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If you have sold or transferred all your shares in the Company, you should at once hand this circular, together with the enclosed 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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GROUP

S.A.S. Dragon Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1184)

CONTINUING CONNECTED TRANSACTIONS

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



粵海證券有限公司
GUANGDONG SECURITIES LIMITED

A letter from the Independent Board Committee is set out on page 11 of this circular.

A letter from Guangdong Securities containing its advice to the Independent Board Committee and the Independent Shareholders on the Caps, the Renewal Agreement and the transactions contemplated thereunder is set out on pages 12 to 20 of this circular.

A notice convening the SGM to be held at 28/F., Noble Centre, No. 1006, 3rd Fuzhong Road, Futian District, Shenzhen, PRC on 20 December 2012 at 11:00 a.m. is set out on pages 26 to 27 of this circular. Whether or not you are able to attend and/or vote at the SGM in person, you are requested to complete the enclosed form of proxy and return it to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later 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 subsequently attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

3 December 2012

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DEFINITIONS

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

“Announcement”	the announcement issued by the Company dated 12 November 2012;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board” or “Directors”	the board of directors of the Company;
“Caps”	the Purchase Caps and the Sales Caps;
“Company”	S.A.S. Dragon Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange;
“Conditional Master Agreement”	The conditional master agreement dated 21 November 2006 made between the Company and Hon Hai, to govern the sales and purchases of electronic components between the Group and Hon Hai and its subsidiaries for the three financial years from 1 January 2007 to 31 December 2009;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Continuing Connected Transactions”	the Purchase Transactions and the Sales Transactions;
“Distribution Agreement”	the distribution agreements made between Hon Hai and S.A.S. Electronic dated 1 January 2011 respectively in relation to the non-exclusive distribution of Hon Hai’s products by S.A.S. Electronic and certain other members of the Group in Hong Kong, Taiwan and certain regions in the PRC;
“Foxconn”	Foxconn Holding Limited, a wholly owned subsidiary of Hon Hai and a substantial shareholder of the Company;
“Group”	the Company and its subsidiaries;
“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities); type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Renewal Agreement;

DEFINITIONS

“Hon Hai”	Hon Hai Precision Industry Company Limited, a company incorporated in Taiwan with limited liability, the shares of which are listed on the Taiwan Stock Exchange Corporation;
“Hon Hai Group”	Hon Hai, Foxconn and their respective subsidiaries and associates;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	an independent board committee of the Company comprising Mr. Cheung Chi Kwan, Mr. Liu Chun Ning, Wilfred, Dr. Lui Ming Wah <i>SBS J.P.</i> and Mr. Wong Tak Yuen, Adrian to advise the Independent Shareholders in relation to the Caps, the Renewal Agreement and the transactions contemplated thereunder;
“Independent Shareholder(s)”	Shareholder(s) other than Hon Hai, Foxconn and any of their respective associates;
“Latest Practicable Date”	29 November 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information included in this circular;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules;
“PRC”	People’s Republic of China excluding Hong Kong, Macau Special Administrative Region and Taiwan;
“Purchase Agreement”	the purchase agreement made between Hon Hai and the Group in relation to the rights and responsibilities in the product sales to Hon Hai;
“Purchase Caps”	for the purpose of Chapter 14A of the Listing Rules, means the annual caps of HK\$1,200,000,000, HK\$1,800,000,000 and HK2,700,000,000 for each of the three financial years ending 31 December 2013, 2014 and 2015 respectively in respect of the Purchase Transactions;
“Purchase Transactions”	the purchases of electronic components by the Group from Hon Hai Group under the Renewal Agreement;

