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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 2023

FINANCIAL HIGHLIGHTS

	2023	2022	Change
Revenue (<i>HK\$ million</i>)	22,371	24,969	-10.4%
Profit attributable to owners of the Company (<i>HK\$ million</i>)	403.8	400.3	+0.9%
Basic earnings per share (<i>HK cents</i>)	64.52	63.97	+0.9%
Dividend per share (<i>HK cents</i>)			
– Final proposed	25.00	25.00	
– Interim paid	10.00	10.00	
Total	35.00	35.00	Unchanged

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 2023 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 2023

	<i>NOTES</i>	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Revenue	3	22,370,616	24,968,652
Cost of sales		(21,054,205)	(23,683,325)
Gross profit		1,316,411	1,285,327
Other income	5(b)	62,284	30,191
Other gains and losses, net	5(c)	(56,893)	(16,638)
Impairment losses under expected credit loss model, net of reversal		(9,545)	2,669
Distribution and selling expenses		(209,187)	(222,991)
Administrative expenses		(192,729)	(207,817)
Change in fair value of investment properties		(51,546)	(65,606)
Share of profit (loss) of an associate		662	(23,641)
Share of (loss) profit of a joint venture		(222)	335
Finance costs		(86,396)	(56,278)
Loss from derecognition of trade receivables at fair value through other comprehensive income (“FVTOCI”)		(56,629)	(46,686)
Profit before tax		716,210	678,865
Income tax expense	4	(130,537)	(114,958)
Profit for the year	5(a)	585,673	563,907

	2023	2022
<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive (expense) income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Change in fair value on trade receivables at FVTOCI	(71,462)	(55,837)
Reclassification adjustment for cumulative profit included in profit or loss upon disposal of trade receivable measured at FVTOCI	56,629	46,686
Exchange differences arising on translation of foreign operations of subsidiaries	7,894	(72,096)
Share of other comprehensive expense of an associate and a joint venture	(1,251)	(2,666)
Other comprehensive income (expense) for the year	(8,190)	(83,913)
Total comprehensive income for the year	577,483	479,994
Profit for the year attributable to:		
Owners of the Company	403,801	400,337
Non-controlling interests	181,872	163,570
	585,673	563,907
Total comprehensive income attributable to:		
Owners of the Company	399,225	317,206
Non-controlling interests	178,258	162,788
	577,483	479,994
Basic earnings per share (<i>HK cents</i>)	7	64.52
		63.97

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Non-current Assets			
Investment properties		662,660	706,440
Property, plant and equipment		347,062	381,540
Intangible assets		17,105	14,477
Right-of-use assets		164,554	171,761
Interest in an associate		31,536	27,731
Interest in a joint venture		10,850	10,977
Financial assets at fair value through profit or loss (“FVTPL”)		2,998	2,998
Finance lease receivables		187	2,941
Deferred tax assets		8,658	9,481
		<u>1,245,610</u>	<u>1,328,346</u>
Current Assets			
Inventories		1,780,168	2,398,330
Trade and other receivables	8(a)	983,047	1,113,014
Trade receivables at FVTOCI	8(b)	2,100,479	1,702,299
Finance lease receivables		5,343	9,499
Amount due from an associate		609	345
Derivative financial instruments		–	77
Financial assets at FVTPL		89,366	109,230
Tax recoverable		5,154	6,477
Pledged bank deposits		35,980	39,222
Cash and cash equivalents		1,580,146	1,432,029
		<u>6,580,292</u>	<u>6,810,522</u>
Current Liabilities			
Trade and other payables	9	3,704,524	3,086,560
Contract liabilities	10	90,104	209,306
Lease liabilities due within one year		240	234
Amount due to an associate		3,000	–
Tax liabilities		120,269	206,991
Bank and other borrowings due within one year		953,909	1,383,029
		<u>4,872,046</u>	<u>4,886,120</u>

