## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in S.A.S. Dragon Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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# S.A.S. Dragon Holdings Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1184)**

# REVISION OF ANNUAL CAPS FOR AND RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF SPECIAL GENERAL MEETING

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

Gram Capital Limited
嘉林資本有限公司

A letter from the Independent Board Committee is set out on page 35 of this circular.

A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders on the 2026 Conditional Master Agreement, the New Caps and the Continuing Connected Transactions contemplated thereunder is set out on pages 36 to 51 of this circular.

A notice convening the SGM to be held at 28/F., Noble Centre, No. 1006, 3rd Fuzhong Road, Futian District, Shenzhen, P.R.C. on Wednesday, 18 November 2026 at 3:00 p.m. is set out on pages 57 to 58 of this circular. Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

30 October 2026

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*In this circular, unless the context requires otherwise, the following expressions have the meanings as set out below:*

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| "2024 Circular" | the circular of the Company dated 19 November 2024 in relation to, among other things, the existing continuing connected transactions contemplated under the 2024 Conditional Master Agreement; |
| "2024 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 purchases 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); |
| "2026 Conditional Master Agreement" | the conditional master agreement dated 27 August 2026 entered into between the Company and Hon Hai in relation to 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 three financial years ending 31 December 2026, 2027 and 2028; |
| "associate(s)" | have the meaning ascribed to it in the Listing Rules; |
| "Board" or "Directors" | the board of Directors; |
| "Company" | S.A.S. Dragon Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1184); |
| "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; |
| "Distributorship Agreements" | (1) the distributorship agreement made between Huai An Fulitong Trading and S.A.S. Electronic (Shenzhen) (as distributor) dated 2 December 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; and |

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| | (2) the distributorship agreement made between FIT Taiwan and S.A.S. Electronic (as distributor) dated 19 December 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; |
| "East China" | Zhejiang Province, Jiangsu Province, Shanghai Municipality, Shangdong Province, Fujian Province, Jiangxi Province and Anhui Province; |
| "FIT Hon Teng" | FIT Hon Teng Limited (鴻騰六零八八精密科技股份有限公司), a company incorporated in the Cayman Islands with limited liability under the name Foxconn Interconnect Technology Limited, carrying on business in Hong Kong as FIT Hon Teng Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6088), is owned as to 70.92% by Hon Hai; |
| "FIT Taiwan" | Foxconn Interconnect Technology Limited Taiwan Branch, a branch of FIT Hon Teng (which is a non-wholly-owned subsidiary of Hon Hai) established in Taiwan; |
| "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; |
| "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 New Caps, the 2026 Conditional Master Agreement and the transactions contemplated thereunder; |
| "Group" | the Company and its subsidiaries; |
| "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 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 an indirect wholly-owned subsidiary of FIT Hon Teng (which is 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. Cheung Chi Kwan and Mr. Wong Wai Kin to advise the Independent Shareholders in relation to the New Caps, the 2026 Conditional Master Agreement and the transactions contemplated thereunder; |
| "Independent Shareholder(s)" | Shareholder(s) other than Hon Hai, FIT Taiwan, Foxconn, Huai An Fulitong Trading and any of their respective associates; |
| "Latest Practicable Date" | 27 October 2026, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular; |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange; |
| "Macau" or "Macao" | the Macau Special Administrative Region of the PRC; |
| "New Caps" | the Purchase Caps and the Sale Caps; |
| "North China" | Hebei Province, Beijing Municipality, Tianjin Municipality, Shanxi Province, Inner Mongolia Autonomous Region; |
| "Original Caps" | the existing annual caps amount in respect of the sales of electronic components and other products (including distribution arrangements) by the Group to the Hon Hai Group under the 2024 Conditional Master Agreement for the two financial years ending 31 December 2026 and 2027 as set out in the 2024 Circular; |
| "Percentage Ratios" | the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules; |
| "PRC" | the People's Republic of China excluding Hong Kong, Macau and Taiwan; |

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| "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$3,300 million, HK$3,800 million and HK$4,300 million for each of the three financial years ending 31 December 2026, 2027 and 2028 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 2026 Conditional Master Agreement; |
| "Sale Caps" | for the purpose of Chapter 14A of the Listing Rules, means the annual caps of HK$4,300 million (revised), HK$5,900 million (revised) and HK$8,100 million for each of the three financial years ending 31 December 2026, 2027 and 2028 respectively in respect of the Sale Transactions; |
| "Sale Transactions" | the sales of electronic components and other products (including distribution arrangements) by the Group to the Hon Hai Group under the 2026 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 at 28/F., Noble Centre, No. 1006, 3rd Fuzhong Road, Futian District, Shenzhen, P.R.C. on Wednesday, 18 November 2026 at 3:00 p.m. to approve the New Caps, the 2026 Conditional Master Agreement and the transactions contemplated thereunder, notice of which is set out on pages 57 to 58 of this circular; |

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|---|---|
| "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. |

*References to time and dates in this circular are to Hong Kong time and dates.*

# S.A.S. Dragon Holdings Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1184)**

*Executive Directors:*
Dr. Yim Yuk Lun, Stanley *SBS BBS JP*
*Chairman and Managing Director*
Mr. Yim Tsz Kit, Jacky
Mr. Wong Wai Tai
Mr. Tsui Chi Wing, Eric

*Non-executive Directors:*
Mr. Wong Sui Chuen
Ms. Yim Kei Man, Carmen

*Independent Non-Executive Directors:*
Mr. Wong Tak Yuen, Adrian
Mr. Cheung Chi Kwan
Mr. Wong Wai Kin

*Registered Office:*
Richmond House
12 Par-la-Ville Road
Hamilton HM 08
Bermuda

*Principal Office:*
19/F., S.A.S. Tower
55 Lei Muk Road
Kwai Chung
N.T.
Hong Kong

30 October 2026

*To the Shareholders*

Dear Sir or Madam,

## REVISION OF ANNUAL CAPS FOR AND RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF SPECIAL GENERAL MEETING

### INTRODUCTION

Reference is made to the 2024 Circular in relation to, among other things, the existing continuing connected transactions contemplated under the 2024 Conditional Master Agreement which was entered into between the Company and 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.

Given the business expansion of the Group and the increasing market demand, the Board expected that the aggregated transaction amounts for the sales of electronic components and other products (including distribution arrangements) by the Group to the Hon Hai Group under the 2024 Conditional Master Agreement will exceed the Original Caps, the Board proposed to revise the Original Caps.

Since the 2024 Conditional Master Agreement will expire on 31 December 2027, 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 27 August 2026, the Company entered into the 2026 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 extend the term of the 2024 Conditional Master Agreement for an additional year ending 31 December 2028.

The major terms of the 2026 Conditional Master Agreement and the 2024 Conditional Master Agreement are substantially the same. The purposes of this circular are:

(i) to provide the Shareholders with further details of the 2026 Conditional Master Agreement, the New Caps and the Continuing Connected Transactions contemplated thereunder;

(ii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders and the advice of Gram Capital to the Independent Board Committee and the Independent Shareholders in relation to the 2026 Conditional Master Agreement, the New Caps and the Continuing Connected Transactions contemplated thereunder; and

(iii) to give the Shareholders the notice of the SGM and other information in accordance with the requirements of the Listing Rules at which resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve the 2026 Conditional Master Agreement, the New Caps and the Continuing Connected Transactions contemplated thereunder.

**THE 2026 CONDITIONAL MASTER AGREEMENT**

The Company entered into the 2026 Conditional Master Agreement with Hon Hai on 27 August 2026 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 extend the term of the 2024 Conditional Master Agreement for an additional year ending 31 December 2028. The principal terms of the 2026 Conditional Master Agreement are set out below:

| | |
|---|---|
| Date: | 27 August 2026 |
| Parties: | The Company<br>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 |
| Additional term: | from 1 January 2028 to 31 December 2028 (both dates inclusive) |

The 2026 Conditional Master Agreement is conditional upon the approval of the New Caps, the 2026 Conditional Master Agreement and the transactions contemplated thereunder by the Independent Shareholders at the SGM.

Under the 2026 Conditional Master Agreement, the parties agree that the Continuing Connected Transactions shall be on normal commercial terms and, in particular:

(i) 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;

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

(iii) 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;

(iv) 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

(v) 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 2026 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 Distributorship 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 2026 Conditional Master Agreement.

## SALES AND PURCHASES BETWEEN THE GROUP AND THE HON HAI GROUP

Established in Taiwan in 1974, Hon Hai, a company listed on the Taiwan Stock Exchange Corporation (Stock Code: 2317) is the world's largest electronics manufacturer. Hon Hai is also the leading technological solution provider and it continuously leverages its expertise in software and hardware to integrate its unique manufacturing systems with emerging technologies. By capitalizing on its expertise in Cloud Computing, Mobile Devices, IoT, Big Data, artificial intelligence (AI), Smart Networks, and Robotics/Automation, Hon Hai has expanded not only its capabilities into the development of electric vehicles, digital health and robotics, but also three key technologies – AI, semiconductors and new-generation communications technology – which are key to driving its long-term growth strategy and the four core product pillars: Consumer Products, Enterprise Products, Computing Products and Components and Others. This "three plus three" integration represents the Hon Hai's key strategy for long-term development and Hon Hai is determined to provide comprehensive and integrated solutions to its worldwide prominent customers and become an all encompassing intelligent living service provider. For the year ended 31 December 2025 and for the six months ended 30 June 2026, Hon Hai's annual revenue reached USD259 billion and USD148 billion respectively.

Hon Hai has established R&D and manufacturing centers in other market around the world including the PRC, India, Japan, Vietnam, Malaysia, Czech Republic, U.S. and more. With a focus on research and development, Hon Hai owns more than 57,729 patents. In addition to maximizing value-creation for customers who include many of the world's leading technology companies, Hon Hai/ Foxconn is also dedicated to championing environmental sustainability in the manufacturing process and serving as a best-practices model for global enterprises.

Hon Hai has received widespread international accolades and recognition since its establishment. Hon Hai ranked 28th on the Fortune Global 500 rankings in 2026 and 23rd in the Top 100 Digital Companies in the Forbes ranking of the World's Best Employers in 2019. Moreover, on Forbes' World's Best Employers 2021 rankings, Hon Hai ranked 1st in Taiwan. Foxconn is also the only Taiwanese private company awarded for 9 consecutive years of Clarivate Top 100 Global Innovators (2018 - 2026).

The Group is one of the suppliers of the Hon Hai Group. The Group acts as an agent between the Hon Hai Group and other suppliers to sell electronic components to the Hon Hai Group. The Group acts as a distributor of the Hon Hai Group to purchase electronic components from the Hon Hai Group and sell the same to the end-customers of the 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 SHARP and our owned brands of Light in Motion LIM and LIM InfraSystems LIM InfraSystems in the Asia Pacific region.

For sales of electronic components by the Group to the Hon Hai Group, the Hon Hai Group would conduct sourcing in advance and instruct the Group to purchase the electronic components from the designated supplier and resell the same to the Hon Hai Group. The Hon Hai Group adopts an "Integrated Supplier Approach", that is, a system to simplify purchasing practice by consolidating its supply base. Hon Hai Group would purchase the electronic components through the Group as the Hon Hai Group treats the Group as its source solution so the Hon Hai Group would not have to monitor its relationship with overwhelmed number of suppliers.

For purchases of electronic components by the Group from the Hon Hai Group, the Group's end customers would only instruct the Group to purchase the electronic components from the Hon Hai Group and resell the same to them. The Group's end customers could not directly purchase the electronic components from the Hon Hai Group.

For further information on the basis for determining the prices for purchases and sales of the products, please refer to the section headed "Pricing Policy".

*Note:* The information of the products manufactured by the Hon Hai Group is extracted from website of Hon Hai at https://www.foxconn.com/en-us/about/group-profile.