DEFINITIONS

“Renewal Agreement”	the renewal conditional master agreement dated 12 November 2012 entered into between the Company and Hon Hai in respect of the Continuing Connected Transactions for an extension of three financial years ending 31 December 2015;
“S.A.S. Electronic”	S.A.S. Electronic Co. Ltd., a company incorporated in Hong Kong and a wholly owned subsidiary of the Company;
“Sales Caps”	For the purpose of Chapter 14A of the Listing Rules, means HK\$1,000,000,000, HK\$1,500,000,000 and HK\$2,250,000,000 being the annual caps for each of the three financial years ending 31 December 2013, 2014 and 2015 respectively in respect of the Sales Transactions;
“Sales Transactions”	the sales of electronic components (including distribution arrangements) by the Group to Hon Hai Group under the Renewal Agreement;
“SFO”	Securities and Futures Ordinance (Chapter 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, PRC on 20 December 2012 at 11:00 a.m. to approve the Caps, the Renewal Agreement and the transactions contemplated thereunder, notice of which is set out on pages 26 to 27 of this circular;
“Shareholder(s)”	holder(s) of shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“3C”	computer, communication and consumer electronics;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.

LETTER FROM THE BOARD



S.A.S. Dragon Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1184)

Executive Directors:

Mr. Yim Yuk Lun, Stanley *J.P.*
(Chairman and Managing Director)
Mr. Wong Sui Chuen
Mr. Lock Shui Cheung
Mr. Lau Ping Cheung

Non-executive Directors:

Dr. Chang Chu Cheng

Independent Non-executive Directors:

Mr. Cheung Chi Kwan
Mr. Liu Chun Ning, Wilfred
Dr. Lui Ming Wah *SBS J.P.*
Mr. Wong Tak Yuen, Adrian

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Office:

Room 601–603, 6th Floor, Tower B
Hung Hom Commercial Centre
37 Ma Tau Wai Road
Hung Hom
Kowloon
Hong Kong

3 December 2012

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the announcements dated 23 November 2006, 18 November 2009 and 9 April 2010 as well as the circulars dated 12 December 2006, 3 December 2009 and 29 April 2010 in relation to the Continuing Connected Transaction of the Company. The Company has entered into a Conditional Master Agreement dated 21 November 2006 for the sales and purchases of electronic components between the Group and Hon Hai Group, and subsequently a renewal conditional master agreement with Hon Hai on 17 November 2009 to govern such sales and purchases. Since the previous renewal conditional master agreement dated 17 November 2009 for the sales and purchases of electronic components between the Group and Hon Hai Group will expire on 31 December 2012, therefore, on 12 November 2012, the

LETTER FROM THE BOARD

Company entered into the Renewal Agreement with Hon Hai to govern the sales and purchases of electronic components between the Group and Hon Hai Group for an extension of three financial years ending 31 December 2015.

THE RENEWAL AGREEMENT

The Company entered into the Renewal Agreement with Hon Hai on 12 November 2012 to govern the Continuing Connected Transactions for the three financial years ending 31 December 2015. The principal terms of the Renewal Agreement are set out below:

Date:	12 November 2012
Parties:	The Company Hon Hai
Subject matter:	Sales and purchases of electronic components between the Group and Hon Hai Group
Term:	From 1 January 2013 to 31 December 2015

The Renewal Agreement is conditional upon the approval of the Renewal Agreement and the Caps by the Independent Shareholders.

Under the Renewal 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;

In respect of the Purchase Transactions, certain members of the Hon Hai Group are the only vendors approved by the end customers. Therefore the Group is obliged to purchase the products from Hon Hai Group to satisfy their requirements. Prior to confirming the Purchase Transactions with Hon Hai Group, the Group will ensure that a reasonable profit margin can be secured from the end customers by determining the selling price on a cost-plus basis with reference to the price quote from the Hon Hai Group.

In respect of the Sales Transactions, the Group determine the market rates based on the past experience and market information from the existing vendors and customers through negotiation with them and compare the rates so determined from quotation obtained from independent third parties. In addition, the Group will continue to seek other independent customers in order to expand its customer base and which will at the same time provide a reference of the prevailing market price to determine the selling price to the Hon Hai Group.

