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S.A.S. Dragon Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1184)

CONTINUING CONNECTED TRANSACTIONS

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders



On 26 September 2024, the Company entered into the Conditional Master Agreement with Hon Hai for the sales and purchases of electronic components and distribution of brand products under the Hon Hai Group between the Group and the Hon Hai Group in place of the Previous Conditional Master Agreement dated 2 December 2021 which will expire on 31 December 2024. In anticipation of such continuing sales and purchases of electronic components and distribution of brand products under the Hon Hai Group between the Group and the Hon Hai Group in future, the Company entered into the Conditional Master Agreement with Hon Hai for the next three financial years during the period between 1 January 2025 and 31 December 2027 (both dates inclusive).

LISTING RULES IMPLICATIONS

Foxconn, being a wholly owned subsidiary of Hon Hai, is interested in 19.81% of the issued share capital of the Company and is a substantial shareholder of the Company. FIT Taiwan and Huai An Fulitong Trading are non-wholly owned subsidiaries of Hon Hai. Therefore, Hon Hai, Foxconn, FIT Taiwan, Huai An Fulitong Trading and their respective associates are connected persons of the Company and the Continuing Connected Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable Percentage Ratios for the Purchase Caps and the Sale Caps are expected to exceed 5% on an annual basis, the Continuing Connected Transactions constitute non-exempt continuing connected transactions of the Company and the Caps, the Conditional Master Agreement and the transactions contemplated thereunder are subject to the disclosure and Independent Shareholders' approval, annual review by the independent non-executive Directors and auditors and annual reporting requirements under Chapter 14A of the Listing Rules.

SPECIAL GENERAL MEETING

The Company will convene the SGM in due course to consider and approve the Caps, the Conditional Master Agreement and the transactions contemplated thereunder by poll. A circular containing, among other things, (a) further information on the Conditional Master Agreement and the Caps; (b) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders; (c) the recommendations from the Independent Board Committee; and (d) a notice of the SGM will be dispatched to the Shareholders as soon as practicable but no later than 21 October 2024.

INTRODUCTION

Reference is made to the announcements of the Company dated 23 November 2006, 18 November 2009, 9 April 2010, 12 November 2012, 9 November 2015, 30 November 2015, 14 December 2015, 2 May 2017, 28 December 2018, 2 December 2021, 22 December 2021, 14 January 2022, 28 January 2022 and 11 February 2022 as well as the circulars of the Company dated 12 December 2006, 3 December 2009, 29 April 2010, 3 December 2012, 18 December 2015, 15 January 2019 and 14 February 2022 in relation to the Continuing Connected Transactions. Since the Previous Conditional Master Agreement will expire on 31 December 2024, in anticipation of such continuing sales and purchases of electronic components and distribution of brand products under the Hon Hai Group between the Group and the Hon Hai Group in future, on 26 September 2024, the Company entered into the Conditional Master Agreement with Hon Hai which governs the sales and purchases of electronic components and distribution of brand products under the Hon Hai Group between the Group and the Hon Hai Group to be made for the next three financial years during the period between 1 January 2025 and 31 December 2027 (both dates inclusive).

THE CONDITIONAL MASTER AGREEMENT

The Company entered into the Conditional Master Agreement with Hon Hai on 26 September 2024 which governs the sales and purchases of electronic components and distribution of brand products under the Hon Hai Group between the Group and the Hon Hai Group to be made for the next three financial years during the period between 1 January 2025 and 31 December 2027 (both dates inclusive). The principal terms of the Conditional Master Agreement are set out below:

- Date: 26 September 2024

- Parties: The Company
Hon Hai

- Subject matter: sales and purchases of electronic components and distribution of brand products under the Hon Hai Group between the Group and the Hon Hai Group

- Term: from 1 January 2025 to 31 December 2027

The Conditional Master Agreement is conditional upon the approval of the Caps, the Conditional Master Agreement and the transactions contemplated thereunder by the Independent Shareholders at the SGM.