**INTERNAL POLICIES AND PROCEDURES**

Although it is not part of the provisions in the 2026 Conditional Master Agreement, the members of the Group will follow the internal policies and procedures as set out below when entering into, or deciding whether to enter into any sale or purchase transactions, with members of the Hon Hai Group.

**Payment Terms of Sales made by the Group**

Under the Purchase Agreement, the members of the Group would set out in the settlement date in all purchase orders made by the members of the Hon Hai Group. The purchaser, being a member of the Hon Hai Group, will be required, under the Purchase Agreement and as a term of the relevant purchase order, to settle the total price for all the products supplied under that purchase order within 120 days from the date of the purchase order being made. Under the two-way business partnership between the Group and the Hon Hai Group, the payment terms of sales and purchases made by the Group are the same. Considering that the payment terms of sales made by the Group to some independent third parties is also within 120 days from the date of the purchase order being made, the Company believes that the payment terms of sales made by the Group to the Hon Hai Group are fair and reasonable and on normal commercial terms or better and consistent with the payment terms generally included in the contracts for the supply of electronic components by the Group to customers which are independent third parties and the market practice.

**Payment Terms of Purchases made by the Group**

Under the Distributorship Agreements, the members of the Group which made purchases from the member of the Hon Hai Group would settle the price of the products within 120 days from the date of delivery of the products. Under the two-way business partnership between the Group and the Hon Hai Group, the payment terms of sales and purchases made by the Group are the same. Considering that the payment terms in relation to the purchases made by the Group from some independent third parties are cash on delivery, or within 15 days from the date of bill of lading, or within 30 days after the airway bill date, or within 15 days following the end of the month, the Company believes that the payment terms of purchases made by the Group from the Hon Hai Group are fair and reasonable and on normal commercial terms or better and consistent with the payment terms generally included in the contracts for the purchases of electronic components by the Group from suppliers which are independent third parties and the market practice.

**Pricing Policies and Internal Procedures**

***Pricing Policy***

Since the Group engages in trading, distribution, sourcing, quality assurance and logistics management of electronic and semiconductor products, the Group has been trading with various suppliers and customers and one of which is the Hon Hai Group. Generally speaking, the market competition in the electronic and semiconductor products trading is very keen and the prices of electronic and semiconductor products are highly transparent and competitive.

For sales to be transacted with the Hon Hai Group, the sale executives of the Group will have 3-party meetings with each of our main suppliers and representatives from the Hon Hai Group on a quarterly basis to discuss the overall prices and quantities for each product categories. The suppliers and representatives from the Hon Hai Group will agree upon the prices and quantities of various products to be traded. Determination of the prices for sales with Hon Hai is generally with reference to the standard price range, prevailing market prices of those or similar products, or the gross profit mark-up rate not below 1.2%.

For purchases of products, the Group will determine the prices for purchases of such products with Hon Hai with reference to the cost-plus basis with an overall markup rate not below 1%.

The Group has set up internal pricing policies to ensure that the terms of the Continuing Connected Transactions are fair and reasonable and on normal commercial terms or better.

***Price Policy for Sales***

As the Group's internal policy, 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 determine the prices of products to be sold to the Hon Hai Group based on the following factors:

(i) the standard price range of all products based on current and historical selling price range of the product or similar products in different quantities maintained by the Group in our central database. The standard price list is based on sales to all parties (including both independent third parties and the Hon Hai Group). The central database will be updated monthly by the sales manager in the members of our Group. The Group maintains the records of all products where information, such as inventory's current and historical price range and historical quantities traded, is kept and updated from time to time. When determining the standard price range set out in the list of standard price, the quantity and all the direct costs associated with each of the products, including but not limited to the costs of the components, logistics costs, interest costs and other costs incurred in or incidental to the trading are taken into account. The standard price range maintained in our central database is the most often adopted factor in determination of our sale prices. The standard price list is applicable to all parties including independent third parties and the Hon Hai Group. Each product will have its own standard price list. It is fair and reasonable to adopt the standard price range for each of the product in determination of the sales price to Hon Hai when the standard price list based on transactions with independent third parties will be referred and the current and historical selling price range of the product or similar products in different quantities maintained by the Group will be considered. The Company can ensure that the proposed sale to Hon Hai Group is fair and reasonable even if the standard price list is based on sales to all parties (including both independent third parties and the Hon Hai Group) as sales to the Hon Hai Group only accounts for less than 10% of the total sales in the financial year ended 31 December 2025, the standard price list is a fair and reasonable reference. Besides the standard price list, the Company would also generate a separate price list only based on sales to independent third parties and make comparison with the proposed sale to Hon Hai Group to make sure the transaction is fair and reasonable. One circumstance under which factor (i) is inapplicable for determination of sale price is where there is no sale to independent third parties and the Hon Hai Group is the only transacting party. When this factor (i) is inapplicable, our Group will consider factors (ii) and (iii) below in determination of our sale price. According to our records, for sales made by the Group to the Hon Hai Group, no sales price has been set lower than the standard price range;

(ii) the Group will determine the price of products to be sold to the Hon Hai Group based on the experience of the Group's management or the dealings with other players in the market, such as referring to (i) the prevailing market price range of those similar products, (ii) two price quotations or two other contemporaneous transactions with independent third parties in respect of similar products and similar quantities (if any), and (iii) any available market information. As the market of electronic components trading is highly competitive and transparent, the pricing of products sold to the Hon Hai Group will be set at or very close within the prevailing market price range, but not below the prevailing market price range. Although there is no publicly available information or "market index" for the electronic components sold by the Group to the Hon Hai Group, the Group's management together with the staff in the sales department which include more than 200 employees who engage in the sales of products are well familiarised with market of electronic components trading as well as the prevailing market price range of those products; and

(iii) whenever the Group adopts factor (ii) above to determine the sales price or in case where none of the above is applicable, the price shall be determined by the cost-plus method, such as base on the cost of goods sold and reasonable costs plus a profit margin with an overall mark-up rate not below 1.2%. In determining the price, the Group will base on the cost of goods sold and reasonable costs, including the operating and administration costs, incurred in providing the trading services, plus a profit margin with an overall mark-up rate not below 1.2%. Considering upon the fact that the 2026 Conditional Master Agreement governs the sales and purchases of electronic components and distribution of brand products under the Hon Hai Group between the Group and Hon Hai and its subsidiaries or associates for the three financial years ending 31 December 2028, such profit margin is determined by reference to the average gross profit margin rates of our Group in the last three financial years, i.e. 5.09%, which were 5.90%, 5.15%, 4.36% and 4.96% for the financial year ended 31 December 2023, 2024, 2025 and the six months ended 30 June 2026 respectively. In addition to our average gross profit margin rate, we also take into consideration of other pricing factors, including the quantity, the logistics costs which is affected by the location(s) of the products to be delivered and the payment terms with suppliers. The difference in the overall gross profit mark-up rate depends on the various product lines and the quantity of goods supplied by the Group to the Hon Hai Group in which the Group supplies to the Hon Hai Group. For product lines which are of advanced technology or higher-end, the Group can achieve a higher gross profit margin while for matured products such as passive components, the Group will record a lower profit margin rate. Nonetheless, the average gross profit margin rate is a presumed reasonable profit margin rate for reference only. Considering that different products have different gross profit margin, the price shall be determined by the cost-plus method, based on the cost of goods sold and reasonable costs plus a profit margin with an overall mark-up rate not below 1.2%.

The above policies shall be followed regardless of whether the purchasers of the products are independent third parties or a connected person of the Group, including the Hon Hai Group. Therefore, the prices of products supplied to the Hon Hai Group under the 2026 Conditional Master Agreement are determined in accordance with the same policies and procedures applied to determine the price of products sold to the independent third parties.

The overall gross profit mark-up rate depends on the various product lines and the quantity of goods supplied by the Group to the Hon Hai Group. The mark-up rate of not below 1.2% for the three financial years ending 31 December 2026, 2027 and 2028 is the minimum markup rate the Group bargained after rounds of negotiation with the Hon Hai Group, the actual gross profit margin rates of the Group for sale to the Hon Hai Group was between 2.5% to 3.44% for the financial years ended 31 December 2023, 31 December 2024 and 31 December 2025 and the six months ended 30 June 2026.

A lower profit margin of sales to the Hon Hai Group than that of sales to all customers is justified, given the fact that the total transactions with the Hon Hai Group are often in large volume and quantity (i.e. the Hon Hai Group is one of the Group's large customers), the logistics costs with the Hon Hai Group are relatively low, and the Hon Hai Group has a good credit thus avoid the bad debt risk. It is further confirmed by the Board that the percentage of the maximum costs and resources saved such as finance costs, account receivable insurance, logistics charge, warehouse staff cost and warehouse depreciation in the sales to the Hon Hai Group as compared to sales to other customers is between 0.57%-0.97% of revenue for the two financial year ended 31 December 2024, 2025 and the six months ended 30 June 2026, thus even though the average gross profit margin of sales to the Hon Hai Group (namely between 2.5% to 3.44%) is in general lower than that of sales to all customers (namely between 4.36% to 5.90%) for the financial years ended 31 December 2023, 31 December 2024 and 31 December 2025 and the six months ended 30 June 2026, given that the Group has enough capacity to handle the sale to the Hon Hai Group and a reasonable gross profit margin can be achieved, the Board considers that, for the three financial years ending 31 December 2026, 2027 and 2028, it makes economic sense to continue the Group's business with the Hon Hai Group on the sale even at a mark-up rate of not below 1.2%.

The overall gross profit mark-up rates for sale to the Hon Hai Group for the financial year ended 31 December 2023, 2024, 2025 and the six months ended 30 June 2026 are as follows:

| **Overall gross profit mark-up rates for sale to the Hon Hai Group** | **For the financial year ended 31 December 2023** | **For the financial year ended 31 December 2024** | **For the financial year ended 31 December 2025** | **For the six months ended 30 June 2026** |
|---|---|---|---|---|
| 1.20-1.50 | 0% | 2% | 6% | 14% |
| 1.51-2.00 | 21% | 33% | 29% | 16% |
| 2.01-3.00 | 38% | 44% | 26% | 20% |
| 3.01 over | 41% | 21% | 39% | 50% |
| Total | 100% | 100% | 100% | 100% |

As shown, most sales to the Hon Hai Group have more than 2% of the gross profit mark-up rate for the three financial years ended 31 December 2023, 2024, 2025 and the six months ended 30 June 2026. The mark-up rate of not less than 1.2% for the three financial years ending 31 December 2026, 2027 and 2028 is only the minimum mark-up rate the Group bargained after rounds of negotiation with the Hon Hai Group. Sales with a mark-up rate of 1.5% or less in general only account for 2%, 6% and 14% of total sales of the sale for the two financial years ended 31 December 2024, 2025 and the six months ended 30 June 2026 respectively. During 2020 to 2021, the Hon Hai Group relocated its manufacturing production line to Vietnam and India to diversify and expand outside China because of the strategy of "China plus one" after COVID-19. As 2021 to 2024 is the transitional period for the Hon Hai Group to set up its new production line, the demand of sales product from the Hon Hai Group to the Group has reduced. In response to the impact of the U.S.–China trade war, and given that the Hon Hai Group is the world's largest EMS provider, the Group has also sought to broaden its global presence to align with the Hon Hai Group's worldwide supply chain requirements. The Group has actively coordinated operations across major regions including the United States (Wisconsin, Houston, San Jose), Mexico, India, Vietnam (Bac Ninh, Ho Chi Minh City), Singapore, Thailand, Malaysia, Greater China, and Taiwan. These strategic locations enable the Group to support global customer supply chain arrangements more effectively. In view of the above, the Board considers that the overall gross profit markup rate not below 1.2% for the three financial years ending 31 December 2026, 2027 and 2028 is still fair and reasonable and on normal commercial terms.