LETTER FROM THE BOARD

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

To ensure that the consideration for the Purchase Transactions and the Sales Transactions are based on the rates as determined under (a) above and that the consideration of the Continuing Connected Transactions entered into with the Hon Hai Group are based on rates no less favourable than those available from or to independent third parties, the Company adopts the following supervision measures and internal control procedures:

- (i) In respect of the Purchase Transactions, under the internal control system of the Group, the selling price to the end customers proposed by individual sales persons are submitted to the responsible sales directors 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 the quotation from the Hon Hai Group and ensure that proper approval has been obtained and the selling price is determined based on the cost-plus basis with reference to the price quote from the Hon Hai Group.
- (ii) In respect of the Sales Transactions, under the internal control system of the Group, the selling price to the Hon Hai Group proposed by individual sales persons are submitted to the responsible sales directors 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 quotation obtained from independent third parties to ensure that there is no significant deviation between the two and that proper approval has been obtained for the proposed selling price. It will also ensure that the selling price is on no less favourable rates than those available from or to independent third parties.

Hon Hai will procure members of the Hon Hai Group to comply with the provisions of the Renewal Agreement.

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

At present, the electronic components sold by the Group to Hon Hai Group mainly include memory IC, super IO controller and embedded controller, transistor and diode mainly for mobile phones, computer, server application, networking equipment and set top box products and the electronic components sold by Hon Hai Group to the Group mainly include cable and connector for a wide range of electronic products.

LETTER FROM THE BOARD

DETERMINATION

The following is a summary of the approximate amounts of transactions in respect of the sales and purchases of electronic components between the Group and the Hon Hai Group for the two financial years ended 31 December 2011 and the nine months ended 30 September 2012:

	For the financial year ended 31 December 2010 (HK\$'000)	For the financial year ended 31 December 2011 (HK\$'000)	For the nine months ended 30 September 2012 (HK\$'000) (unaudited)
Purchases from Hon Hai Group	247,898	517,724	395,110
Sales to Hon Hai Group	555,275	459,802	162,659

The aggregate transaction amounts in respect of the sales and purchases of electronic components between the Group and the Hon Hai Group for the two years ended 31 December 2011 and the nine months ended 30 September 2012 have not exceed the (i) purchase caps of HK\$308,000,000, HK\$616,000,000 and HK\$924,000,000; and (ii) the sales caps of HK\$770,000,000, HK\$1,431,100,000 and HK\$2,093,410,000, for each of the three financial years ending 31 December 2012 respectively, all as revised and announced on 9 April 2010, which were all approved by the Independent Shareholders.

The proposed Caps of the Continuing Connected Transactions for each of the three financial years ending 31 December 2013, 2014 and 2015 of the Group are set out below:

	For the financial year ending 31 December 2013 (HK\$'000)	For the financial year ending 31 December 2014 (HK\$'000)	For the financial year ending 31 December 2015 (HK\$'000)
Purchase Caps	1,200,000	1,800,000	2,700,000
Sales Caps	1,000,000	1,500,000	2,250,000

In determining the proposed Caps of the Continuing Connected Transactions for each of the three financial years ending 31 December 2013, 2014 and 2015 of the Group, the Board based on the following major factors:

- (a) Projections of the sales and purchases of electronic components between the Group and Hon Hai Group including the expected market growth of smart phone, PC tablet, LED lighting and other electronic products;

LETTER FROM THE BOARD

- (b) The continuous sales growth of Hon Hai Group and the expansion in manufacturing base in Chengdu, Taiyuan and Zhengzhou of the PRC for production of smart phone, PC tablet and other electronic products of Hon Hai Group;
- (c) The sales to Hon Hai Group of networking products after the Group has further penetrated into the networking market by obtaining distribution right of Marvell Asia PTE Ltd;
- (d) The sales to Hon Hai Group by Chenmtech Company Limited, 51% of the issued share capital of which was acquired by the Group as described in the announcement of the Company dated 17 October 2011;
- (e) After the Group has obtained the distribution right of Cree Inc., the Group has received indication from other subsidiaries of Hon Hai Group, including certain subsidiaries engaging in production of LED lighting products, which have no business relationship with the Group before and this might attract more business opportunity between the Group and Hon Hai Group;
- (f) Turnover outlook of the Group; and
- (g) A buffer of 10%.