Under the Conditional Master Agreement, the parties agree that the Continuing Connected Transactions shall be on normal commercial terms and, in particular:

- (a) the members of the Group who are parties to the Continuing Connected Transactions shall receive or pay such consideration for the transactions with members of the Hon Hai Group based on market rates or rates which are no less favourable than those available from or to (as appropriate) independent third parties;

- (b) the terms of the Continuing Connected Transactions shall be fair and reasonable and negotiated on arm’s length basis;

- (c) for purchases made by the Group from the Hon Hai Group, as the members of the Hon Hai Group are the approved vendors designated by certain end-customers, the Group will review and ensure prices for products to be purchased are charged on a cost-plus basis with reasonable profit margin;

- (d) for sales made by the Group to the Hon Hai Group, for the purpose of ensuring the terms of sales being fair and reasonable, the Group will review its pricing policy based on the following factors:
 - (i) the historical selling price of similar products;

 - (ii) the market information obtained from current customers or other vendors;

- (iii) quotations from independent third party(ies); or
- (iv) the expanded Company's customer base and market information obtained from those customers; and
- (e) the total amount of the Continuing Connected Transactions shall not exceed the applicable caps or such other caps as approved by the Independent Shareholders from time to time.

Hon Hai will procure members of the Hon Hai Group to comply with the terms and conditions of the Conditional Master Agreement.

Certain members of the Group and certain members of the Hon Hai Group have entered or may from time to time enter into agreements to provide for more detailed terms on certain Continuing Connected Transactions. Any such agreements (including the Distribution Agreements and the Purchase Agreement) made or to be made between the relevant members of the Group and relevant members of the Hon Hai Group in respect of the Continuing Connected Transactions will be subject to the Conditional Master Agreement.

At present, the products sold by the Group to the Hon Hai Group which can be divided into following categories:

- (i) semiconductors such as memory ICs, super I/O controllers, embedded controllers, etc.;
- (ii) electronic components including discrete components (such as transistors and diodes) and passive components (such as tan capacitor, multi-layer ceramic capacitors, varistors);
- (iii) accessory products such as PCBs, cables and connectors, metal parts, packaging parts and semi-finished modules of wireless modules, camera modules and sensor modules;
- (iv) production and testing equipments; and
- (v) mechanical hardware solutions for AI server.

On the other hand, the products currently bought by the Group from the Hon Hai Group which can be divided into the following categories:

- (i) cables and connectors and accessory;
- (ii) keyboards parts and earphone parts; and
- (iii) flexible print circuits.

SALES AND PURCHASES CAPS

The following is a summary of the approximate amounts of transactions in respect of the sales and purchases of electronic components and distribution of brand products under the Hon Hai Group between the Group and the Hon Hai Group for the two financial years ended 31 December 2022 and 31 December 2023 and the seven months ended 31 July 2024 respectively:

	For the financial year ended 31 December 2022 <i>HK\$'000</i> (Audited)	For the financial year ended 31 December 2023 <i>HK\$'000</i> (Audited)	For the seven months ended 31 July 2024 <i>HK\$'000</i> (Unaudited)
Purchases from the Hon Hai Group	1,502,422	1,790,063	1,235,856
Sales to the Hon Hai Group	2,764,831	1,514,919	1,031,030

The aggregated transaction amounts in respect of the sales and purchases of electronic components and distribution of brand products under the Hon Hai Group between the Group and the Hon Hai Group for the two financial years ended 31 December 2022 and 31 December 2023 and the seven months ended 31 July 2024 have not exceeded (i) the purchase caps of HK\$2,600 million, HK\$3,000 million and HK\$3,500 million; and (ii) the sale caps of HK\$3,200 million, HK\$3,700 million and HK\$4,300 million, for each of the three financial years ended 31 December 2022, 2023 and 2024 respectively which were approved by the Independent Shareholders at the SGM on 9 March 2022.

