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S.A.S. Dragon Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 1184)

CONTINUING CONNECTED TRANSACTIONS

On 2 December 2021, the Company entered into the Conditional Master Agreement for the sales and purchases of electronic components and distribution of products made by SHARP and other brand products under Hon Hai Group between the Group and the Hon Hai Group in place of the Previous Conditional Master Agreement with Hon Hai dated 28 December 2018 which will expire on 31 December 2021. In anticipation of such continuing sales and purchases of electronic components and distribution of products made by SHARP and other brand products under the Hon Hai Group between the Group and the 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 2022 and 31 December 2024 (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 a substantial shareholder of the Company. FIT Taiwan, Huai An Fulitong Trading and SHARP are non-wholly owned subsidiaries or associates of Hon Hai. Therefore, Hon Hai, Foxconn, FIT Taiwan, Huai An Fulitong Trading, SHARP 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, 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 23 December 2021.

INTRODUCTION

Reference is made to the announcement 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 and 28 December 2018 as well as the circulars dated 12 December 2006, 3 December 2009, 29 April 2010, 3 December 2012, 18 December 2015 and 15 January 2019 in relation to the Continuing Connected Transaction of the Company. Since the Previous Master Agreement dated 28 December 2018 for the sales and purchases of electronic components and other products between the Group and the Hon Hai Group will expire on 31 December 2021, in anticipation of such continuing sales and purchases of electronic components and distribution of products made by SHARP and other brand products under the Hon Hai Group between the Group and the Hon Hai Group in future, on 2 December 2021, the Company entered into the Conditional Master Agreement with Hon Hai which governs the sales and purchases of electronic components and distribution of products made by SHARP and other brand products under the Hon Hai Group to be made for the next 3 financial years during the period between 1 January 2022 and 31 December 2024 (both dates inclusive).

THE CONDITIONAL MASTER AGREEMENT

The Company entered into the Conditional Master Agreement with Hon Hai on 2 December 2021 which governs the sales and purchases of electronic components and distribution of products made by SHARP and other brand products under the Hon Hai Group to be made for the next 3 financial years during the period between 1 January 2022 and 31 December 2024 (both dates inclusive). The principal terms of the Conditional Master Agreement are set out below:

Date:	2 December 2021
Parties:	The Company Hon Hai
Subject matter:	sales and purchases of electronic components and distribution of products made by SHARP and other brand products under the Hon Hai Group between the Group and the Hon Hai Group
Term:	from 1 January 2022 to 31 December 2024

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 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) 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 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; and
- (iv) production and testing equipment.

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

- (a) products which the end-customers have designated the Hon Hai Group as the only vendor (not related to products made by SHARP):
 - (i) cables and connectors and accessory;
 - (ii) keyboards parts and earphone parts; and
 - (iii) flexible print circuits.
- (b) products related to products made by SHARP:
 - (i) business equipment and solutions products such as the integrated white board, information display panels, video wall, digital signage, copier, multifunction peripheral, document system software and consumables;
 - (ii) EC PRODUCTS.

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 2019 and 31 December 2020 and the ten months ended 31 October 2021 respectively:

	For the financial year ended 31 December 2019 HK\$'000	For the financial year ended 31 December 2020 HK\$'000	For the ten months ended 31 October 2021 HK\$'000 (unaudited)
Purchases from Hon Hai Group	1,342,565	1,986,605	1,951,486
Sales to Hon Hai Group	1,867,647	1,671,841	2,110,445

The aggregated transaction amounts in respect of the sales and purchases of electronic components and distribution of products made by SHARP and other brand products under the Hon Hai Group between the Group and the Hon Hai Group for the two financial years ended 31 December 2019 and 31 December 2020 and the ten months ended 31 October 2021 have not exceeded (i) the purchase caps of HK\$1,700 million, HK\$2,200 million and HK\$2,700 million; and (ii) the sale caps of HK\$5,600 million, HK\$7,200 million and HK\$9,000 million, for each of the three financial years ended 31 December 2019, 2020 and 2021 respectively which were approved by the Independent Shareholders at the SGM on 31 January 2019.

The proposed Purchase Caps and the Sale Caps of the Continuing Connected Transactions for each of the three financial years ending 31 December 2022, 2023 and 2024 of the Group are set out below:

	For the financial year ending 31 December 2022 HK\$'000	For the financial year ending 31 December 2023 HK\$'000	For the financial year ending 31 December 2024 HK\$'000
Purchase Caps	2,600,000	3,000,000	3,500,000
Sale Caps	3,200,000	3,700,000	4,300,000

In determining the proposed Caps of the Continuing Connected Transactions for each of the three financial years ending 31 December 2022, 2023 and 2024 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 2021 which employed products supplied by the Hon Hai Group and increasing demand for Hon Hai connectors, modules and clips;
- (d) The anticipated sales growth that will be achieved from the products provided by SHARP; and
- (e) A buffer of 10% on the estimate of factors (a) to (d) 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 19.81% of the issued share capital of the Company and a substantial shareholder of the Company. FIT Taiwan, Huai An Fultong Trading and SHARP are non-wholly owned subsidiaries or associates of Hon Hai. Therefore, Hon Hai, Foxconn, FIT Taiwan, Huai An Fultong Trading, SHARP 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 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 also distributes innovative environmental-friendly lifestyle enhancement finished products made by SHARP and our owned brands of Light in Motion , LIM InfraSystems  and Square  in the Asia Pacific region.

