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S.A.S. Dragon Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1184)

CONTINUING CONNECTED TRANSACTIONS

On 9 November 2015, the Company entered into the Conditional Master Agreement for the sales and purchases of electronic components and other products between the Group and Hon Hai Group in place of the Previous Master Agreement with Hon Hai dated 12 November 2012 which will expire on 31 December 2015. In anticipation of such continuing sales and purchases of electronic components and other products between the Group and Hon Hai Group in future, the Group entered into the Conditional Master Agreement with Hon Hai for the next 3 financial years during the period between 1 January 2016 and 31 December 2018 (both dates inclusive).

LISTING RULES IMPLICATIONS

Foxconn, being a wholly owned subsidiary of Hon Hai, is interested in 19.86% of the issued share capital of the Company and a substantial shareholder of the Company. Therefore, Hon Hai, Foxconn 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 be higher than 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 SGM in due course to consider and approve the Caps, the Conditional Master Agreement and the transactions contemplated thereunder by poll. A circular containing, inter alia, (a) further information on the Conditional Master Agreement and the Caps; (b) the letter of advice from Gram Capital; (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 30 November 2015.

INTRODUCTION

Reference is made to the announcement dated 23 November 2006, 18 November 2009, 9 April 2010 and 12 November 2012 as well as the circulars dated 12 December 2006, 3 December 2009, 29 April 2010 and 3 December 2012 in relation to the Continuing Connected Transaction of the Company. Since the Previous Master Agreement dated 12 November 2012 for the sales and purchases of electronic components and other products between the Group and Hon Hai Group will expire on 31 December 2015, in anticipation of such continuing sales and purchases of electronic components and other products between the Group and Hon Hai Group in future, on 9 November 2015, the Company entered into the Conditional Master Agreement with Hon Hai which governs the sales and purchases of electronic components and other products to be made for the next 3 financial years during the period between 1 January 2016 and 31 December 2018 (both dates inclusive).

THE CONDITIONAL MASTER AGREEMENT

The Company entered into the Conditional Master Agreement with Hon Hai on 9 November 2015 which governs the sales and purchases of electronic components and other products to be made for the next 3 financial years during the period between 1 January 2016 and 31 December 2018 (both dates inclusive). The principal terms of the Conditional Master Agreement are set out below:

Date:	9 November 2015
Parties:	The Company Hon Hai
Subject matter:	Sales and purchases of electronic components and other products between the Group and Hon Hai Group
Term:	From 1 January 2016 to 31 December 2018

The Conditional Master Agreement is conditional upon the approval of the Conditional Master Agreement and the Caps 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 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 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) continuing to expand the Company’s customer base and obtaining market information 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 Agreement and the Purchase Agreement) made or to be made between the relevant members of the Group and relevant members of 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 Hon Hai Group mainly include the 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; and
- (iv) production and testing equipments.

On the other hand, the products currently bought by the Group from Hon Hai Group mainly include the following categories:–

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

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 other products between the Group and the Hon Hai Group for the financial years ended 31 December 2013 and 31 December 2014 and the nine months ended 30 September 2015:

	For the financial year ended 31 December 2013 (HK\$'000)	For the financial year ended 31 December 2014 (HK\$'000)	For the nine months ended 30 September 2015 (HK\$'000) (unaudited)
Purchases from Hon Hai Group	714,146	591,195	428,000
Sale to Hon Hai Group	246,878	810,342	876,000

The aggregate transaction amounts in respect of the sales and purchases of electronic components and other products between the Group and the Hon Hai Group for the two financial years ended 31 December 2013 and 31 December 2014 and the nine months ended 30 September 2015 have not exceed (i) the purchase caps of HK\$1,200 million, HK\$1,800 million and HK\$2,700 million; and (ii) the sale caps of HK\$1,000 million, HK\$1,500 and HK\$2,250 million, for each of the three financial years ended 31 December 2013, 2014 and 2015 respectively which were approved by the Independent Shareholders at the SGM on 20 December 2012.

The proposed Purchase Caps and the Sale Caps of the Continuing Connected Transactions for each of the three financial years ending 31 December 2016, 2017 and 2018 of the Group are set out below:

	For the financial year ended 31 December 2016 (HK\$'000)	For the financial year ended 31 December 2017 (HK\$'000)	For the financial year ended 31 December 2018 (HK\$'000)
Purchase Caps	1,300,000	1,600,000	2,000,000
Sale Caps	2,600,000	3,500,000	4,700,000

In determining the proposed Caps of the Continuing Connected Transactions for each of the three financial years ending 31 December 2016, 2017 and 2018 of the Group, the Board based on the following major factors:

- (a) Projections of the sales and purchases of electronic components and other products between the Group and Hon Hai Group in view of the expected market growth of smartphones, tablets, PC, server, LED lighting, TVs and other electronic products;
- (b) Turnover outlook of the Group;
- (c) New product lines of the Group sale to Hon Hai Group;
- (d) Expanded customer base of the Group in 2015 which employed products supplied by Hon Hai Group;

- (e) In October 2013, Hon Hai Group further increased its shareholding in the Group and we expect to get more orders placed by Hon Hai Group; and
- (f) A buffer of 10% on the estimate of factors (a) to (e) 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 Rule 14A.55 to Rule 14A.59 and Rule 14A.71 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 19.86% of the issued share capital of the Company and is a substantial shareholder of the Company. Therefore, Hon Hai, Foxconn 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 HON HAI GROUP

The Group specializes in design, development, sourcing, quality assurance and logistics management of global proprietary components and semiconductor products including chipset solutions, display panel, memory chips, LED lighting solutions, power supply system solutions, multimedia system solutions, PEMCO and other premier solutions for a wide range of applications for mobile, consumer electronics, computer, telecommunication, networking, internet-of-things home automation and LED lighting products in the Greater China region.