The proposed Purchase Caps and the proposed Sale Caps of the Continuing Connected Transactions for each of the three financial years ending 31 December 2025, 2026 and 2027 of the Group are set out below:

	For the financial year ending 31 December 2025 <i>HK\$'000</i>	For the financial year ending 31 December 2026 <i>HK\$'000</i>	For the financial year ending 31 December 2027 <i>HK\$'000</i>
Purchase Caps	2,800,000	3,300,000	3,800,000
Sale Caps	2,300,000	2,700,000	3,200,000

In determining the proposed Caps of the Continuing Connected Transactions for each of the three financial years ending 31 December 2025, 2026 and 2027 of the Group, the Board based on the following major factors:

- (a) Turnover outlook of the Group;
- (b) New product lines of the Group sales to the Hon Hai Group;
- (c) Expanded customer base of the Group in 2024 which employed products supplied by the Hon Hai Group and increasing demand for Hon Hai connectors, modules, clips, smart home system devices and microcontroller units; and
- (d) A buffer of 10% on the estimate of factors (a) to (c) above.

If the amounts of the Continuing Connected Transactions shall exceed the respective Caps or upon the expiry of the Caps or where there is a material change to the terms of the Continuing Connected Transactions, the Company will re-comply with all applicable requirements under the Listing Rules, including (where required) making necessary announcement(s) and obtaining of approval of the Independent Shareholders. The Company will also comply with the annual review and reporting requirements under Rules 14A.55 to 14A.59 and 14A.71 of the Listing Rules in relation to the Continuing Connected Transactions.

RELATIONSHIP BETWEEN THE COMPANY AND THE CONNECTED PERSONS

Foxconn, being a wholly owned subsidiary of Hon Hai, is interested in 19.81% of the issued share capital of the Company and is a substantial shareholder of the Company. FIT Taiwan and Huai An Fultong Trading are non-wholly owned subsidiaries of Hon Hai. Therefore, Hon Hai, Foxconn, FIT Taiwan, Huai An Fultong Trading and their respective associates are connected persons of the Company and the Continuing Connected Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

INFORMATION ABOUT THE GROUP AND THE HON HAI GROUP

The Group specialises in design, development, sourcing, quality assurance and logistics management of global proprietary electronic components and semiconductor products including chipset solutions, display panels, memory chips, power supply system solutions, multimedia system solutions, PEMCO, IoT home automation solutions, light-emitting diode (“LED”) lighting solutions and other premier solutions for a wide range of applications for mobile, consumer electronic, computer and networking, telecommunication and LED lighting and display products.

The Group is also a distributor of innovative environmental-friendly lifestyle enhancement finished products under SHARP  and our owned brands of Light in Motion  and LIM InfraSystems  in the Asia Pacific region.

Hon Hai is a company listed on the Taiwan Stock Exchange Corporation (Stock Code: 2317) and the Hon Hai Group is the world's leading computer, communication, consumer electronics manufacturing services provider.

REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Previous Conditional Master Agreement will expire on 31 December 2024. As a result, the Company entered into the Conditional Master Agreement which governs the Continuing Connected Transactions of sales and purchase of electronic components and distribution of brand products under the Hon Hai Group between the Group and the Hon Hai Group to be made during the period between 1 January 2025 and 31 December 2027 (both dates inclusive).

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from Gram Capital) consider that the Hon Hai Group is a reliable source of business for the Group and it is in its best interests to generate incremental income by carrying out Sales Transactions and Purchase Transactions as long as the Sales Transactions and Purchase Transactions are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) confirm that the Continuing Connected Transactions will be conducted in the usual and ordinary course of business of the Group, and based on normal commercial terms and on terms no less favourable to the Group than terms available to or from (as appropriate) other independent third parties. The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from Gram Capital) are of the view that the Caps, the Conditional Master Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Purchase Transactions

A number of the members of the Hon Hai Group are the approved vendors designated by certain end-customers of the Group. The Group is required by these customers to purchase materials and components from approved vendors. The aggregated amount of purchases of electronic components made by the Group from the Hon Hai Group had increased slightly from 2022 to 2023. The Board estimates that the Purchase Transactions will continue to grow in the next three financial years since the Group has expanded its customer base in 2024 which employing products supplied by the Hon Hai Group.

Sale Transactions

The sale of electronic components by the Group to the Hon Hai Group declined from 2022 to 2023. However, the Board estimates that the Sale Transactions will increase in the next three financial years.