If the amounts of the Continuing Connected Transactions shall exceed the respective Caps or upon the expiry of the Caps or where there is a material change to the terms of the Continuing Connected Transactions, the Company will re-comply with all applicable requirements under the Listing Rules, including (where required) the obtaining of approval of the Independent Shareholders. The Company will also comply with the annual review and reporting requirements of Rule 14A.37 to Rule 14A.41 and Rule 14A.45 to Rule 14A.47 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 17.55% of the issued share capital of the Company and is a substantial shareholder of the Company. Therefore, Hon Hai, Foxconn and their respective associates are connected persons of the Company and the Continuing Connected Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

INFORMATION ABOUT THE GROUP AND HON HAI GROUP

The Group is principally engaged in the distribution of electronic components and semiconductors products.

The Hon Hai Group is the leading global manufacturing service provider in the 3C industries.

LETTER FROM THE BOARD

REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS

The previous renewal conditional master agreement dated 17 November 2009 between the Company and Hon Hai will expire on 31 December 2012. As a result, the Company entered into the Renewal Agreement to govern the sales and purchases of electronic components between the Group and Hon Hai Group for an extension of three financial years ending 31 December 2015.

The Directors (excluding the independent non-executive Directors whose views are set out in the section headed “Letter from the Independent Board Committee” of this circular after taking into account the advice from Guangdong Securities) consider that Hon Hai Group is a reliable source of business for the Group and it is in its best interests to generate incremental income by carrying out Sales Transactions and Purchase Transactions as long as the Sales Transactions and Purchase Transactions are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) confirm that the Continuing Connected Transactions will be conducted in the usual and ordinary course of business of the Group, and based on normal commercial terms and on terms no less favourable to the Group than terms available to or from (as appropriate) other independent third parties. The Directors (excluding the independent non-executive Directors whose views are set out in the section headed “Letter from the Independent Board Committee” of this circular after taking into account the advice from Guangdong Securities) are of the view that the Caps, the Renewal 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

Given that the applicable percentage ratios (except the profit ratio) under Chapter 14 of the Listing Rules in respect of each of the Continuing Connected Transactions are expected to exceed 5% on an annual basis, the Continuing Connected Transactions are subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. The SGM will be convened for the Independent Shareholders to approve the Caps, the Renewal Agreement and the transactions contemplated thereunder by poll.

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

Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee of the Company and the Independent Shareholders regarding the Caps, the Renewal Agreement and the transactions contemplated thereunder. An independent board committee of the Company will also be appointed to advise the

LETTER FROM THE BOARD

Independent Shareholders on whether or not the Caps, the Renewal Agreement and the transactions contemplated thereunder are in the interest of the Company and are fair and reasonable so far as the Independent Shareholders are concerned.

SGM

There is set out on pages 26 to 27 of this circular a notice convening the SGM to be held at 28/F., Noble Centre, No. 1006, 3rd Fuzhong Road, Futian District, Shenzhen, PRC on 20 December 2012 at 11:00 a.m. at which ordinary resolutions will be proposed for the approval by the Independent Shareholders by poll the Caps, the Renewal Agreement and the transactions contemplated thereunder.

Whether or not you are able to attend the SGM in person, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. The completion of the enclosed proxy form will not preclude you from attending and voting at the SGM or any adjournment thereof should you so wish.

In compliance with the Listing Rules, the votes to be taken at the SGM in respect of the Caps, the Renewal Agreement and the 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 Guangdong Securities, considers that the Caps, the Renewal Agreement and the 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 Caps, the Renewal Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and from Guangdong Securities which are respectively set out on pages 11 and 12 to 20 of this circular. Additional information is also set out in the Appendix of this circular for your information.

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



S.A.S. Dragon Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1184)

3 December 2012

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 3 December 2012 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 Caps, the Renewal Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the same. Guangdong Securities 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 4 to 10 of the Circular, and the letter from Guangdong Securities which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Caps, the Renewal Agreement and the transactions contemplated thereunder as set out on pages 12 to 20 of the Circular.