**Price Policy for Purchases**

***Purchases made by the Group***

The current price negotiation mechanism in relation to the purchases of products made by the Group from the Hon Hai Group involves the end-customers and the Hon Hai Group first agreeing the price (i.e., the Group's selling price to the end-customers), which is then followed by the Group negotiating with the Hon Hai Group on its purchase price from the Hon Hai Group with reference to the mark-up rate not below 1%. The mark-up rate for purchases for the three financial years ended 31 December 2023, 2024, 2025 and the six months ended 30 June 2026 was 2.40%, 2.33%, 2.55% and 2.40% respectively. As the Group's internal policy, for purchases made by the Group from the Hon Hai Group, the Group will endeavour to ensure the terms of the purchases being fair and reasonable by reviewing the prices of products to be purchased from the Hon Hai Group based on the following factors:

(i) as the members of the Hon Hai Group are the only approved vendor(s) designated by certain end-customers of the Group and the price of purchase have been pre-agreed by the end customer with member of the Hon Hai Group with a proposed margin between the purchase price and resale price of the products to the Group as the commission to the Group as distributor or dealer of the products. Although the purchase prices have been pre-determined between the end-customers and the member of the Hon Hai Group, the Group will review the proposed margin with the members of the Hon Hai Group to ensure such margin is a reasonable profit margin to the Group. If the Group considers such proposed margin is not profitable, the Group will counter-offer and negotiate with members of the Hon Hai Group for a higher rate, failing which the Group will reject such business; and

(ii) the Group will ensure the prices for products to be purchased from Hon Hai are sufficient to maintain reasonable profit margin after considering the target gross profit margin in respect of the types of products to be sold on a cost-plus basis with an overall mark-up rate not below 1% over our purchase price of the products. Such mark-up rate is determined with reference to the fixed commission percentage pre-agreed among the Group, Hon Hai and end-customers and the average gross profit margin of the Group which was 5.09% for the financial years ended 31 December 2023, 2024, 2025 and the six months ended 30 June 2026 respectively. In addition to the average gross profit margin rate, our Group will also take into account other factors, including the logistics costs incurred by the Group in the distribution of products from the Hon Hai Group and the payment terms with the end-customers where longer credit period will increase the interest expenses of the Group, in causing the group to obtain additional financing to cover the cost of sale to the end-customers during the credit period. Nonetheless, the average gross profit margin rate is a presumed reasonable profit margin rate for reference only. Considering that different products have different gross profit margin, the price shall be determined on a cost-plus basis with an overall mark-up rate not below 1% over our purchase price of the products.

Factor (i) set out above was a part of the 2026 Conditional Master Agreement for the Group to determine the purchase price of the purchases to be made by the Hon Hai Group from the Group which was specifically agreed to cater for the connected transactions to be made between the Group and the Hon Hai Group. Save for disclosed above, the Group has not purchased any similar products from independent third parties for end-customers which do not require the Hon Hai Group as the designated vendor. Put it another way, the Hon Hai Group is not the sole Vendor of the Group, but for those products that could be provided by the Hon Hai Group or other independent suppliers, all of our existing customers have instructed the Group to purchase the said products from the Hon Hai Group. Since the Hon Hai Group is the only vendor designated by end-customers with the purchase prices of products pre-agreed between the Hon Hai Group and end-customers, and no information regarding to the rates offered by the Hon Hai Group to other distributors is available for the Group to compare, the Group will adhere to factor (ii) above in reviewing our purchase price rather than comparing with market prices of similar products failing which the Group will reject such proposed business since the Group will consider such business is not profitable.

In engaging other distribution and trading business by the Group, the Group shall, regardless of whether the sellers of the products which can be sourced from Hon Hai are independent third parties or a connected person of the Group, including the Hon Hai Group, adhere to factor (ii) above when reviewing the purchase prices provided by suppliers for products which can be sourced from Hon Hai. Therefore, the prices of products sourced from the Hon Hai Group under the 2026 Conditional Master Agreement are determined in accordance with the same mechanism and procedures applied to the independent third parties. Hence, the Group considers that the terms of purchase made by the Group from the Hon Hai Group are fair and reasonable and on normal commercial terms or better.

***Internal Control Measures***

In order to ensure that the terms of sales and purchases from the Hon Hai Group are fair and reasonable and no worse than any independent third parties, the Group has adopted the following internal control measures:

*Sale Transactions*

(i) in respect of the Sale Transactions, since the sales department of the Group has maintained the records of all products where information, such as inventory, current and historical prices and historical quantities traded, is kept, the sale executives, when determining the sales or purchases prices, will ensure that such prices are up to current prices and, in any case, no worse than independent third party. The information in the database will be updated monthly by our sales managers;

(ii) for sales to be transacted with the Hon Hai Group, the sale executives of the Group will have 3-party meetings with each of our main suppliers and representatives from the Hon Hai Group on a quarterly basis to discuss the overall prices and quantities for each product categories. The suppliers and representatives from the Hon Hai Group will agree upon the prices and quantities of various products to be traded. By virtue of the participation, the Group is able to collect more updated information, such as the then industry level profit margin, technology level and popularity for each product categories. Such information would assist the Group to determine the then reasonable gross profit mark-up rate for each product categories;

(iii) under the internal control system of the Group, the selling price to the Hon Hai Group proposed by individual sales executives are submitted to the responsible sales directors who have extensive experience in trading and distribution and are familiar with the prevailing market prices for review and approval. At the same time, the finance department of the Group, upon receiving the submitted quotation on the selling price, will then double check with the two quotations obtained from independent third parties on similar products and similar quantity (if possible), to ensure that (i) there is no significant deviation between the two and that proper approval has been obtained for the proposed selling price, and (ii) the selling price shall not be below the standard price range, and (iii) if the selling price is determined based on prevailing market prices, the selling price shall have been be determined by the cost-plus method. The finance department of the Group will also ensure that the selling price is on no less favourable rates than those available from or to independent third parties; and

(iv) the sales directors and the finance department will also ensure that a reasonable profit margin, i.e. an overall mark-up rate not below 1.2%, is added to the estimated costs involving the cost of the components or products, logistics costs and the possible interest costs incurred in such transactions.

*Purchase Transactions*

(i) in respect of the Purchase Transactions, under the internal control system of the Group. The sales executives when negotiating with the Hon Hai Group will refer to the indicative prices suggested by the end-customers against the quotation given by the Hon Hai Group as well as the overall mark-up rate not below 1% over our purchase price of the products. The selling price to the end customers proposed by individual sales executives will then be submitted to the responsible sales directors for review and approval. Meanwhile, the finance department of the Group, upon receiving the submitted quotation on the selling price, will then double check the quotation from the Hon Hai Group to ensure that proper approval has been obtained from sales directors and the selling price is determined based on the cost-plus basis of a mark-up rate not below 1% over our purchase price of the products as set out in factor (ii) in page 16 of this circular with reference to the price quote from the Hon Hai Group; and

(ii) The sales directors and financial department shall ensure that terms are in compliance with the 2026 Conditional Master Agreement after they are jointly satisfied that (i) the pricing policies and internal procedures as set out in this section have been fully complied with; (ii) the transactions thereunder are on normal commercial terms; and (iii) the selling/purchase prices of the products are no less favourable to the Group than the prices at which such products are sold to the independent third parties, before member of the Group could accept the relevant purchase orders or confirm the purchase.

*Annual Review*

The Company will conduct monthly review to ensure the annual caps under the 2026 Conditional Master Agreement will not be exceeded. To further ensure that the transactions under the 2026 Conditional Master Agreement are on normal commercial terms no less favourable to the Group than to independent third parties, the external auditors of the Company will review and assess whether the transactions have been entered into in accordance with the 2026 Conditional Master Agreement. The Group has engaged external auditors to conduct annual review of the transactions under the 2024 Conditional Master Agreement for the financial year ended 31 December 2025 in accordance with rule 14A.56 of the Listing Rules. The Group will continue to comply with rule 14A.56 to engage external auditors to conduct annual review of the Continuing Connected Transactions.

The independent non-executive Directors have expertise in respective areas of business management and process in-depth industry knowledge. With their professional knowledge and experience, the independent non-executive Directors advised the Company on its operation and management and would conduct random checks during annual review of the transactions under the 2026 Conditional Master Agreement, therefore, have contributed to provide checks and balance to protect the interests of the Company and the Company's shareholders as a whole.

The Directors consider that such internal control procedures on pricing could effectively ensure that the pricing and terms of the transactions contemplated under the 2026 Condition Master Agreement are conducted on normal commercial terms no less favourable to the Group and in accordance with the pricing policy of the Group and in the interests of the Company and its shareholders as a whole. In view of the above internal control procedures, the Directors confirm that the purchase and selling prices from and to the Hon Hai Group are fair and reasonable and no less favourable than from and to independent third parties at the time of entering the transactions.

**NEW CAPS**

As disclosed in the Company's announcement dated 25 March 2026, the actual transaction amount of the sales of electronic components and other products (including distribution arrangements) by the Group to the Hon Hai Group under the 2024 Conditional Master Agreement for the year ended 31 December 2025 amounted to approximately HK$2,350,649,000, which exceeded the Original Caps of HK$2,300,000,000 by HK$50,649,000 (i.e. 2.2%). The exceedance was caused by an unexpected surge in transaction volume in the fourth quarter of 2025 compared to the preceding three quarters, together with a delay in the monthly review process by the Finance Department, which was only completed in February 2026. The Directors (including the independent non executive Directors) considered the excess to be the result of inadvertent administrative oversight and an isolated incident.

To address this, the Company has adopted enhanced internal control measures including the designation of dual personnel in the Finance Department (the Finance and Risk Management Manager and the Chief Financial Officer) to continuously monitor transaction amounts, daily tracking of system figures, monthly preparation of updated budget figures within 12 working days, and mandatory Board approval once utilisation reaches 80%. These measures, together with independent monthly Board review, are designed to prevent recurrence and ensure timely compliance with the Listing Rules.

Under the 2024 Conditional Master Agreement, the annual caps in respect of the sale transactions for the two financial years ending 31 December 2026 and 2027 are HK$2,700 million and HK$3,200 million respectively and the annual caps in respect of the purchase transactions for the two financial years ending 31 December 2026 and 2027 are HK$3,300 million and HK$3,800 million respectively. It is expected that the annual caps in respect of the sale transactions for the two financial years ending 31 December 2026 and 2027 will not be sufficient to cover the Group's expected sale transactions. Accordingly, the Board proposed to revise the annual caps in respect of the sale transactions for the two financial years ending 31 December 2026 and 2027 to HK$4,300 million, HK$5,900 million respectively.

Since the 2024 Conditional Master Agreement will expire on 31 December 2027, the Company proposed to renew the master agreement and to extend it for an additional year ending 31 December 2028 by entering into the 2026 Conditional Master Agreement with the proposed annual caps of HK$8,100 million and HK$4,300 million in respect of the sale transactions and the purchase transactions respectively.

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 senor modules;

(iv) mechanical hardware solutions for AI server; and

(v) 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:

(i) cables and connectors and accessory;

(ii) bone conduction transducer; and

(iii) mechanical structural parts.

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 financial year ended 31 December 2025 and the six months ended 30 June 2026 respectively:

| | **For the financial year ended 31 December 2025** | **For the six months ended 30 June 2026** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (Audited) | (Unaudited) |
| Sales to the Hon Hai Group | 2,350,649 | 1,784,527 |
| Purchases from the Hon Hai Group | 1,876,110 | 917,838 |

The aggregated transaction amounts in respect of the sales of electronic components and other products (including distribution arrangements) between the Group and the Hon Hai Group for the financial year ended 31 December 2025 have exceeded the sale cap of HK$2,300 million (2025 sales amount: HK$2,350,649,000) for that financial year but that of the six months ended 30 June 2026 have not exceeded the sale cap of HK$2,700 million for the financial year ending 31 December 2026.