IMPLICATIONS OF THE LISTING RULES

As the Continuing Connected Transactions constitute continuing connected transactions and the applicable Percentage Ratios for the Purchase Caps and the Sale Caps are expected to exceed 5% on an annual basis, the Continuing Connected Transactions constitute non-exempted continuing connected transactions of the Company and the Conditional Master Agreement and the Caps are subject to the announcement and the reporting and independent shareholders' approval requirements under Rule 14A.36 of the Listing Rules.

In view of the interests of Hon Hai and Foxconn in the Company, Hon Hai and Foxconn and their respective associates shall abstain from voting in relation to the resolutions to approve the Caps, the Conditional Master Agreement and the transactions contemplated thereunder. None of the Directors has any material interest in the Continuing Connected Transactions. Therefore, none of them is required to abstain from voting on the board resolutions for approving the Caps, the Conditional Master Agreement and the transactions contemplated thereunder.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Caps, the Conditional Master Agreement and the transactions contemplated thereunder. An Independent Board Committee has been appointed to advise the Independent Shareholders on whether or not the Caps, the Conditional Master Agreement and the transactions contemplated thereunder are in the interest of the Company and are fair and reasonable so far as the Independent Shareholders are concerned.

SPECIAL GENERAL MEETING

The SGM will be convened for the Independent Shareholders to consider and approve the Caps, the Conditional Master Agreement and the transactions contemplated thereunder by poll.

In compliance with the Listing Rules, the votes to be taken at the SGM in respect of the Caps, the Conditional Master Agreement and the transactions contemplated thereunder will be taken by poll, the results of which will be announced after the SGM.

GENERAL

A circular containing, among other things, (a) further information on the Conditional Master Agreement and the Caps; (b) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders; (c) the recommendations from the Independent Board Committee; and (d) a notice of the SGM will be dispatched to the Shareholders as soon as practicable but no later than 21 October 2024.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“associate(s)”	have the meaning ascribed to it in the Listing Rules;
“Board” or “Directors”	the board of Directors;
“Caps”	the Purchase Caps and the Sale Caps;
“Company”	S.A.S. Dragon Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 1184);
“Conditional Master Agreement”	the conditional master agreement dated 26 September 2024 entered into between the Company and Hon Hai in relation to the sales and purchase of electronic components and distribution of brand products under the Hon Hai Group between the Group and the Hon Hai Group for the three financial years from 1 January 2025 to 31 December 2027 (both dates inclusive);
“connected person(s)”	have the meaning ascribed to it in the Listing Rules;
“Continuing Connected Transactions”	the Purchase Transactions and the Sale Transactions;
“Director(s)”	the director(s) of the Company;
“Distribution Agreements”	(1) The distributorship agreement made between FIT Taiwan and S.A.S. Electronic (as distributor) dated 1 January 2024 in relation to the distribution of FIT Taiwan’s electronic components and other products, such as connector and cable, by S.A.S. Electronic, in Taiwan, East China, South China and North China; and

- (2) The distributorship agreement made between Huai An Fulitong Trading and S.A.S. Electronic (Shenzhen) (as distributor) dated 1 January 2024 in relation to the distribution of Huai An Fulitong Trading’s electronic components and other products, such as connector and cable, by S.A.S. Electronic (Shenzhen), in East China and South China;
- “East China” Zhejiang Province, Jiangsu Province, Shanghai Municipality, Shangdong Province, Fujian Province, Jiangxi Province and Anhui Province;
- “FIT Taiwan” Foxconn Interconnect Technology Limited Taiwan Branch, a company incorporated in Taiwan and a non-wholly-owned subsidiary of Hon Hai;
- “Foxconn” Foxconn Infinite Pte. Ltd., a company registered in Singapore by transfer of registration of Foxconn Holding Limited from the British Virgin Islands on 16 June 2023, a wholly owned subsidiary of Hon Hai and a substantial shareholder of the Company;
- “Group” the Company and its subsidiaries;
- “Gram Capital” or “Independent Financial Adviser” Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Caps, the Conditional Master Agreement and the transactions contemplated thereunder;
- “HK\$” Hong Kong dollar(s), the lawful currency of Hong Kong;
- “Hon Hai” Hon Hai Precision Industry Company Limited (鴻海精密工業股份有限公司), a company incorporated in Taiwan with limited liability and the shares of which are listed on the Taiwan Stock Exchange Corporation;
- “Hon Hai Group” Hon Hai, Foxconn, FIT Taiwan, Huai An Fulitong Trading and their respective subsidiaries or associates;