After taking into consideration the advice from Guangdong Securities, we concur with the views of Guangdong Securities and consider that the Continuing Connected Transactions, the Caps, the Renewal Agreement and the 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 Caps, the Renewal Agreement and the transactions contemplated thereunder.

Yours faithfully
Cheung Chi Kwan
Liu Chun Ning, Wilfred
Lui Ming Wah SBS J.P.
Wong Tak Yuen, Adrian
Independent Board Committee

LETTER FROM GUANGDONG SECURITIES

Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Renewal Agreement and the Continuing Connected Transactions for the purpose of inclusion in this circular.



Unit 2505-06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

3 December 2012

*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 relation to the Renewal Agreement and the Continuing Connected Transactions, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 3 December 2012 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.

According to the Board Letter, the Company entered into the Conditional Master Agreement on 21 November 2006 and subsequently a renewal conditional master agreement on 17 November 2009 to govern the sales and purchases of electronic components between the Group and Hon Hai Group. Since the aforesaid renewal conditional master agreement will expire on 31 December 2012 and in anticipation of the continuing sales and purchases of electronic components in the future, the Group entered into the Renewal Agreement with Hon Hai on 12 November 2012 for an extension of such Continuing Connected Transactions for three financial years up to 31 December 2015.

Foxconn, being a wholly-owned subsidiary of Hon Hai, is a substantial shareholder of the Company. Therefore, Hon Hai, Foxconn and their respective associates are considered to be connected persons of the Company under the Listing Rules. As referred to in the Board Letter, the Continuing Connected Transactions constitute non-exempt continuing connected transactions for the Company, and the Renewal Agreement, the transactions contemplated thereunder and the Caps are subject to, among other things, the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

LETTER FROM GUANGDONG SECURITIES

An Independent Board Committee comprising Mr. Cheung Chi Kwan, Mr. Liu Chun Ning, Wilfred, Dr. Lui Ming Wah *SBS JP* and Mr. Wong Tak Yuen, Adrian (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Renewal Agreement (including the Caps) 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 conducted in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Renewal Agreement and the Continuing Connected Transactions at the SGM. We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

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. 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 Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that there are no other facts the omission of which would make any statement in the Circular misleading.

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 and Foxconn or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of 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

LETTER FROM GUANGDONG SECURITIES

Practicable Date or to update, revise or reaffirm our opinion. 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, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

(1) Background of the Continuing Connected Transactions

Business overview of the Group

With reference to the Board Letter, the Group is principally engaged in the distribution of electronic components and semiconductors products.

Set out below are the consolidated financial information on the Group for the six months ended 30 June 2012 as extracted from the Company's interim report for the six months ended 30 June 2012 (the "2012 Interim Report") and the two years ended 31 December 2011 as extracted from the Company's annual report for the year ended 31 December 2011 (the "2011 Annual Report"):

	For the six months ended 30 June 2012 (unaudited) HK\$'000	For the year ended 31 December 2011 (audited) HK\$'000	For the year ended 31 December 2010 (audited) HK\$'000	% change from 2010 to 2011 %
Revenue	2,813,949	5,553,312	4,367,400	27.15
— Distribution of electronic components and semiconductors products	2,794,774	5,519,349	4,331,837	27.41
— Distribution of sports products	16,278	30,230	31,506	(4.05)
— Office building rental	2,897	3,733	4,057	(7.99)
Profit for the period/year	38,072	107,893	92,835	16.22

From the above table, we noted that the total revenue of the Group for the year ended 31 December 2011 increased by approximately 27.15% from approximately HK\$4,367 million in 2010 to approximately HK\$5,553 million in 2011. Total profit of the Group also increased by approximately 16.22% for the year ended 31 December 2010 to the year ended 31 December 2011. The distribution of electronic components and semiconductors products has been the primary source of revenue of the Group during the years and period under review, and the revenue derived therefrom recorded a significant growth of approximately 27.41% from 2010 to 2011. As confirmed by the Directors and

LETTER FROM GUANGDONG SECURITIES

with reference to the 2011 Annual Report, such significant growth in revenue was driven by the solid expanding demand of smartphones, LED TVs, tablet PCs and LED lighting products from the PRC. According to the 2012 Interim Report, the solid expanding demand of the aforesaid products had continued in the first half of 2012.