The aggregated transaction amounts in respect of the purchases of electronic components and brand products between the Group and the Hon Hai Group for the financial year ended 31 December 2025 and the six months ended 30 June 2026 have not exceeded the purchase caps of HK$2,800 million and HK$3,300 million for each of the financial year ended 31 December 2025 and the six months ended 30 June 2026 respectively.

These sale and purchase caps were approved by the Independent Shareholders at the special general meeting of the Company on 19 December 2024.

**Sale Caps**

The sales of electronic components and other products (including distribution arrangements) by the Group to the Hon Hai Group had increased dramatically during the financial year ended 31 December 2025. For the six months ended 30 June 2026, sales amounted to approximately HK$1,784.5 million. The Board estimates that the Sale Transactions will continue to increase in the next three financial years.

The following table and notes illustrate the estimate transaction amounts of the Sale Transactions for the year ending 31 December 2026 as well as the calculations to determine the Sale Caps of the Continuing Connected Transactions for each of the three financial years ending 31 December 2026, 2027 and 2028 of the Group are set out below:

| | **For the financial year ending 31 December 2026** *HK$'000* (estimated) | **For the financial year ending 31 December 2027** *HK$'000* | **For the financial year ending 31 December 2028** *HK$'000* |
|---|---|---|---|
| Existing business | 3,230,000 | 4,335,000 | 5,950,000 |
| New product lines: | | | |
| – new suppliers of the Group | 380,000 *Note 1* | 510,000 *Note 1* | 700,000 *Note 1* |
| – existing suppliers of the Group | 190,000 *Note 1* | 255,000 *Note 1* | 350,000 *Note 1* |
| Total of new product lines | 570,000 *Note 1* | 765,000 *Note 1* | 1,050,000 *Note 1* |
| Total | 3,800,000 | 5,100,000 | 7,000,000 |
| 15% buffer | 4,370,000 | 5,865,000 | 8,050,000 |
| Sale Caps | 4,300,000 | 5,900,000 | 8,100,000 |

*Note:*

1. For the new products lines, the estimated transaction amount is based on the expected amount of purchase orders to be placed by the Hon Hai Group to the Group due to the Hon Hai Group continue to reduce the number of its suppliers for better logistics and supply chain control as well as the introduction of new product lines by the Group. Furthermore, the Group mainly considered (i) the annual growth in the number of our suppliers which are the new suppliers of the Group under new products lines, and (ii) the forecast of sales transaction amounts upon the new business with the Hon Hai Group is obtained. Under this factor (ii), the Group forecasts the sales transaction amounts under the new products lines of existing suppliers of the Group for the years ending 31 December 2026 to 31 December 2028. For further information of the new products lines, please refer to the section headed "New Caps – Sale Caps".

The transactions between the Group and the Hon Hai Group are on purchase order basis. The increase in the annual caps for existing business of approximately 37.40%, 34.21% and 27.14% for the financial years ending 31 December 2026, 2027 and 2028 respectively is due to the fact that technology life-cycle of consumer electronics is shortened which rapidly phases out the old products. In addition, the Directors anticipate that accelerating global AI development will further drive demand for semiconductor chips and peripheral components. The expansion of hyperscale data centers and AI server production has tightened supply and increased component prices, while creating opportunities for the Group's new AI related products, such as advanced cooling solutions, to integrate into the supply chain and support sustained sales growth.

Due to the growth prediction for the financial year ended 31 December 2025 and the financial years ending 2026, 2027 and 2028, the estimation on Sale Caps is based on the projection of actual transaction amount up to the end of June 2026 on pro rata basis, the sales turnover with the Hon Hai Group of the Group in the first six months of 2026 and the economic condition as at the end of 2026 and the estimation amount for the financial years ending 2026, 2027 and 2028. The Directors consider the Sale Caps set out above are a realistic reflection of the increasing demand and use of smartphones, tablets, PCs and other electronic products which in turn increases the demand for Hon Hai to place orders with the Group, given that the Group has been supplying parts and components used for the manufacturing of the smartphones, tablets, PCs and other electronic products.

The increment of the existing business segment in the Sale Caps for the years 2025, 2026 and 2027 is mainly attributable to the expected growth of sales in memory chips and passive components while the growth of sales in new product lines is mainly contributed by the launch of new product lines of the Group in the next three years. In addition, the overseas re-location of production facilities, together with rising global demand for AI applications and AI servers, are expected to further drive growth. The rapid adoption of large-scale AI models across industries has tightened the supply-and-demand balance of upstream semiconductor chips and increased selling prices of semiconductor and electronic components, while the surge in AI server demand has expanded production lines for peripheral components such as cooling systems, high-speed transmission modules and power supplies. Furthermore, the Group's AI new products – cooling system solutions for AI servers including liquid cooling plates and water-cooling connectors, AI server-related cooling applications, water-cooling plates and connectors, are anticipated to seamlessly integrate with the AI supply chain in the coming years. For further information on the basis for determining the cap, please refer to the section headed "Basis of the Caps – Sale Caps".

Our new product lines include NOR Flash, NAND Flash, NFC sensors, optical networking devices and trans-impedance amplifiers which potentially have a wide range of applications in various electronic devices including smartphones, tablets, PCs, networking devices such as routers and switches as well as telephone, transmitting stations and satellite operators.

In relation to the estimation of the sales transaction amounts under the new product lines for the years ending 31 December 2026 to 31 December 2028, the Group mainly considered (i) the annual growth in the number of our suppliers, and (ii) the forecast of sales transaction amounts upon the new business with the Hon Hai Group is obtained, and (iii) the information provided by the sale executives of the Group. For (i) the annual growth in the number of our suppliers, there has been an annual growth in the number of our suppliers since year 2015, i.e. the Group has recorded an increase of 197, 192, 154, 656, 526, 593, 98, 56, 80 and 89 suppliers in year 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024 and 2025 respectively. The growth in the number of our suppliers represents that more types of products can be sold to the Hon Hai Group. The Group, acting as a trader between the Hon Hai Group and other suppliers, expects a year-on-year increase on the purchase orders to be placed by Hon Hai Group under their supply chain control policy. In this connection, under this factor (i), the Group forecasts the sales transaction amounts under new products lines of new suppliers of the Group for the years ending 31 December 2026, 31 December 2027 and 31 December 2028 are around HK$380,000,000, HK$510,000,000 and HK$700,000,000 respectively. For (ii) the forecast of sales transaction amounts upon the new business with the Hon Hai Group is obtained, the Group has suppliers which manufacture the electronic components that the Hon Hai Group is currently purchasing from its other suppliers. At this moment, the Group is pitching the Hon Hai Group to purchase the said electronic components from the Group instead of from its other suppliers. In this connection, under this factor (ii), the Group forecasts the sales transaction amounts under new products lines of existing suppliers of the Group for the years ending 31 December 2026, 31 December 2027 and 31 December 2028 are around HK$190,000,000, HK$255,000,000 and HK$350,000,000 respectively. For (iii) the information provided by the sale executives of the Group, the sale executives of the Group will receive information and forecast regarding the demand on the new products by the Hon Hai Group in future from the representatives of the Hon Hai Group during the quarterly 3-party meetings.

**Purchase Caps**

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 decreased slightly from 2024 to 2025. However, the Board estimates that the Purchase Transactions will grow in the next three financial years since the Group has expanded its customer base since 2024.

The following table and notes illustrate the estimated transaction amounts of the Purchase Transactions for the year ending 31 December 2028 as well as the calculations to arrive the Purchase Caps of the Continuing Connected Transactions for each of the financial year ending 31 December 2028 of the Group are set out below:

| | **For the financial year ending 31 December 2026** | **For the financial year ending 31 December 2027** | **For the financial year ending 31 December 2028** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Existing business | | | 1,520,000 |
| New Projects: | | | |
| – New Customers | | | 190,000 |
| – Existing Customers | | | 2,090,000 *Note* |
| Total of new Projects | | | 2,280,000 *Note* |
| Total | | | 3,800,000 |
| 15% buffer | | | 4,370,000 |
| Approved Purchase Caps | 3,300,000 | 3,800,000 | |
| Proposed Purchase Caps | | | 4,300,000 |

*Note:*

New project started on June 2026 and the estimation is based on the actual transaction amount up to June 2026 on pro rata basis.

Since the relevant cap for the prior financial years would not be fully utilised, taking into account the reasonable growth prediction and the 15% buffer for the financial year ending 31 December 2028, the estimation on the purchase cap for the financial year ending 31 December 2028 is based on the purchase amount from the Hon Hai Group in the first six months of 2026 and the economic condition as at 30 June 2026 and the estimated amounts for the financial year ending 2028.

The estimation of growth in the next three financial years is mainly attributable to the continuous growth of demand for consumer electronics, the expected introduction of new smartphones and earphones which employed Hon Hai connectors, modules and clips. In addition, due to the increasing expansion of product lines supplied by the Hon Hai Group in terms of variety, quantity and quality, it is expected that there will be new customers who will start to employ the components and parts supplied by Hon Hai Group. For the new products, mainly earphone parts and modules and clips, we started to purchase earphone parts and modules and clips and re-sell those parts to OEM factories. The Group expects the purchase of earphone parts and modules and clips will continue in the next three years.

FIT Hon Teng is a non-wholly owned subsidiary of Hon Hai. The Group purchases cables and connectors and accessory, bone conduction transducer, modules and clips and mechanical structural parts from FIT Hon Teng and resells these products to the Group's end-customers. According to the 2026 interim report of FIT Hon Teng, it reveals that (i) For the smartphones end market, due to the increase in shipment volume of their products driven by the increase in overall sales volume of high-end smartphone models of branded companies, revenue generated from the smartphones end market increased as compared to the same period in 2025, (ii) For the cloud end market, there was an increase in the shipment volume of copper-based component products in 2026 benefiting from the increased demand in the server market driven by AI and the rising demand for new platform cabinet connectors and cables, (iii) For the system products end market, the increased demand for the brand customers' wired earphones led to an increase in the shipment volume of our acoustic products.

*Note:* The above information is extracted from the website of FIT Hon Teng at (http://www.fit-foxconn.com)

The steady yet continuous increment of the existing business segment in the Purchase Caps is mainly accountable to the indications from our existing customers who reflected their intention to increase their demand for products supplied by the Hon Hai Group while the increases of purchases due to new product lines and new customers are estimated with reference to the purchase forecast. Weekly and monthly meetings are conducted by experienced sale teams in evaluating and estimating the demand for new product lines when preparing the purchase forecast. Factors such as the current market situation and customer demand will usually be considered. For further information on the basis for determining the cap, please refer to the section headed "Basis of the Caps – Purchase Caps".

## BASIS OF THE CAPS

***Sale Caps***

In determining the Sale Caps of the Continuing Connected Transactions for each of the three financial years ending 31 December 2026, 2027 and 2028 of the Group, the Board has relied on the following major factors:

*(a) Turnover outlook of the Group*

Given the popularity of AI – AI PC/notebook, wearables, earbuds, EV control displays, cloud/edge computing, enterprise data centers, integrated TVs, household appliances and other smart devices such as cleaning robot and drone increased, riding on the Group's proven all-round technical support of Internet of Things (IoT) and smart home connectivity solutions and the increasing demand and use of other electronic products and with the effect of shortening of technology life-cycle of consumer electronics which rapidly phases out the old products, the Directors expect that market growth rate of the sales and purchases to and from Hon Hai will have an incremental increase in the following three years.