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Huai An Fulutong Trading”	Huai An Fulutong Trading Company Limited (淮安市富利通貿易有限公司), a company incorporated in the PRC with limited liability, and a non-wholly-owned subsidiary of Hon Hai;
“Independent Board Committee”	an independent board committee of the Company consisting of all the independent non-executive Directors, namely Mr. Wong Tak Yuen, Adrian, Mr. Liu Chun Ning, Wilfred, Mr. Cheung Chi Kwan and Mr. Wong Wai Kin to advise the Independent Shareholders in relation to the Caps, the Conditional Master Agreement and the transactions contemplated thereunder;
“Independent Shareholder(s)”	Shareholder(s) other than Hon Hai, FIT Taiwan, Foxconn, Huai An Fulutong Trading and any of their respective associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Macau” or “Macao”	the Macau Special Administrative Region of the PRC;
“North China”	Hebei Province, Beijing Municipality, Tianjin Municipality, Shanxi Province, Inner Mongolia Autonomous Region;
“Percentage Ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules;
“Previous Conditional Master Agreement”	the master agreement entered into between the Company and Hon Hai dated 2 December 2021 which governs the continuing connected transactions between the Group and the Hon Hai Group made and to be made during the period between 1 January 2022 and 31 December 2024 (both dates inclusive);
“PRC”	the People’s Republic of China excluding Hong Kong, Macau and Taiwan;

“Purchase Agreement”	the purchase agreement dated 8 March 2013 made between Hon Hai and S.A.S. Electronic (Shenzhen) in relation to the purchase of electronic components and other products by Hon Hai and other purchase agreement(s) which may be made between the Group and the Hon Hai Group for the purpose of purchasing electronic components and other products by the Hon Hai Group;
“Purchase Caps”	for the purpose of Chapter 14A of the Listing Rules, means the annual caps of HK\$2,800 million, HK\$3,300 million and HK\$3,800 million for each of the three financial years ending 31 December 2025, 2026 and 2027 respectively in respect of the Purchase Transactions;
“Purchase Transactions”	the purchases of electronic components and brand products under the Hon Hai Group by the Group from the Hon Hai Group under the Conditional Master Agreement;
“Sale Caps”	for the purpose of Chapter 14A of the Listing Rules, means the annual caps of HK\$2,300 million, HK\$2,700 million and HK\$3,200 million for each of the three financial years ending 31 December 2025, 2026 and 2027 respectively in respect of the Sale Transactions;
“Sale Transactions”	the sale of electronic components and other products (including distribution arrangements) by the Group to the Hon Hai Group under the Conditional Master Agreement;
“S.A.S. Electronic”	S.A.S. Electronic Company Limited (時捷電子有限公司), a company incorporated in Hong Kong and a wholly owned subsidiary of the Company;
“S.A.S. Electronic (Shenzhen)”	S.A.S. Electronic (Shenzhen) Co. Ltd. (時捷電子科技(深圳)有限公司), a company incorporated in Shenzhen and a wholly owned subsidiary of the Company;
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);

“SGM”	the special general meeting of the Company to be held to approve the Caps, the Conditional Master Agreement and the transactions contemplated thereunder;
“Shareholder(s)”	holder(s) of shares of the Company;
“South China”	Guangdong Province, Guangxi Province, Hainan Province, Hong Kong and Macau;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder(s)”	have the meaning ascribed to it in the Listing Rules; and
“%”	per cent.

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

Hong Kong, 26 September 2024

As at the date of this announcement, the Board comprises five executive directors, namely Dr. Yim Yuk Lun, Stanley SBS 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.