Hon Hai is a company listed in Taiwan Stock Exchange (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 Master Agreement dated 28 December 2021 between the Company and Hon Hai will expire on 31 December 2021. 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 products made by SHARP and other brand products under the Hon Hai Group between the Group and the Hon Hai Group to be made during the period between 1 January 2022 and 31 December 2024 (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 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 Hon Hai Group increased slightly from 2018 to 2019, and increased substantially from 2019 to 2020, 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 2021 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 2018 to 2019, and declined slightly from 2019 to 2020 but had increased for the ten months period ended 31 October 2021 when compared with whole year of 2020. 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 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 of the Company has any material interest in the Continuing Connected Transactions. Therefore, none of them is required to abstain from voting on the board resolution 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 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.

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 23 December 2021.

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;
“BES PRODUCTS”	any and all business equipment and solutions products (whether under the brand name of “SHARP” or any other brand name owned or controlled by SHARP) currently being produced by or for or under the authority of SHARP which shall be the integrated white board, information display panels, video wall, digital signage, copier, multifunction peripheral, document system software and consumables, and all new products;
“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 issued shares of which are listed on the Stock Exchange (Stock Code: 1184);
“Conditional Master Agreement”	the conditional master agreement dated 2 December 2021 entered into between the Company and Hon Hai in relation to the sales and purchase of electronic components and distribution of products made by SHARP and other brand products under the Hon Hai Group between the Group and Hon Hai and its subsidiaries or associates for the 3 financial years from 1 January 2022 to 31 December 2024 (both dates inclusive);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Continuing Connected Transactions”	the Purchase Transactions and the Sale Transactions;

“Director(s)”	the director(s) of the Company
“Distribution Agreements”	<ol style="list-style-type: none"> (1) The distributorship agreement made between FIT Taiwan and S.A.S. Electronic (as distributor) dated 1 January 2021 in relation to the distribution of Hon Hai’s electronic components and other products, such as connector, cable and accessory, by S.A.S. Electronic, in Taiwan, East China, South China and North China; (2) The distributorship agreement made between Huai An City Fultong Trading and S.A.S. Electronic (Shenzhen) (as distributor) dated 30 November 2020 in relation to the distribution of Hon Hai’s electronic components and other products, such as connector and cable, by S.A.S. Electronic (Shenzhen), in South China and East China; (3) The distribution agreement made between SHARP HK and S.A.S Microelectronics dated 7 September 2021 in relation to appointing S.A.S. Microelectronics to be the distributor of various SHARP’s electronic components; (4) The distribution agreement made between SHARP and S.A.S. Electric (as distributor) dated 9 August 2021 in relation to the distribution of BES PRODUCTS in Hong Kong and Macau by S.A.S. Electric for the purpose of distributing BES PRODUCTS and to provide appropriate repair and maintenance services for the BES PRODUCTS sold by S.A.S. Electric;
“East China”	Zhejiang Province, Jiangsu Province, Shanghai Municipality, Shangdong Province, Fujian Province, Jiangxi Province and Anjui Province;
“EC PRODUCTS”	all Electronic Components (whether under the brand name of SHARP or any other brand name owned or controlled by SHARP) currently being produced by SHARP (or its direct or indirect subsidiaries, whether in Japan or elsewhere) or under the authority of SHARP or hereafter be produced or developed;

“Electronic Components”	all kinds of electronic components excluding displays, panels, LCD panels or LCD display. For clarification of understanding, the said electronic components do not include any finished products and photovoltaic products and any accessories, repair and replacement parts and consumables thereof;
“FIT Taiwan”	Foxconn Interconnect Technology Limited Taiwan Branch, a company incorporated in Taiwan and a non-wholly-owned subsidiary of Hon Hai;
“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 activities as defined under SFO and 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, SHARP and their respective subsidiaries or associates;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Huai An Fulitong Trading”	Huai An Fulitong 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 Fulitong Trading, SHARP 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”	Henan 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 Master Agreement”	the master agreement entered into between the Company and Hon Hai dated 28 December 2018 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 2019 and 31 December 2021 (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 S.A.S. Electronic (Shenzhen), a wholly-owned subsidiary of the Company, in relation for purchase of electronic components and other products by 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 by Hon Hai;

“Purchase Caps”	for the purpose of Chapter 14A of the Listing Rules, means the annual caps of HK\$2,600 million, HK\$3,000 million and HK\$3,500 million for each of the three financial years ending 31 December 2022, 2023 and 2024 respectively in respect of the Purchase Transactions;
“Purchase Transactions”	the purchases of electronic components and products made by SHARP and other brand products under the Hon Hai Group by the Group from Hon Hai Group under the Conditional Master Agreement;
“S.A.S. Microelectronics”	S.A.S. Microelectronics Company Limited (時保晶電有限公司), a limited company incorporated in Hong Kong and a wholly owned subsidiary of the Company;
“Sale Caps”	for the purpose of Chapter 14A of the Listing Rules, means HK\$3,200 million, HK\$3,700 million and HK\$4,300 million for each of the three financial years ending 31 December 2022, 2023 and 2024 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. Electric”	S.A.S. Electric Company Limited (時捷電氣有限公司), a company incorporated in Hong Kong and a wholly owned subsidiary of the Company;
“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;
“SHARP”	SHARP Corporation, a company incorporated in Japan and an associate company of Hon Hai;
“SHARP HK”	SHARP Hong Kong Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of SHARP;
“South China”	Guangdong Province, Guangxi Province, Hainan Province, Hong Kong and Macau;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder(s)”	has the meaning ascribed to it in under the Listing Rules; and
“%”	per cent.

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

Hong Kong, 2 December 2021

As at the date of this announcement, the Board comprises five executive directors are 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 and four independent non-executive directors are Mr. Wong Tak Yuen, Adrian, Mr. Liu Chun Ning, Wilfred, Mr. Cheung Chi Kwan and Mr. Wong Wai Kin.