In particular, having considered the AI development in many countries, such as the US, the PRC, Japan and Europe, the Directors expect that the sales to the Hon Hai Group will increase. This expectation is driven by the fact that the construction of AI servers requires merchandise such as semiconductor chips and peripheral components, which in turn increases demand for the Group's products. The global rollout of large-scale AI models – from generative AI platforms to enterprise-level machine learning systems – has already created unprecedented demand for computing power hardware. Industry reports show that hyperscale data centers in the US, Europe, and Asia are rapidly expanding capacity, tightening the supply-and-demand balance of upstream semiconductor chips and driving up selling prices of electronic components. At the same time, the surge in AI server demand has led manufacturers to expand production lines for peripheral components such as advanced cooling systems, high-speed transmission modules, and power supplies. Furthermore, the Group's AI new products, including cooling system solutions for AI servers such as liquid cooling plates and water-cooling connectors, are anticipated to integrate seamlessly with the AI supply chain in the coming years, thereby supporting the projected growth in sales.

Our largest customer is one of the first tier PRC brand technology conglomerate companies, which is a listed company on the Main Board of the Stock Exchange, as disclosed in the announcement for interim result for 2026, their revenue increased by 9.9% from the first quarter to second quarter of 2026 and we expect it will have more demands of our products than the Hon Hai Group.

Further, as disclosed in the interim report of 2026 published by Foxconn Industrial Internet Company Limited ("**FII**") which is a connected party of the Hon Hai Group and the shares of which are listed on the Shanghai of the Stock Exchange (stock code: 601138), the continuous increasing demand on AI server and cloud business has contributed positively to overall gross profit margin, primarily due to the increase in cash received from the sale of related products.

*Note:* The above information is extracted from interim report of 2026 published by Foxconn Industrial Internet Company Limited at (https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2026-08-12/601138_20260812_GACA.pdf)

*(b) New product lines of the Group sales to the Hon Hai Group*

The Group is negotiating with new major suppliers so that the products can be distributed by the Group to Hon Hai. Those new product lines include peripheral components such as cooling systems, high-speed transmission modules and power supplies. Furthermore, the Group's AI new products – cooling system solutions for AI servers including liquid cooling plates and water-cooling connectors, together with other AI server-related cooling applications – are anticipated to seamlessly integrate with the AI supply chain in the coming years.

There has been an annual growth in the number of our suppliers since year 2018. The growth in the number of our suppliers represents that more types of products can be sold to the Hon Hai Group. Our Group, being the intermediate trader between the Hon Hai Group and our suppliers, can take advantage of the Hon Hai Group's "Integrated Supplier Approach", therefore, the Group expects a year-on-year increase on the purchase orders to be placed by Hon Hai Group.

The Group has business cooperation with the Hon Hai Group since 1999. The business relationship between the Group and the Hon Hai Group is stable and solid. The Company considers that there is only a remote risk that the Hon Hai Group may consider sourcing from other suppliers under the "Integrated Supplier Approach" and that the Group may not benefit from it.

*(c) The historical transaction amounts for the financial year ended 31 December 2025 and the annualised transaction amounts for the six months ended 30 June 2026 under the 2024 Conditional Master Agreement*

For the year ended 31 December 2025, the Group recorded sales to Hon Hai of approximately HK$2,350,649,000 and purchases from Hon Hai of approximately HK$1,876,110,000. For the six months ended 30 June 2026, the Group recorded actual sales of approximately HK$1,784,527,000 and purchases of approximately HK$917,838,000. When annualised, these figures indicate sales of approximately HK$3,800,000,000 and purchases of approximately HK$2,100,000,000 under the 2024 Conditional Master Agreement.

*(d) A buffer of 15% on the estimate of factors (a) to (b) above*

The buffer of 15% for the financial year ending 31 December 2026, 2027 and 2028 respectively is to cater for the potential effect of, among other things, the unexpected increase in sale of electronic or other products, potential inflation for the next 3 years, the change in exchange rate of Hong Kong Dollars against other currencies, the significant increase in memory chip prices in 2026 compared to 2025 as well as other factors which may lead to fluctuations in the estimate of factors set out above.

***Purchase Caps***

In determining the Purchase Caps of the Continuing Connected Transactions for each of the three financial years ending 31 December 2026, 2027 and 2028 of the Group, the Board based on the following major factors:

(a) Expanded customer base of the Group in 2025 and 2026 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

The Group has been opening up new product lines which employed products supplied by the Hon Hai Group. The Group expects to receive more orders from end-customers in the next 3 years.

As stated earlier in this circular, FIT Hon Teng has disclosed in their 2025 annual report that they not only witnessed increasing sales of interconnect solutions utilized in high-end smartphone models released by brand company customers, they also benefited from rising demand in the cloud server market driven by artificial intelligence applications. The proliferation of AI servers and new platform cabinet connectors and cables significantly boosted shipment volumes of copper-based component products, while the continued innovation in smartphones supported growth in related interconnect solutions. These developments contributed to overall revenue growth, with the FIT Hon Teng Group reporting an 12.4% increase in revenue and a 7.63% increase in gross profit for the year ended 31 December 2025.

(b) A buffer of 15% on the estimate of factor (a) above

The buffer of 15% for the financial year ending 31 December 2026, 2027 and 2028 respectively is to cater for the possible effect of, among other things, the unexpected increase in purchases of electronic or other products, potential inflation for the next 3 years, the change in exchange rate of Hong Kong Dollars against other currencies, the significant increase in memory chip prices in 2026 compared to 2025 as well as other factors which may lead to fluctuations in the estimate of factors set out above.

Taking into account the revenue of FIT Hon Teng from the cloud end market has increased by 55.8% in the six months ended 30 June 2026 compared to that in the same period in 2025, the Group considers that the estimation of the Purchase Caps of the Continuing Connected Transactions for each of the three financial years ending 31 December 2026, 2027 and 2028 of the Group are fair and reasonable.

If the amounts of the Continuing Connected Transactions shall exceed the respective New Caps or upon the expiry of the New 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 is a substantial shareholder of the Company. Hon Hai indirectly holds 71.05% of FIT Hon Teng. FIT Taiwan is a branch of FIT Hon Teng established in Taiwan. Huai An Fulitong Trading is an indirect wholly-owned subsidiary of FIT Hon Teng. FIT Hon Teng (including 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.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, save and except that (i) LU Sung-Ching, directly holds 5.69% of FIT Hon Teng, is a director of FIT Hon Teng and (ii) LU Pochin Christopher, directly holds 0.19% of FIT Hon Teng, is a director of FIT Hon Teng, the ultimate beneficial owner(s) of the remaining interest in FIT Hon Teng (including FIT Taiwan) and Huai An Fulitong Trading are third parties independent to the Company and its connected persons.

**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 SHARP and our owned brands of Light in Motion LIM and LIM InfraSystems 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 REVISION OF ANNUAL CAPS FOR AND RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

Given the business expansion of the Group and the increasing market demand, the Board expected that the aggregated transaction amounts for the sales of electronic components and other products (including distribution arrangements) by the Group to the Hon Hai Group under the 2024 Conditional Master Agreement will exceed the Original Caps, the Board proposed to revise the Original Caps.

During the beginning of July 2026 when the Company's latest unaudited management accounts and operational data for the six months ended 30 June 2026 became available to the Group, it has come to the Board that 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 six months ended 30 June 2026 amounted to approximately HK$1,784.5 million and HK$917.8 million respectively, representing approximately 66.09% and 27.81% of the Original Caps of HK$2,700 million and HK$3,300 million for the sales and purchases transactions contemplated thereunder for the financial year ending 31 December 2026.

Such increase in sales is mainly attributable to the following market developments:

(a) Global market demand for AI applications is rising rapidly. The implementation of large-scale AI models across various industries is driving substantial demand for computing power hardware, tightening the supply-and-demand balance of upstream semiconductor chips and directly driving up the average selling prices of most of semiconductor and electronic components; and

(b) Market demand for AI servers has surged significantly. To support the shipments of complete server units, the industry chain is simultaneously expanding production lines for peripheral components such as cooling systems, high-speed transmission modules and power supplies, thereby enlarging the overall supply scale of peripheral supporting products.

In light of the above, the Board expected that the aggregated transaction amount in respect of the sales of electronic components and other products (including distribution arrangements) contemplated under the 2024 Conditional Master Agreement will exceed the Original Caps. Accordingly, the Board considered that it is necessary to revise the Original Caps in compliance with the requirements under Chapter 14A of the Listing Rules.

Since the 2024 Conditional Master Agreement will expire on 31 December 2027, 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 27 August 2026, the Company entered into the 2026 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 extend the term of the 2024 Conditional Master Agreement for an additional year ending 31 December 2028.

The Directors (including the independent non-executive Directors after considering 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 New Caps, the 2026 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.

**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 2026 Conditional Master Agreement and the New Caps are subject to the announcement and the reporting and independent shareholders' approval requirements under Rule 14A.36 of the Listing Rules. The SGM will be convened for the Independent Shareholders to consider and approve the 2026 Conditional Master Agreement, the New Caps and the Continuing Connected Transactions contemplated thereunder by poll.

As at the Latest Practicable Date, so far as was known to any director or chief executive of the Company, the following persons (other than a director or the chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of them SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

*Long positions in shares of the Company*

| Name | Capacity | Number of shares held as at the Latest Practicable Date | Percentage of issued share capital of the Company as at the Latest Practicable Date |
|---|---|---|---|
| Hon Hai | Held by controlled corporation *(Note)* | 124,000,000 | 19.81% |
| Foxconn | Beneficial owner | 124,000,000 | 19.81% |

*Note:* Hon Hai owns 100% interest in Foxconn and therefore Hon Hai is deemed to be interested in the shares owned by Foxconn under the SFO.

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 New Caps, the 2026 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 New Caps, the 2026 Conditional Master Agreement and the transactions contemplated thereunder.

None of the Directors of the Company has any material interest in the Continuing Connected Transactions. None of the Directors had a service contract or a proposed service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation. None of the Directors nor any proposed director nor their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group; and none of the Directors nor any proposed director nor their respective associates has any direct or indirect interest in any assets which have been, since 31 December 2023, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

No transaction, arrangement and contract of significance to which the Company, its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director or a connected entity of a director of the Company had a material interest and which is significant in relation to the business of the Group, whether directly or indirectly, subsisted at the Latest Practicable Date.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the 2026 Conditional Master Agreement, the New Caps, and the Continuing Connected Transactions contemplated thereunder. The Independent Board Committee has been appointed to advise the Independent Shareholders on whether or not the 2026 Conditional Master Agreement, the New Caps, and the Continuing Connected 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

There is set out on pages 57 to 58 of this circular a notice convening the SGM to be held at 28/F., Noble Centre, No. 1006, 3rd Fuzhong Road, Futian District, Shenzhen, P.R.C. on Wednesday, 18 November 2026 at 3:00 p.m. at which ordinary resolutions will be proposed for the approval by the Independent Shareholders by poll the 2026 Conditional Master Agreement, the New Caps, and the Continuing Connected Transactions contemplated thereunder.

Whether or not you intend to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

In compliance with the Listing Rules, the votes to be taken at the SGM in respect of the 2026 Conditional Master Agreement, the New Caps and the Continuing Connected Transactions contemplated thereunder will be taken by poll, the results of which will be announced after the SGM.

## RECOMMENDATION

The Independent Board Committee, having taken into account the advice of Gram Capital, considers that the 2026 Conditional Master Agreement, the New Caps, and the Continuing Connected Transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. The Independent Board Committee therefore recommends the Independent Shareholders to vote in favour of the resolutions to be proposed in the SGM to approve the 2026 Conditional Master Agreement, the New Caps, and the Continuing Connected Transactions contemplated thereunder.

## ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and from Gram Capital which are respectively set out on pages 35 and 36 to 51 of this circular. Additional information is also set out in the Appendix of this circular for your information.