Hon Hai is a company listed in Taiwan Stock Exchange (Stock Code: 2317) and 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 Master Agreement dated 12 November 2012 between the Company and Hon Hai will expire on 31 December 2015. 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 other products between the Group and Hon Hai Group to be made during the period between 1 January 2016 and 31 December 2018 (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 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 products from approved vendors. Despite the aggregate amount of purchases of electronic components made by the Group from Hon Hai Group declined slightly from 2013 to 2014, the Board estimate that the Purchase Transactions will resume to grow in the next three financial years since the Group has expanded its customer base in 2015 which employed products supplied by Hon Hai Group.

Sale Transactions

The sale of electronic components and other products by the Group to Hon Hai Group had been increasing during the two financial years ended 31 December 2013 and 2014 and the nine months period ended 30 September 2015. The Board estimates that the Sale Transactions will further 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, reporting and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

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 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 the SGM in relation to the resolutions to approve 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 of the Company and the Independent Shareholders regarding the Caps, the Conditional Master Agreement and the transactions contemplated thereunder. An independent board committee of the Company will also be 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.

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 30 November 2015.

DEFINITIONS

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

“associate(s)”	Have the meaning ascribed to it in the Listing Rules;
“Board” or “Directors”	The board of directors of the Company;
“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;
“Conditional Master Agreement”	The conditional master agreement dated 9 November 2015 made between the Company and Hon Hai which governs the sales and purchase of electronic components and other products between the Group and Hon Hai and its subsidiaries for the 3 financial years from 1 January 2016 to 31 December 2018 (both dates inclusive);
“connected person(s)”	Have the meaning ascribed to it under the Listing Rules;
“Continuing Connected Transactions”	The Purchase Transactions and the Sale Transactions;

“Distribution Agreement”	The distribution agreement made between Foxconn Interconnect Technology Limited Taiwan Branch, the wholly-owned subsidiary of Hon Hai and S.A.S. Electronic dated 1 January 2015 in relation to the non-exclusive distribution of Hon Hai’s products by S.A.S. Electronic and certain other members of the Group in Hong Kong, Taiwan and certain regions in the PRC or any other distribution agreement(s) which may be made between the Group and Hon Hai for the purpose of distributing electronic components and other products;
“Foxconn”	Foxconn Holding Limited, a company incorporated in the British Virgin Islands, 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 the Securities and Futures Ordinance (Cap. 571 of Hong Kong Laws) and the independent financial adviser to the independent board committee and the Independent Shareholders in respect to the Conditional Master Agreement;
“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 and their respective subsidiaries and associates;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;

“Independent Shareholder(s)”	Shareholder(s) other than Hon Hai, Foxconn and any of their respective associates;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“percentage ratios”	The percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules;
“Previous Master Agreement”	The master agreement entered into between the Company and Hon Hai dated 12 November 2012 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 2013 and 31 December 2015 (both dates inclusive);
“PRC”	The People’s Republic of China excluding Hong Kong, Macau Special Administrative Region and Taiwan;
“Purchase Agreement”	The purchase agreement dated 8 March 2013 made between Hon Hai and 時捷電子科技(深圳)有限公司, a wholly-owned subsidiary of the Company, in relation for purchase of electronic components and other products from Hon Hai and other purchase agreement(s) which may be made between the Group and Hon Hai for the purpose of purchasing electronic components and other products from Hon Hai;
“Purchase Caps”	For the purpose of Chapter 14A of the Listing Rules, means the annual caps of HK\$1,300 million, HK\$1,600 million and HK\$2,000 million for each of the three financial years ending 31 December 2016, 2017 and 2018 respectively in respect of the Purchase Transactions;
“Purchase Transactions”	The purchases of electronic components and other products by the Group from Hon Hai Group under the Conditional Master Agreement;

“Sale Caps”	For the purpose of Chapter 14A of the Listing Rules, means HK\$2,600 million, HK\$3,500 million and HK\$4,700 million for each of the three financial years ending 31 December 2016, 2017 and 2018 respectively in respect of the Sale Transactions;
“Sale Transactions”	The sale of electronic components and other products (including distribution arrangements) by the Group to Hon Hai Group under the Conditional Master Agreement;
“S.A.S. Electronic”	S.A.S. Electronic Co. Ltd., a company incorporated in Hong Kong and a wholly owned subsidiary of the Company;
“SGM”	The special general meeting of the Company to be held to approve the Caps, the Conditional Master Agreement and transactions contemplated thereunder;
“Shareholder(s)”	Holder(s) of shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder(s)”	having the meaning ascribed to it in the Listing Rules;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	Per cent.

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

Hong Kong, 9 November 2015

As at the date of this announcement, the Board comprises four executive directors are Mr. Yim Yuk Lun, Stanley, Mr. Wong Sui Chuen, Mr. Lau Ping Cheung and Mr. Yim Tsz Kit, Jacky and four independent non-executive directors are Dr. Lui Ming Wah SBS JP, Mr. Wong Tak Yuen, Adrian, Mr. Liu Chun Ning, Wilfred and Mr. Cheung Chi Kwan.