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net Current Assets	<u>1,708,246</u>	<u>1,924,402</u>
Total Assets less Current Liabilities	<u>2,953,856</u>	<u>3,252,748</u>
Non-current Liabilities		
Deferred tax liabilities	21,462	25,130
Lease liabilities due after one year	707	947
Bank and other borrowings due after one year	<u>102,801</u>	<u>216,225</u>
	<u>124,970</u>	<u>242,302</u>
Net Assets	<u><u>2,828,886</u></u>	<u><u>3,010,446</u></u>
Capital and Reserves		
Share capital	62,584	62,584
Share premium and reserves	<u>2,574,815</u>	<u>2,394,633</u>
Equity attributable to owners of the Company	2,637,399	2,457,217
Non-controlling interests	<u>191,487</u>	<u>553,229</u>
Total Equity	<u><u>2,828,886</u></u>	<u><u>3,010,446</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, 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 (“HK\$”), which is also the functional currency of the Company.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) AND CHANGES IN OTHER ACCOUNTING POLICIES

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

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

2.1 *Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies*

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* 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 has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in Note 3 to the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

Revenue

(i) Disaggregation of revenue from contracts with customers

	For the year ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
Type of goods or services		
Sales of electronic components and semiconductors	22,206,540	24,818,008
Sales of business equipment and provision of related ancillary services	70,709	69,144
Sales of LED lighting and display products	42,516	26,949
Contract works of LED lighting and display products	29,991	32,077
	<hr/>	<hr/>
Revenue from contracts with customers	22,349,756	24,946,178
	<hr/>	<hr/>
Income from leasing activities		
For operating leases – lease payments that are fixed:		
– Rental income from investment properties	19,370	20,061
– Rental income from LED lighting and display products	1,490	2,413
	<hr/>	<hr/>
	20,860	22,474
	<hr/>	<hr/>
Total revenue	22,370,616	24,968,652
	<hr/> <hr/>	<hr/> <hr/>

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, distribution 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:

	Sales revenue by geographical market	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	15,498,560	16,872,681
Mainland China	6,000,890	6,381,942
Taiwan	292,980	1,007,710
United States of America	119,453	137,783
Vietnam	119,038	94,848
Singapore	114,462	260,605
Macao Special Administrative Region of the PRC	45,155	75,540
Others	180,078	137,543
	<u>22,370,616</u>	<u>24,968,652</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	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	840,125	911,360
Mainland China	379,451	386,511
Taiwan	14,873	14,126
Others	930	929
	<u>1,235,379</u>	<u>1,312,926</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	9,076,879	10,385,712
Customer B	2,502,201	N/A*
	11,579,080	10,385,712

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
– current year	120,975	117,925
– overprovision in prior years	–	(57)
PRC EIT		
– current year	2,709	1,711
– underprovision in prior years	249	408
Taiwan corporate income tax		
– current year	7,616	9,199
– under(over)provision in prior years	2,051	(1,343)
	133,600	127,843
Deferred tax credit	(3,063)	(12,885)
	130,537	114,958

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

	2023	2022
	HK\$'000	HK\$'000
Profit for the year has been arrived at after charging:		
Staff costs, including directors' and chief executives' remuneration (note 9)		
– salaries and other benefits	108,263	112,453
– performance related incentive payments (note)	59,455	74,014
– retirement benefits scheme contributions	13,638	13,895
	181,356	200,362
Auditor's remuneration		
– Audit services	2,408	2,428
– Non-audit services	217	214
Depreciation of property, plant and equipment	37,876	39,017
Depreciation of right-of-use assets	7,206	7,241
Cost of inventories recognised as an expense (including reversal of allowance for inventories of HK\$27,143,000 (2022: HK\$62,414,000))	21,040,321	23,667,899

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

(b) Other income

	2023	2022
	HK\$'000	HK\$'000
Interest income on bank deposits	48,193	2,421
Dividend income from equity investments	7,709	12,695
Interest income on finance leases	514	1,533
Government subsidies (<i>note</i>)	–	4,960
Others	5,868	8,582
	<u>62,284</u>	<u>30,191</u>

Note: 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

	2023	2022
	HK\$'000	HK\$'000
Gain on disposal of property, plant and equipment, net	1,325	621
Change in fair value of derivative financial instruments	(77)	(799)
Change in fair value of financial assets at FVTPL	(14,654)	(23,010)
Net foreign exchange (losses) gains	(20,558)	6,550
Impairment loss on investment in an associate	(22,442)	–
Others	(487)	–
	<u>(56,893)</u>	<u>(16,638)</u>