Yours faithfully,
On behalf of the Board
**S.A.S. Dragon Holdings Limited**
**Dr. Yim Yuk Lun, Stanley** *SBS BBS JP*
*Chairman and Managing Director*

* *the exchange rate illustrated in this circular is for reference only.*

# S.A.S. Dragon Holdings Limited

*(Incorporated in Bermuda with limited liability)*
**(Stock Code: 1184)**

30 October 2026

*To the Independent Shareholders*

Dear Sir or Madam,

## REVISION OF ANNUAL CAPS FOR AND RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 30 October 2026 issued by the Company (the "**Circular**") of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the 2026 Conditional Master Agreement, the New Caps, and the Continuing Connected Transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the same. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### RECOMMENDATION

We wish to draw your attention to the letter from the Board, as set out on pages 6 to 34 of the Circular, and the letter from Gram Capital which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the 2026 Conditional Master Agreement, the New Caps, and the Continuing Connected Transactions contemplated thereunder as set out on pages 36 to 51 of the Circular.

After taking into consideration the advice from Gram Capital, we concur with the views of Gram Capital and consider that the 2026 Conditional Master Agreement, the New Caps, and the Continuing Connected Transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed in the SGM to approve the 2026 Conditional Master Agreement, the New Caps, and the Continuing Connected Transactions contemplated thereunder.

Yours faithfully,
**Wong Tak Yuen, Adrian**
**Cheung Chi Kwan**
**Wong Wai Kin**
*Independent Board Committee*

*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions for the purpose of inclusion in this circular.*

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central
173 Des Voeux Road Central
Hong Kong

30 October 2026

*To: The independent board committee and the independent shareholders of S.A.S. Dragon Holdings Limited*

Dear Sirs,

## CONTINUING CONNECTED TRANSACTIONS

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 30 October 2026 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Board Letter, given the business expansion of the Group and the increasing market demand, the Board expected that the aggregated transaction amounts for the sales of electronic components and other products (including distribution arrangements) by the Group to the Hon Hai Group under the 2024 Conditional Master Agreement will exceed the Original Caps, the Board proposed to revise the Original Caps.

Since the 2024 Conditional Master Agreement will expire on 31 December 2027, 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 27 August 2026, the Company entered into the 2026 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 extend the term of the 2024 Conditional Master Agreement for an additional year ending 31 December 2028.

With reference to the Board Letter, the Continuing Connected Transactions constitute non-exempted continuing connected transactions of the Company and the New Caps, the 2026 Conditional Master Agreement and the transactions contemplated thereunder are subject to the disclosure, Independent Shareholders' approval, annual review and annual reporting requirements under the Listing Rules.

The Independent Board Committee comprising Mr. Wong Tak Yuen, Adrian, Mr. Cheung Chi Kwan and Mr. Wong Wai Kin (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Continuing Connected Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the 2026 Conditional Master Agreement and the transactions contemplated thereunder and the New Caps at the SGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

**INDEPENDENCE**

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to the Company's continuing connected transactions, details of which are set out in the Company's circular dated 19 November 2024.

Notwithstanding the aforesaid engagement, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagement will not affect our independence to act as the Independent Financial Adviser due to the fact that we were appointed as independent financial adviser to advise the then independent board committee and the independent shareholders of the Company and such engagement did not fall into any circumstances as set out under the Rule 13.84 of the Listing Rules, therefore we maintained our independence from the Company during the aforesaid past engagement, we are of the view that we are independent to act as the Independent Financial Adviser.

**BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and

confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Continuing Connected Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Hon Hai Group or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of conducting the Continuing Connected Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Continuing Connected Transactions, we have taken into consideration the following principal factors and reasons:

### 1. Background of and reasons for the Continuing Connected Transactions

#### Information on the Group

With reference to the Board Letter, 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, 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.

Set out below is the financial information of the Group for the two years ended 31 December 2025 and the six months ended 30 June 2026 as extracted from the Company's annual report for the year ended 31 December 2025 (the "**2025 Annual Report**") and interim report for the six months ended 30 June 2026 (the "**2026 Interim Report**"):

| | **For the year ended 31 December 2025 ("FY2025")** *(audited)* *HK$'000* | **For the year ended 31 December 2024 ("FY2024")** *(audited)* *HK$'000* | **Year on year change** *%* |
|---|---|---|---|
| Revenue | 30,536,444 | 27,756,985 | 10.01 |
| *– Sales of electronic components and semiconductors* | *30,403,983* | *27,610,087* | 10.12 |
| *– Sales of business equipment and provision of related ancillary services* | *65,795* | *70,953* | (7.27) |
| *– Sales of LED lighting and display products* | *22,241* | *29,689* | (25.09) |
| *– Contract works of LED lighting and display products* | *26,111* | *28,815* | (9.38) |
| *– Rental income from investment properties* | *18,314* | *17,441* | 5.01 |
| Gross profit | 1,331,343 | 1,430,087 | (6.90) |
| Profit attributable to owners of the Company | 556,715 | 501,237 | 11.07 |

As illustrated in the above table, the Group's revenue increased by approximately 10.01% from approximately HK$27,757 million for FY2024 to approximately HK$30,536 million for FY2025 which was mainly due to the increase in sales of electronic components and semiconductors for FY2025 (contributed to approximately 99.47% and 99.57% of the Group's revenue for FY2024 and FY2025 respectively).

With reference to the 2025 Annual Report, the aforesaid increase in sales of electronic components and semiconductors was primarily driven by demand for data centre infrastructure and AI-related system, semiconductor shipment value ramped up significantly since the fourth quarter of 2025. Despite the increase in Group's revenue, the Group's gross profit decreased by approximately 6.90% from FY2024 to FY2025, which was mainly due to increase cost of sales.

Mainly as the result of reduction in loss in fair value of investment properties and loss from derecognition of trade receivables at fair value through other comprehensive income, being partially offset by decrease in the Group's gross profit, the profit attributable to owners of the Company increased by approximately 11.07% from FY2024 to FY2025.

| | **For the six months ended 30 June 2026 ("1H2026")** *(unaudited)* *HK$'000* | **For the six months ended 30 June 2025 ("1H2025")** *(unaudited)* *HK$'000* | **Year on year change** *%* |
|---|---|---|---|
| Revenue | 33,310,510 | 12,593,839 | *164.50* |
| *– Sales of electronic components and semiconductors* | *33,249,488* | *12,529,065* | *165.38* |
| *– Sales of business equipment, LED lighting and display products and provision of related ancillary services* | *52,098* | *55,544* | *(6.20)* |
| *– Rental income from investment properties* | *8,924* | *9,230* | *(3.32)* |
| Gross profit | 1,652,368 | 579,120 | *185.32* |
| Profit attributable to owners of the Company | 812,366 | 263,523 | *208.27* |

As illustrated in the above table, the Group's revenue was approximately HK$33,311 million for 1H2026, representing an increase of approximately 164.50% as compared to that for 1H2025 which was mainly attributable to the increase in sales of electronic components and semiconductors (contributed to approximately 99.49% and 99.82% of the Group's revenue for 1H2025 and 1H2026 respectively). With reference to the 2026 Interim Report, the aforesaid increase in sales of electronic components and semiconductors was mainly driven by rapid advancement of AI, memory chip and semiconductor manufacturers prioritizing robust demand of AI data center hardware that caused global shortage of chips and pushed average selling prices of memory chips and most semiconductors to record highs.

Along with the increase in Group's revenue, the Group's gross profit also increased by approximately 185.32% from 1H2025 to 1H2026. With the increase in the Group's gross profit being partially offset by increase in administrative expenses, loss from derecognition of trade receivables at fair value through other comprehensive income and income tax expenses, the profit attributable to owners of the Company increased by approximately 208.27% from 1H2025 to 1H2026.

With reference to the 2026 Interim Report, the Company believes that it is 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 the Group's strong financial strength, localized sales and engineers, competent inventory management and other value-added services. By leveraging on the Group's experience, industry expertise and market recognition, the Company is confident to pursue a healthy and sustainable business growth and generate more returns to the Shareholders.

**Information on Hon Hai Group**

With reference to the Board Letter, Hon Hai is a company listed on the Taiwan Stock Exchange Corporation (Stock Code: TW2317) and the Hon Hai Group is the world's leading computer, communication, consumer electronics manufacturing services provider.

As advised by the Directors, the sales and purchases of electronic components between the Group and Hon Hai Group commenced since 1999, at such time Hon Hai was not a connected person of the Company. In 2000, Foxconn (a wholly-owned subsidiary of Hon Hai) became a substantial Shareholder. As further confirmed by the Directors, since the commencement of business between the Group and Hon Hai Group, the Group has maintained good business relationship with Hon Hai Group and the Group has neither received any material complaint from Hon Hai Group in respect of the electronic components sold to Hon Hai Group nor from the end-customers of the Group in respect of the electronic components purchased from Hon Hai Group and resold to the end-customers. Moreover, the Group has not suffered from any bad debt due to its sales of the electronic components to Hon Hai Group.

**Reasons for and benefits for the Continuing Connected Transactions**

With reference to the Board Letter:

(i) Given the business expansion of the Group and the increasing market demand, the Board expected that the aggregated transaction amounts for the sales of electronic components and other products (including distribution arrangements) by the Group to the Hon Hai Group under the 2024 Conditional Master Agreement will exceed the Original Caps, the Board proposed to revise the Original Caps.

(ii) During the beginning of July 2026 when the Company's latest unaudited management accounts and operational data for 1H2026 became available to the Group, it has come to the Board that the aggregated transaction amounts in respect of the sales of electronic components and distribution of brand products under the Hon Hai Group between the Group and the Hon Hai Group for 1H2026 amounted to approximately HK$1,784.5 million, representing approximately 66.09% of the Original Cap of HK$2,700 million for the financial year ending 31 December 2026. Such increase in sales was mainly attributable to the following market developments:

a. global market demand for AI applications is rising rapidly. The implementation of large-scale AI models across various industries is driving substantial demand for computing power hardware, tightening the supply-and-demand balance of upstream semiconductor chips and directly driving up the average selling prices of most of semiconductor and electronic components; and

b. market demand for AI servers has surged significantly. To support the shipments of complete server units, the industry chain is simultaneously expanding production lines for peripheral components such as cooling systems, high-speed transmission modules and power supplies, thereby enlarging the overall supply scale of peripheral supporting products.

In light of the above, the Board expected that the aggregated transaction amount in respect of the sales of electronic components and other products (including distribution arrangements) contemplated under the 2024 Conditional Master Agreement will exceed the Original Caps. Accordingly, the Board considered that it is necessary to revise the Original Caps in compliance with the requirements under Chapter 14A of the Listing Rules.

(iii) The 2024 Conditional Master Agreement will expire on 31 December 2027. 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 27 August 2026, the Company entered into the 2026 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 extend the term of the 2024 Conditional Master Agreement for an additional year ending 31 December 2028.

With reference to the Board Letter, the Group is one of the suppliers of the Hon Hai Group. The Group acts as an agent between the Hon Hai Group and other suppliers to sell electronic components to the Hon Hai Group. The Group also acts as a distributor of the Hon Hai Group to purchase electronic components from the Hon Hai Group and sell the same to the end-customers of the Group. For sales of electronic components by the Group to the Hon Hai Group, the Hon Hai Group would conduct sourcing in advance and instruct the Group to purchase the electronic components from the designated supplier and resell the same to the Hon Hai Group. For purchases of electronic components by the Group from the Hon Hai Group, the Group's end customers would only instruct the Group to purchase the electronic components from the Hon Hai Group and resell the same to them.

As shown in the section headed "Information on the Group" above, the sales of electronic components and semiconductors was the largest business segment of the Group for FY2024, FY2025 and 1H2026, accounting for over 99% of the Group's revenue.

In view of the above, we consider that the Continuing Connected Transactions are conducted under the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole.