Information on Hon Hai Group

As extracted from the Board Letter, Hon Hai Group is the leading global manufacturing service provider in the 3C industries. Based on the information as disclosed on the website of Foxconn, Foxconn belongs to the Fortune Global 500 group and it is also the largest exporter in the Greater China region and the second largest exporter in Czech Republic with over 1,000,000 employees strategically situated across the world.

As advised by the Directors, the sales and purchases of electronic components between the Group and Hon Hai Group has commenced since 1999, at such time Hon Hai was not a connected person of the Company. 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 it sold to Hon Hai Group nor from the End Customers (as being defined in the latter section of this letter) in respect of the electronic components it 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.

From the statistics released from the website of the Taiwan Stock Exchange at <http://www.twse.com.tw/>, we noted that Hon Hai Group recorded consolidated income of approximately New Taiwan Dollar (NT\$) 2,767,645 million (equivalent to approximately HK\$741,996 million using the exchange rate of NT\$3.73: HK\$1), NT\$3,452,681 million (equivalent to approximately HK\$925,652 million) and NT\$2,997,205 million (equivalent to approximately HK\$803,540 million) for the nine months ended 30 September 2012 and the two years ended 31 December 2011 and 2010 respectively. The consolidated income of Hon Hai for 2011 represented a considerable surge of approximately 15.2% as compared to the prior year.

Reasons for the Continuing Connected Transactions

The previous renewal conditional master agreement dated 17 November 2009 between the Company and Hon Hai will expire on 31 December 2012. As a result, the Company entered into the Renewal Agreement to govern and extend the sales and purchases of electronic components between the Group and Hon Hai Group for three financial years up to 31 December 2015.

As referred to in the Board Letter, the Directors consider that Hon Hai Group is a reliable source of business for the Group and it is in its best interest to generate incremental income by carrying out the Purchase Transactions and the Sales Transactions as long as they are fair and reasonable and in the interests of the Company and the Shareholders are concerned.

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Upon our further enquiry, the Directors also confirmed that a number of the members of Hon Hai Group are vendors approved by certain end customers of the Group (the “**End Customers**”). The Group is required by those End Customers to purchase materials and components from the approved vendors. The growth of the purchases of electronic components by the Group from Hon Hai Group has contributed significantly to the Group’s results over the past two years ended 31 December 2010 and 31 December 2011. On the other hand, the sales of electronic components by the Group to Hon Hai Group have also contributed significantly to the Group’s results over the past two years ended 31 December 2010 and 31 December 2011.

Given the above reasons for and possible benefits of the Continuing Connected Transactions as well as (i) the historical satisfactory financial performance of the distribution of electronic components and semiconductors products segment and its substantial contribution to the Group’s revenue; (ii) the strong background of Hon Hai Group; and (iii) the prolonged good business relationship between the Group and Hon Hai Group, we concur with the Directors that the Continuing Connected Transactions are conducted in 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 Renewal Agreement

Set out below are the principal terms of the Renewal Agreement as extracted and summarised from the Board Letter:

Date:	12 November 2012
Parties:	The Company Hon Hai
Subject matter:	Sales and purchases of electronic components between the Group and Hon Hai Group
Term:	From 1 January 2013 to 31 December 2015

The Renewal Agreement is conditional upon the approval of the Renewal Agreement and the Caps by the Independent Shareholders.

Under the Renewal Agreement, the parties agreed that the Continuing Connected Transactions shall be on normal commercial terms and in particular:

- (a) members of the Group who are parties to the Continuing Connected Transactions shall receive or pay such consideration for the transactions with members of 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) terms of the Continuing Connected Transactions shall be fair and reasonable and negotiated on arm’s length basis; and

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- (c) 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 Hon Hai Group to comply with the provisions of the Renewal Agreement.

