semiconductor industry. Facing above mentioned challenges, the Group managed to control our inventory level, operating costs and improve our cash and working capital management in 2022.

The Group's component team recorded sales revenue of HK\$24.82 billion in 2022, decreased 29% from HK\$35.14 billion recorded last year. During the year under review, amid weak demand for consumer end products, the Group 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.



## ***Mobile Phone***

According to IDC, worldwide smartphone shipped a total of 1.21 billion units in 2022, being the lowest volume since 2013. During the year under review, certain top China branded mobile customers of the Group adopted a conservative production plan and aggressively reducing their inventories. As a results, the Group recorded decreased revenue in mobile phone segment.

## ***Consumer Electronic***

During the year under review, sluggish demand of TV and PC, 5G networking equipment and data centers in China led the Group recorded decreased revenue in consumer electronic segment.

## **LED technology solution provider**

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

During the year under review, our LED lighting team benefitted from the gradual business recovery in Hong Kong, PRC and overseas markets and completed a number of sizeable LED lighting and display projects with HSBC (rooftop display), Hong Kong MTR (lighting), Hong Kong Disneyland (lighting), Singapore Marina Bay Sands (display), Shangri La hotel group (lighting), Hong Kong Police station (display), other government departments and local property developers and achieved revenue growth when compared with 2021.

## **Sales of business equipment and provision of related ancillary services**

During the year under review, our SHARP B2B team achieved satisfactory performance by offering competitive business solutions to enterprises after the COVID-19 being controlled and commercial sector spending returned.

## **Properties investment**

As of 31 December 2022, the Group carried the 18 units of investment properties (31 December 2021: 18 units) for commercial and industrial uses in Hong Kong and the PRC. The aggregate carrying value of investment properties amounted to HK\$706 million (31 December 2021: HK\$810 million).

The above investment properties altogether generated rental income of HK\$20.1 million (2021: HK\$24.2 million) with an annualized return of 2.8% (2021: 3.0%).

## **OUTLOOK**

Looking forward to 2023, the Group will continue to face severe headwinds such as slow recovery of the global economy, low demand visibility, high inflation and high interest cost. However, the development direction of the global semiconductor industry towards digital economy and green economy will not change.

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 our over 42 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 2022, the Group recorded revenue of HK\$24,968,652,000, decreased by 29.3% from HK\$35,297,778,000 recorded last year. The Group's gross profit was HK\$1,285,327,000 decreased by 19.0% from HK\$1,587,248,000 recorded last year and gross profit margin was 5.1%, compared with 4.5% recorded last year. Profit attributable to the shareholders of the Company for the year ended 31 December 2022 was HK\$400,337,000, decreased by 43.9% compared with HK\$713,191,000 recorded last year. Basic earnings per share was HK63.97 cents (2021: HK 113.96 cents).

### **Liquidity and Financial Resources**

As of 31 December 2022, the Group's current ratio was 139% (31 December 2021: 126%). The Group's net gearing ratio was 1% (31 December 2021: 21%), 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\$15,775,000 (31 December 2021: HK\$596,662,000) over total equity of HK\$3,010,446,000 (31 December 2021: HK\$2,843,287,000).

The Group recorded debtors turnover of approximately 40 days for the year under review (2021: 31 days) based on the amount of trade receivable as at 31 December 2022 divided by sales for the same year and multiplied by 365 days (2021: 365 days).

The Group recorded inventory turnover and average payable year of approximately 37 days and 42 days respectively for the year under review (2021: approximately 29 days and 35 days respectively) based on the amount of inventory and trade and bills payables as at 31 December 2022, divided by cost of sales for the same year and multiplied by 365 days (2021: 365 days).

In 2022, the Group recorded net operating cash inflow of HK\$993,590,000 compared with net operating cash inflow of HK\$348,299,000 in 2021.

### **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 2022, 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 2022, 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\$624 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 2022, 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 2022.

### **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 2022, except for the following deviations:

Under the code provision C.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 C.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 B.2.2 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](http://www.sasdragon.com.hk)) and the Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)). The 2022 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 2022 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 as approved by the Board of Directors on 27 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **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 2022, the Group donated HK\$3,513,000 to charitable and other non-profit organisations in Hong Kong and China.

Also, to enhance our Board Diversity Policy, Ms Carmen Yim joins our group as non-executive Director in 2022.

## **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**  
**Dr. Yim Yuk Lun Stanley** *BBS JP*  
*Chairman and Managing Director*

Hong Kong, 27 March 2023

*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.*