**2. Principal terms of the Continuing Connected Transactions**

The tables below summarise the major terms of the Continuing Connected Transactions:

| | |
|---|---|
| **Agreement date:** | 27 August 2026 |
| **Parties:** | (i) The Company<br>(ii) 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 2028 to 31 December 2028 (both dates inclusive) |

The 2026 Conditional Master Agreement is conditional upon the approval of the New Caps, the 2026 Conditional Master Agreement and the transactions contemplated thereunder by the Independent Shareholders at the SGM.

Under the 2026 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.

With reference to the Board Letter, the members of the Group will follow the internal policy and procedures as set out under the section headed "INTERNAL POLICIES AND PROCEDURES" of the Board Letter when entering into, or deciding whether to enter into any sale or purchase transactions, with members of the Hon Hai Group.

*Pricing policy for sales*

With reference to the Board Letter, for sales to be transacted with the Hon Hai Group, the sale executives of the Group will have 3-party meetings with each of our main suppliers and representatives from the Hon Hai Group on a quarterly basis to discuss the overall prices and quantities for each product categories. The suppliers and representatives from the Hon Hai Group will agree upon the prices and quantities of various products to be traded. Determination of the prices for sales with Hon Hai is generally with reference to the standard price range, prevailing market prices of those or similar products, or the gross profit mark-up rate not below 1.2% (the "**Minimum Sales Margin**"). Detailed pricing policy for the Sale Transactions is set out under the sub-section headed "Pricing Policy" of the Board Letter.

For our due diligence purpose, the Company provided us a list of Sale Transactions for each of FY2024, FY2025 and 1H2026. We randomly selected from the aforesaid list and the Company provided us a set of invoices (comprising one invoice to Hon Hai Group and one invoice to independent third party) for each of FY2024, FY2025 and 1H2026 (i) between the Group and Hon Hai Group; and (ii) between the Group and independent third parties, and we noted that the selling prices offered by the Group to Hon Hai Group were not less than the selling prices offered by the Group to independent third parties for the same products. We consider the reviewed invoices to be sufficient from the Independent Financial Adviser's perspective as they were selected on a random basis and covered two financial years and the latest interim period of the Group.

We noted that the Group's gross profit margins were approximately 4.4% for FY2025 and approximately 5.0% for 1H2026, which are higher than the Minimum Sales Margin. In this respect, the Directors advised us that the Group may conduct sale transactions which generate low gross profit margin with large independent third party customers. Upon our request, the Company provided three transaction records for FY2025 with an independent third party customer which contributed over 10% of the Group's total sales for FY2025. The transactions under the said transaction records generated gross profit margin of less than 0.3% gross margin (the "**Lower GP Margin of I3P**").

Accordingly, despite the lower Minimum Sales Margin as compared to the Group's gross profit margins for FY2025 and 1H2026, it makes economic sense to conduct the Sales Transactions provided that the Group has sufficient capacity and reasonable gross profit margins can be generated therefrom.

*Pricing policy for purchases*

With reference to the Board Letter, the current price negotiation mechanism in relation to the purchases of products made by the Group from the Hon Hai Group involves the end-customers and the Hon Hai Group first agreeing the price (i.e., the Group's selling price to the end-customers), which is then followed by the Group negotiating with the Hon Hai Group on its purchase price from the Hon Hai Group with reference to the mark-up rate not below 1%. (the "**Minimum Purchase Mark-up Rate**"). Detailed pricing policy for the Purchase Transactions is set out under the section headed "Price Policy for Purchases" of the Board Letter.

For our due diligence purpose, we requested the Company to provide us with historical purchase records (i) between the Group and Hon Hai Group; and (ii) between the Group and other independent third parties. As represented by the Company, a number of the members of Hon Hai Group are the only vendors approved by the End-Customers, the Group is thus required to purchase the products under the Purchase Transactions (the "**Purchase Products**") from Hon Hoi Group only. As such, there has been no purchases record between the Company and other independent third parties for the Purchase Products.

In this respect, the Company provided us a list of Purchase Transactions for each of FY2024, FY2025 and the 1H2026. We randomly selected from the aforesaid list and the Company provided us with a set of historical purchases invoices between the Group and Hon Hai Group and sales invoices between the Group and the End-Customers (comprising one invoice from each side) for each of FY2024, FY2025 and 1H2026 and noted from the aforesaid invoices that the Group's gross profit margins derived from the aforesaid purchases (from Hon Hai Group) and re-sales (to the End-Customers) were not below 2%. We consider the reviewed invoices to be sufficient from the Independent Financial Adviser's perspective as they were selected on a random basis and covered two financial years and the latest interim period of the Group.

We noted that the Group's gross profit margins were approximately 4.4% for FY2025 and approximately 5.0% for 1H2026, which are higher than the Minimum Purchase Mark-up Rate. Having considered the Lower GP Margin of I3P as mentioned above, it makes economic sense to conduct the Purchase Transactions (despite the lower Minimum Purchase Mark-up Rate as compared to the Group's gross profit margins for FY2025 and 1H2026) provided that the Group has sufficient capacity and reasonable gross profit margins can be generated therefrom.

**3. The New Caps**

Set out below are (i) the historical amounts of the Continuing Connected Transactions for FY2024, FY2025 and 1H2026; (ii) the previous/existing annual caps of the Continuing Connected Transactions for the three years ending 31 December 2027; and (iii) the New Caps for the three years ending 31 December 2028:

| | **For the year ended 31 December 2024** | **For the year ended 31 December 2025** | **For the six months ended 30 June 2026** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Historical amount of the Sale Transactions | 1,890,414 | 2,350,649 | 1,784,527 |
| Historical amount of the Purchase Transactions | 2,343,030 | 1,876,110 | 917,838 |

| | **For the year ended 31 December 2024** | **For the year ended 31 December 2025** | **For the year ending 31 December 2026 ("FY2026")** | **For the year ending 31 December 2027 ("FY2027")** |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Historical amount of the Sale Transactions | 1,890,414 | 2,350,649 | 1,784,527 *(Note)* | Not available |
| Previous/existing annual caps of the Sale Transactions | 4,300,000 | 2,300,000 | 2,700,000 | 3,200,000 |
| *Utilisation rate* | *43.96%* | *102.20%* | *Undetermined yet* | *Undetermined yet* |
| Historical amount of the Purchase Transactions | 2,343,030 | 1,876,110 | 917,838 *(Note)* | Not available |
| Previous/existing annual caps of the Purchase Transactions | 3,500,000 | 2,800,000 | 3,300,000 | 3,800,000 |
| *Utilisation rate* | *66.94%* | *67.00%* | *Undetermined yet* | *Undetermined yet* |

*Note:* This figure is for 1H2026.

| | For the year ending 31 December 2026 | For the year ending 31 December 2027 | For the year ending 31 December 2028 ("FY2028") |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Sale Caps | 4,300,000 | 5,900,000 | 8,100,000 |
| Purchase Caps | 3,300,000 | 3,800,000 | 4,300,000 |

*Analysis on the Sale Caps*

Detailed basis of determining the Sale Caps for the three years ending 31 December 2028 is set out under the sub-section headed "BASIS OF THE CAPS – Sale Caps" of the Board Letter.

From the above tables, we noted that the utilisation rates of the previous annual caps for FY2024 and FY2025 were approximately 44% and approximately 102% respectively.

To assess the fairness and reasonableness of the Sale Caps for the three years ending 31 December 2028, we obtained the calculation of the Sale Caps (the "**Sale Caps Calculation**") from the Company. The Sale Caps Calculation was based on the estimated sales from various business units of the Group.

Based on the Sale Caps Calculation, the estimated amounts of the Sale Transactions are approximately HK$3,800 million for FY2026, approximately HK$5,100 million for FY2027 and approximately HK$7,000 million for FY2028. Such estimated amounts of the Sale Transactions represent year-on-year growth rate of approximately 62%, 34% and 37% for FY2026, FY2027 and FY2028 respectively.

To assess the reasonableness of the aforesaid year-on-year growth rates, we considered the following factors:

(i) With reference to the Board Letter:

(a) The sales of electronic components and other products (including distribution arrangements) by the Group to the Hon Hai Group had increased dramatically.

(b) The transactions between the Group and the Hon Hai Group are on purchase order basis. Technology life-cycle of consumer electronics is shortened which rapidly phases out the old products. The Directors anticipate that accelerating global AI development will further drive demand for semiconductor chips and peripheral components. The expansion of hyperscale data centers and AI server production has tightened supply and increased component prices, while creating opportunities for the Group's new AI related products, such as advanced cooling solutions, to integrate into the supply chain and support sustained sales growth.

(ii) Given the nature of the Sale Transactions, the Directors advised us that the Sale Transactions will increase along with Hon Hai Group's business development and growth.

We noted from Hon Hai's annual report for FY2025 that its (a) consolidated net operating revenue increased by approximately 18.13% from approximately New Taiwan Dollar (NT$) 6,860 billion (equivalent to approximately HK$1,685 billion, assuming the exchange rate of HK$1:NT$4.07) for FY2024 to approximately NT$8,103 billion (equivalent to approximately HK$1,991 billion) for FY2025; and (b) consolidated operating cost increased by approximately 18.26% from approximately NT$6,431 billion (equivalent to approximately HK$1,580 billion) for FY2024 to approximately NT$7,605 billion (equivalent to approximately HK$1,869 billion) for FY2025.

We also noted from Hon Hai's monthly revenue report that its consolidated revenue increased by approximately 39.53% from approximately NT$5,497 billion (equivalent to approximately HK$1,351 billion) for the nine months ended 30 September 2025 to approximately NT$7,670 billion (equivalent to approximately HK$1,884 billion) for the nine months ended 30 September 2026.

The above growths in Hon Hai indicate great potential of its increase in demand for purchase (including those from the Sale Transactions).

(iii) The Group's sales of electronic components and semiconductors increased by (a) approximately 10% from FY2024 to FY2025; and (b) approximately 165% from 1H2025 to 1H2026, which indicated a recent hiking trend on such sales.

(iv) Based on the records provided by the Company, the historical amount of Sale Transactions (a) for FY2025 represented an increase of approximately 24% as compared to that for FY2024; and (b) for 1H2026 represented an increase of approximately 82% as compared to that for 1H2025. Such increase in growth rates align with the hiking trend on the Group's sales of electronic components and semiconductors.

After considering the factors as set out above, we are of the view that the aforesaid year-on-year growth rates are reasonable.

Based on the Sale Caps Calculation, the Sale Caps for the three years ending 31 December 2028 were calculated based on the aforesaid estimated amounts of the Sale Transactions for three years ending 31 December 2028 and incorporating a buffer (the "**Buffer**") of 15%, with rounding. We noted that the Company incorporated a buffer of 10% in determining the previous/existing annual caps for the 2024 Conditional Master Agreement. Nevertheless, the Sale Transactions amounted to approximately HK$2,351 million for FY2025, which exceeded the corresponding annual cap of HK$2,300 million by approximately 2.2%. Accordingly, the Company adopt a more prudent approach and higher buffer rate of 15% in determining the annual caps for the 2026 Conditional Master Agreement. Given the above, we consider the Buffer to be reasonable.

In light of the above, we consider the Sale Caps for the three years ending 31 December 2028 to be fair and reasonable.

*Analysis on the Purchase Caps*

The Purchase Caps for FY2026 and FY2027 were approved in the Company's special general meeting held on 19 December 2024 and remain unchanged. Detailed basis of determining the Purchase Cap for FY2028 is set out under the sub-section headed "BASIS OF THE CAPS – Purchase Caps" of the Board Letter.

From the above tables, we noted that the utilisation rate of the previous annual caps for the Purchase Transactions for FY2024 and FY2025 were both approximately 67%.

To assess the fairness and reasonableness of the Purchase Cap for FY2028, we obtained the calculation of the Purchase Cap for FY2028 (the "**Purchase Cap Calculation**") from the Company. The Purchase Cap Calculation was based on the estimated demand from various business units of the Group.