Certain members of both the Group and Hon Hai Group have entered or may from time to time enter into agreements to provide for more detailed on certain Continuing Connected Transactions. Any such agreements in respect of the Continuing Connected Transactions will be subject to the Renewal Agreement.

For our due diligence purpose, we have requested the Company to provide us with the historical purchases and sales invoices between (i) the Group and Hon Hai Group; and (ii) the Group and other independent third parties. As represented by the Company and mentioned previously, 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 Purchases Products (as being defined in the latter section of this letter) from Hon Hoi Group only. As such, there has been no purchases record between the Company and other independent third parties for the Purchase Transactions. In addition, since the market rates of products similar to the Purchases Products supplied by other suppliers to other purchasers are not publicly available, we are unable to get access to such information. Nevertheless, the Directors further explained to us that after receiving the purchases indication for the Purchases Products from the End Customers, the Company would request the relevant price quote from Hon Hai Group. In this respect, the Directors also provided us with certain historical purchases invoices between the Group and Hon Hai Group and sales invoices between the Group and the End Customers and confirmed that the Group has been able to generate reasonable profits from the sales to the End Customers subsequent to the purchases of the Purchases Products from Hon Hai Group. We consider that such arrangement follows the normal commercial terms.

With regard to the Sales Transactions, from the historical invoices between the Group and Hon Hai Group and between the Group and other independent third parties, we noted that the pricing and other terms (such as payment and delivery) of the Sales Products were similar in both cases.

Based on the above terms and condition of the Renewal Agreement, we concur with the Directors that the terms of the Renewal Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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(3) Basis of the Caps

The proposed Caps of the Continuing Connected Transactions for each of the three financial years ending 31 December 2013, 2014 and 2015 are as follows:

	For the financial year ending 31 December 2013 HK\$'000	For the financial year ending 31 December 2014 HK\$'000	For the financial year ending 31 December 2015 HK\$'000
The Purchase Caps	1,200,000	1,800,000	2,700,000
The Sales Caps	1,000,000	1,500,000	2,250,000

With reference to the Board Letter, the Board has determined the Caps of the Continuing Connected Transactions for each of the three financial years ending 31 December 2013, 2014 and 2015 based on the following major factors:

- (a) projections of the sales and purchases of electronic components between the Group and Hon Hai Group, including the expected market growth of smart phone, PC tablet, networking and LED lighting and other electronic products;
- (b) the continuous sales growth of Hon Hai Group and the expansion in manufacturing base in Chengdu, Taiyuan and Zhengzhou of the PRC for production of smart phone, PC tablet and other electronic products of Hon Hai Group;
- (c) the sales to Hon Hai Group of networking products after the Group has further penetrated into the networking market by obtaining distribution right of Marvell Asia PTE Ltd.;
- (d) the sales to Hon Hai Group by Chenmtech Company Limited, 51% of the issued share capital of which was acquired by the Group as described in the announcement of the Company dated 17 October 2011;
- (e) after the Group has obtained the distribution right of Cree Inc., the Group has received indication from other subsidiaries of Hon Hai Group, including certain subsidiaries engaging in production of LED lighting products, which have no business relationship with the Group before and this might attract more business opportunity between the Group and Hon Hai Group;
- (f) turnover outlook of the Group; and
- (g) a buffer of 10%.

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As advised by the Directors, at present, the electronic components sold by Hon Hai Group to the Group largely include cable and connector for a wide range of electronic products (the “**Purchases Products**”), and the electronic components sold by the Group to Hon Hai Group largely include memory IC, super IO controller and embedded controller, transistor and diode mainly for mobile phones, computer, server application, networking equipment and set top box products (the “**Sales Products**”). As further advised by the Directors, leveraging on the evolution of the information technology and electronic industry in terms of introduction of new products and advancement in technology (e.g. the launch of pads, tablets, smart phones and mobile internet device etc.), the Group has been able to sell higher variety of the Purchases Products and the Sales Products. The Directors also expect that such favourable trend will persist in the near future and provide further development opportunity for the Group.