6. DIVIDENDS

	2023	2022
	HK\$'000	HK\$'000
Dividends recognised as distribution during the year:		
2023 interim dividend of HK10 cents (2022: 2022 interim dividend of HK10 cents) per share	62,584	62,584
2022 final dividend of HK25 cents (2021: 2021 final dividend of HK30 cents) per share	156,459	187,751
	<u>219,043</u>	<u>250,335</u>

Subsequent to the end of the reporting period, a final dividend of HK25 cents per share in respect of the year ended 31 December 2023 (2022: final dividend of HK25 cents per share in respect of the year ended 31 December 2022) 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:

	2023	2022
	HK\$'000	HK\$'000
Earnings:		
Profit for the year attributable to owners of the Company, for the purpose of basic earnings per share	<u>403,801</u>	<u>400,337</u>
	2023	2022
	'000	'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

	31.12.2023	31.12.2022
	HK\$'000	HK\$'000
Trade receivables at amortised cost	853,665	1,012,079
Less: allowance for credit losses	<u>(14,286)</u>	<u>(7,576)</u>
	839,379	1,004,503
Other receivables	78,418	82,963
Prepayment and deposits paid	<u>65,250</u>	<u>25,548</u>
Total trade and other receivables	<u>983,047</u>	<u>1,113,014</u>

As at 1 January 2022, trade receivables from contracts with customers measured at amortised cost amounted to HK\$1,850,996,000.

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:

	31.12.2023	31.12.2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not past due	595,525	628,088
Overdue by:		
1 – 30 days	160,660	169,910
31 – 60 days	28,130	97,359
61 – 90 days	15,108	74,504
Over 90 days	39,956	34,642
	839,379	1,004,503

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

	31.12.2023	31.12.2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables held for collecting contractual cash flows or factoring to banks	2,100,479	1,702,299

As at 1 January 2022, trade receivables at fair value through other comprehensive income from contracts with customers amounted to HK\$1,127,877,000.

9. TRADE AND OTHER PAYABLES

	31.12.2023	31.12.2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables (<i>note i</i>)	2,941,229	2,695,849
Other payables (<i>note ii</i>)	189,259	283,094
Dividend payable to non-controlling shareholders	480,097	–
Accruals and deposits received	93,939	107,617
Total trade and other payables	3,704,524	3,086,560

Notes:

- (i) As at 31 December 2023, the balance of trade payables included bills presented by the Group of HK\$22,094,000 (2022: HK\$13,521,000), which the Group issued letter of credit to suppliers but the related facilities were not drawn.
- (ii) As at 31 December 2023, included in other payable of HK\$116,067,000 (2022: HK\$89,523,000) 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\$130,769,000 (2022: HK\$87,284,000) are denominated in US\$ 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:

	31.12.2023	31.12.2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	2,583,267	2,333,875
Within 30 days	202,363	198,586
More than 30 days and within 60 days	50,679	40,699
More than 60 days and within 90 days	42,957	30,782
More than 90 days	61,963	91,907
	<hr/> 2,941,229 <hr/>	<hr/> 2,695,849 <hr/>

DIVIDENDS

The Board has recommended a final dividend of HK25.00 cents per share for the year ended 31 December 2023 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 (2022: HK35.00 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 16 May 2024 to 22 May 2024 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 of shares 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 14 May 2024. The record date for the attending and voting at the annual general meeting is 22 May 2024.

The Register of Members will be closed from 28 May 2024 to 30 May 2024 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 of shares 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 27 May 2024. Dividend warrants will be dispatched on 6 June 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Distribution of Electronic Components and Semiconductor

During the year under review, the challenging macroeconomic environment have lowered consumer demand for mobile phones and other consumer electronic products across the world. The Group's component team recorded sales revenue of HK\$22.21 billion in 2023, decreased 11% from HK\$24.82 billion recorded last year. Facing above mentioned challenges, we managed to control our inventory level, working capital, operating costs and improve our cash flow management in 2023.