Based on the Purchase Cap Calculation, the estimated amount of the Purchase Transactions is approximately HK$3,800 million for FY2028, representing a compound annual growth rate of approximately 27% on the historical amount of the Purchase Transactions of approximately HK$1,876 million for FY2025.

To assess the reasonableness of the aforesaid compound annual growth rate, we considered the following factors:

(i) With reference to the Board Letter, 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 Group's sales to those end-customers were included in the Group's sales of electronic components and semiconductors, which were increased by (a) approximately 10% from FY2024 to FY2025; and (b) approximately 165% from 1H2025 to 1H2026, indicating a recent hiking trend on such sales.

(ii) With reference to the Board Letter, the estimation of growth is mainly attributable to the continuous growth of demand for consumer electronics, the expected introduction of new smartphones and earphones which employed Hon Hai connectors, modules and clips. In addition, due to the increasing expansion of product lines supplied by the Hon Hai Group in terms of variety, quantity and quality, it is expected that there will be new customers who will start to employ the components and parts supplied by Hon Hai Group. For the new products, mainly smartphone/earphone parts and modules and clips, the Group started to purchase smartphone/earphone parts and modules and clips and re-sell those parts to OEM factories. The Group expects the purchase of smartphone/earphone parts and modules and clips will continue in the next three years. Indications from the Group's existing customers also reflected their intention to increase their demand for products supplied by the Hon Hai Group.

(iii) With reference to the Board Letter, FIT Hon Teng is a non-wholly owned subsidiary of Hon Hai. The Group purchases cables and connectors and accessory, bone conduction transducer, modules and clips and mechanical structural parts from FIT Hon Teng and resells these products to the Group's end-customers. The Directors also advised us that, being a major supplier under the Purchase Transactions, FIT Hon Teng's business development and growth will stimulate the Purchase Transactions as the Group purchases products from FIT Hon Teng and resells to end-customers.

We noted from FIT Hon Teng's annual report for FY2025 that its consolidated revenue increased by approximately 12.39% from approximately United States Dollar (USD) 4.45 billion (equivalent to approximately HK$34.72 billion, assuming the exchange rate of USD1:HK$7.8) for FY2024 to approximately USD5.00 billion (equivalent to approximately HK$39.02 billion) for FY2025.

We noted from FIT Hon Teng's interim report for 1H2026 that its consolidated revenue increased by approximately 8.27% from approximately USD2.30 billion (equivalent to approximately HK$17.98 billion) for 1H2025 to approximately USD2.50 billion (equivalent to approximately HK$19.47 billion) for 1H2026.

Should FIT Hon Teng's revenue grow with the above momentum and FIT Hon Teng continue (and increase) its sales to the Group through the Purchase Transactions, the Purchase Transactions may substantially increase.

After considering the factors as set out above, we are of the view the aforesaid compound annual growth rate is reasonable.

Based on the Purchase Caps Calculation, the Purchase Cap for FY2028 was calculated based on the aforesaid estimated amount of the Purchase Transactions for FY2028 and incorporating the Buffer of 15%, with rounding.

We noted that the Company incorporated a buffer of 10% in determining the previous/existing annual caps for the 2024 Conditional Master Agreement. Nevertheless, the Sale Transactions amounted to approximately HK$2,351 million for FY2025, which exceeded the corresponding annual cap of HK$2,300 million by approximately 2.2%. Accordingly, the Company adopt a more prudent approach and higher buffer rate of 15% in determining the annual caps for the 2026 Conditional Master Agreement. Given the above, we consider the Buffer to be reasonable.

Having considered the above, we are of the view that the Purchase Cap for FY2028 is fair and reasonable.

Shareholders should note that as the New Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2028, and they do not represent forecasts of purchase costs/revenue/income to be incurred/generated from the Continuing Connected Transactions. Consequently, we express no opinion as to how closely the actual purchase costs/revenue/income to be incurred/generated from the Continuing Connected Transactions will correspond with the Caps.

Having considered the principal terms of the Continuing Connected Transactions as set out above (including the New Caps), we are of the view that the terms of the Continuing Connected Transactions are on normal commercial terms and are fair and reasonable.

**4. Listing Rules implication**

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Continuing Connected Transactions must be restricted by the New Caps for the period concerned under the 2026 Conditional Master Agreement; (ii) the terms of the 2026 Conditional Master Agreement must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Conditional Master Agreement must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group (only applicable to the Sale Transactions); (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the New Caps. In the event that the total amounts of the Continuing Connected Transactions exceed the New Caps, or that there is any material amendment to the terms of the 2026 Conditional Master Agreement, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Continuing Connected Transactions and thus the interest of the Independent Shareholders would be safeguarded.

**RECOMMENDATION**

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Continuing Connected Transactions (including the New Caps) are on normal commercial terms and are fair and reasonable; and (ii) the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the 2026 Conditional Master Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
**Gram Capital Limited**
**Graham Lam**
*Managing Director*

*Notes: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 30 years of experience in investment banking industry.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (i) Directors and Chief Executive of the Company

As at the Latest Practicable Date, the interests and short positions of each director and chief executive of the Company and each of their respective associates, in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

*Long positions*

(a) Ordinary shares of HK$0.10 each of the Company

| Name of directors | Capacity | Number of shares held as at the Latest Practicable Date | Percentage of issued share capital of the Company as at the Latest Practicable Date |
|---|---|---|---|
| Dr. Yim Yuk Lun, Stanley *SBS BBS JP* | Beneficial owner | 114,964,000 | 18.37% |
| | Held by controlled corporation *(Note 1)* | 227,542,800 | 36.36% |
| | | 342,506,800 | 54.73% |
| Wong Sui Chuen | Beneficial owner | 1,824,000 | 0.29% |
| Tsui Chi Wing, Eric | Beneficial owner | 714,800 | 0.11% |
| Wong Wai Tai | Beneficial owner | 100,000 | 0.02% |

*Note 1:* These shares are held by Unimicro Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Dr. Yim Yuk Lun, Stanley *SBS BBS JP*. Therefore Dr. Yim Yuk Lun, Stanley *SBS BBS JP* is deemed to be interested in the shares owned by Unimicro Limited under the SFO.

(b) Ordinary shares of HK$0.01 each of V & V Technology Holdings Limited ("**V&V Technology**")

| Name of directors | Capacity | Number of issued ordinary shares held | Percentage of issued share capital of V&V Technology |
|---|---|---|---|
| Dr. Yim Yuk Lun, Stanley *SBS BBS JP* | Beneficial owner *(Note 2)* | 19,079,022 | 9.73% |
| | Held by controlled corporation *(Note 2)* | 126,725,570 | 64.62% |
| | | 145,804,592 | 74.35% |
| Wong Wai Tai | Beneficial owner | 500,000 | 0.25% |
| Tsui Chi Wing, Eric | Beneficial owner | 323,375 | 0.16% |
| Wong Sui Chuen | Beneficial owner | 253,132 | 0.13% |
| Yim Tsz Kit, Jacky | Beneficial owner | 30,000 | 0.02% |

*Note 2:* Dr. Yim Yuk Lun, Stanley *SBS BBS JP* beneficially owns 19,079,022 V&V Technology shares and is the controlling shareholder of the Company; he is therefore under the SFO deemed to be interested in 126,725,570 V&V Technology shares held by S.A.S. Investment Company Limited which is a wholly-owned subsidiary of the Company.

Save as disclosed above, other than certain nominee shares in subsidiaries held by certain directors in trust for the Company, none of the directors or chief executives or their associates had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations at the Latest Practicable Date.

**(ii) Substantial Shareholders**

As at the Latest Practicable Date, so far as was known to any director or chief executive of the Company, the following persons (other than a director or the chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of them SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

*Long positions in shares of the Company*

| Name | Capacity | Number of shares held as at the Latest Practicable Date | Percentage of issued share capital of the Company as at the Latest Practicable Date |
|---|---|---|---|
| Hon Hai | Held by controlled corporation *(Note)* | 124,000,000 | 19.81% |
| Foxconn | Beneficial owner | 124,000,000 | 19.81% |

*Note:* Hon Hai owns 100% interest in Foxconn and therefore Hon Hai is deemed to be interested in the shares owned by Foxconn under the SFO.

## 3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract or a proposed service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## 4. COMPETING INTERESTS

As at the Latest Practicable Date,

(a) none of the Directors nor any proposed director nor their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group; and

(b) none of the Directors nor any proposed director nor their respective associates has any direct or indirect interest in any assets which have been, since 31 December 2025, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 5. EXPERT'S QUALIFICATION AND CONSENT

The following are the qualifications of the expert who has given its opinions and advice which are included in this circular:

| Name | Qualification |
|---|---|
| Gram Capital Limited | A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO |

Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or opinion (as the case may be) and all references to its name in the form and context in which they appear.

As at the Latest practicable Date, Gram Capital was not beneficially interested in the share capital of any member of the Group nor did it has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it has any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited consolidated financial statements of the Group were made up (that is, 31 December 2025), acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2025, being the date to which the latest published audited financial statements of the Group were made up.

## 7. MISCELLANEOUS

(i) Mr. Wong Wai Tai, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, is the company secretary of the Company.

(ii) Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under SFO and the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the New Caps, the 2026 Conditional Master Agreement and the transactions contemplated thereunder.

(iii) Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name and/or letter in the form and context in which they respectively appear.

(iv) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

## 8. DOCUMENTS ON DISPLAY

Copy of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sasdragon.com.hk) for the period of 14 days from the date of this circular:

(i) the 2026 Conditional Master Agreement;

(ii) the Distributorship Agreements;

(iii) the Purchase Agreement;

(iv) letter from the Independent Board Committee dated 30 October 2026;

(v) letter from Gram Capital dated 30 October 2026; and

(vi) the written consent referred to in the paragraph headed "Expert's Qualification and Consent" in this appendix.

# S.A.S. Dragon Holdings Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1184)**

**NOTICE IS HEREBY GIVEN** that a special general meeting of S.A.S. Dragon Holdings Limited (the "**Company**") will be held at 28/F., Noble Centre, No. 1006, 3rd Fuzhong Road, Futian District, Shenzhen, P.R.C. on Wednesday, 18 November 2026 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as ordinary resolutions of the Company:

## ORDINARY RESOLUTIONS

1. "**THAT** the 2026 Conditional Master Agreement and the New Caps, each as defined and described in the circular of the Company dated 30 October 2026 (the "**Circular**") (a copy of the 2026 Conditional Master Agreement marked "A" together with a copy of the Circular marked "B" being tabled before the meeting and initialled by the chairman of the meeting for identification purpose), and all Continuing Connected Transactions (as defined in the Circular) contemplated thereunder and in connection therewith, be and are hereby approved, ratified and confirmed."

2. "**THAT** any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated under the 2026 Conditional Master Agreement, the New Caps and the Continuing Connected Transactions contemplated thereunder and to agree to any amendment to any of the terms of 2026 Conditional Master Agreement which in the opinion of the Director(s) is/are in the interests of the Company and in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (where relevant)."

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

Hong Kong, 30 October 2026

*Notes:*

(1) The ordinary resolutions to be considered at the meeting will be decided by poll. On voting by poll, each member shall have one vote for each share held in the Company.

(2) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

(3) In order to be valid, the form of proxy must be deposited with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong together with any power of attorney or other authority, under which it is signed, or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting.

(4) Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

(5) The register of members of the Company will be closed from 13 November 2026 to 18 November 2026, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the attending and voting at the meeting, all transfers accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on 12 November 2026. The record date for the attending and voting at the meeting is 18 November 2026.

(6) If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 8:00 a.m. on the date of the meeting, the meeting will be postponed. The Company will publish an announcement on the website of the Company at www.sasdragon.com.hk and on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk to notify its shareholders of the date, time and venue of the rescheduled meeting.