Mobile Phone

According to IDC, worldwide smartphone shipments in 2023 further decreased to 1.17 billion units from 1.21 billion units recorded in 2022, the lowest in a decade. However, since the fourth quarter of 2023, the smartphone market swings back to growth. Several top global smartphone brands outpaced overall market growth by releasing their flagship products with leading-edge foldable design, exceptional imaging and excellent user experience. During the year under review, the Group recorded significant 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, weak end market demand for traditional TV and PC is partially compensated by rising demand of AI PC, EV control displays, cloud/edge computing and enterprise datacenters and 5G infrastructure contributing the Group to record significant revenue 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 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, benefitted from the business recovery opportunities in Asia Pacific, especially in Singapore and Indonesia, together with the Greater China markets, our LED project team completed a number of sizeable LED lighting and display projects with Cheung Kong Center II (rooftop display), Macau Leal Senado building (lighting), Hong Kong Disneyland (lighting), Shangri La international hotel group (lighting), Hong Kong Fire and Ambulance Services Academy (display), Indonesia and Cambodia property developers.

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

During the year under review, our SHARP B2B business team achieved business growth by offering competitive business solutions to enterprises after local commercial sector spending improved compared to 2022.

Properties investment

As of 31 December 2023, the Group carried the 18 units of investment properties (31 December 2022: 18 units) for commercial and industrial uses in Hong Kong and the PRC. The aggregate carrying value of investment properties amounted to HK\$663 million (31 December 2022: HK\$706 million).

The above investment properties altogether generated rental income of HK\$19.4 million (2022: HK\$20.0 million) with an annualized return of 2.9% (2022: 2.8%).

OUTLOOK

Looking forward, recent AI revolution has pushing demand for next generation AI smartphone, AI PCs and GPU servers for AI training, setting the stage for growth in 2024. However, the growing tensions over trade and technology between the two biggest economies, China and the United States, is a threat to the global economy. Also, the Group will continue to face severe headwinds such as uneven economic momentum, low demand visibility, high inflation and high interest cost. The Group will maintain a prudent approach with strong focus on cash flow management and capital expenditures.

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 43 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 2023, the Group recorded revenue of HK\$22,370,616,000, decreased by 10.4% from HK\$24,968,652,000 recorded last year. The Group's gross profit was HK\$1,316,411,000 increased by 2.4% from HK\$1,285,327,000 recorded last year and gross profit margin was 5.9%, compared with 5.1% recorded last year. Profit attributable to the shareholders of the Company for the year ended 31 December 2023 was HK\$403,801,000, increased by 0.9% compared with HK\$400,337,000 recorded last year. Basic earnings per share was HK64.52 cents (2022: HK63.97 cents).

Liquidity and Financial Resources

As of 31 December 2023, the Group's current ratio was 135% (31 December 2022: 139%). The Group was in net cash position (net gearing ratio at 31 December 2022: 1%), 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\$651,780,000 (31 December 2022: HK\$15,775,000) over total equity of HK\$2,828,886,000 (31 December 2022: HK\$3,010,446,000).

The Group recorded debtors turnover of approximately 48 days for the year under review (2022: 40 days) based on the amount of trade receivable as at 31 December 2023 divided by sales for the same year and multiplied by 365 days (2022: 365 days).

The Group recorded inventory turnover and average payable year of approximately 31 days and 51 days respectively for the year under review (2022: approximately 37 days and 42 days respectively) based on the amount of inventory and trade and bills payables as at 31 December 2023, divided by cost of sales for the same year and multiplied by 365 days (2022: 365 days).

In 2023, the Group recorded net operating cash inflow of HK\$1,039,480,000 compared with net operating cash inflow of HK\$995,292,000 in 2022.

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 2023, 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 2023, 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\$622 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 2023, 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 2023.

CORPORATE GOVERNANCE

The Group has complied with the applicable code provisions in the Corporate Governance Code as contained in Appendix C1 to the Listing Rules (the “Code”) for the year ended 31 December 2023, 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) and the Stock Exchange of Hong Kong Limited (www.hkex.com.hk). The 2023 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 2023 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all our employees for their contribution and commitments. I also wish to extend my sincere gratitude to our shareholders, customers, suppliers and other business partners for their long-term supports and dedication.

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

Hong Kong, 25 March 2024

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.