To assess the fairness and reasonableness of the Purchase Caps and the Sales Caps, we have discussed with the Directors regarding the basis of determination of the Purchase Caps and the Sales Caps as aforementioned. In this regard, we have obtained the breakdown of the purchases/sales estimation (as the case may be) of the Group from/to Hon Hai Group by types/categories of the Purchases Products/the Sales Products (as the case may be) for the year ending 31 December 2013. For the purchases/sales estimation of each type/category of the Purchases Products/the Sales Products (as the case may be), we have enquired into the Directors to understand the basis of the relevant estimation and obtained from the Company the relevant supporting documents, including but not limited to the purchase indication from the End Customers/Hon Hai Group (as the case may be), information regarding the relevant new projects to be launched which are expected to drive the demand for the Purchases Products/the Sales Products (as the case may be) and the future business plan and strategies of the Group and Hon Hai Group. In light of the above, we consider that the breakdown of the purchases/sales estimation (as the case may be) of the Group from/to Hon Hai Group by types/categories of the Purchases Products/the Sales Products (as the case may be) can form a reasonable basis for the size of the proposed Caps for the year ending 31 December 2013.

As for the Purchase Caps and the Sales Caps for the years ending 31 December 2014 and 2015, we noted that they represent an increment of 50% as compared to the relevant cap for the prior financial year. In view of (i) the substantial improvements of the Group and Hon Hai Group’s total revenue from 2010 to 2011 as presented in the previous sections of this letter; (ii) the evolution of the information technology and electronic industry which has provided/will likely to continue to provide sizeable room of business development to the Group; and (iii) the established brand name and reputation of the Group within the industry as represented by the Directors which would lead to increasing recurrent business, we consider the said 50% increment with buffer to be acceptable.

Having considered all of the foregoing, we are of the opinion that the Caps are fair and reasonable so far as the Independent Shareholders are concerned.

Shareholders should note that as the 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 2015, and they do not represent forecasts of revenue to be generated from the

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Continuing Connected Transactions. Consequently, we express no opinion as to how closely the actual revenue to be generated under the Continuing Connected Transactions on will correspond with the Caps.

(4) Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.37 to 14A.41 of the Listing Rules pursuant to which (i) the values of the Continuing Connected Transactions must be restricted by the Caps for the period between 1 January 2013 and 31 December 2015; (ii) the terms of the Renewal Agreement (including the Caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of the independent non-executive Directors' annual review on the terms of the Renewal Agreement (including the Caps) 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, that the Continuing Connected Transactions are carried out in accordance with the pricing policies of the Company, and the Caps are not being exceeded. In the event that the total amounts of the Continuing Connected Transactions exceed the Caps, or that there is any material amendment to the terms of the Renewal Agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

RECOMMENDATION

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the Renewal Agreement (including the Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Company and are 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 relevant resolution(s) to be proposed at the SGM to approve the Renewal Agreement and the Continuing Connected Transactions and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

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

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:

(a) Long positions in ordinary shares of HK\$0.10 each 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
Yim Yuk Lun, Stanley <i>J.P.</i>	Beneficial owner	13,990,000	5.33%
	Held by controlled corporation (<i>Note</i>)	63,771,400	24.33%
Chang Chu Cheng	Beneficial owner	1,800,000	0.69%
Lock Shui Cheung	Beneficial owner	1,000,000	0.38%
Wong Sui Chuen	Beneficial owner	912,000	0.35%
Lau Ping Cheung	Beneficial owner	300,000	0.11%

As at the Latest Practicable Date, none of the Directors of the Company or proposed director is a director or employee of a company which has 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 the SFO.

(b) Long position in the underlying shares — warrants of the Company

Name	Capacity	Number of warrants held	Number of underlying shares
Yim Yuk Lun, Stanley <i>J.P.</i>	Held by controlled corporation (<i>Note</i>)	50,000,000	50,000,000

Note: These warrants were held by Unimicro Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Yim Yuk Lun, Stanley *J.P.*.

As at the Latest Practicable Date:

- (i) save as disclosed above and other than certain nominee shares in subsidiaries held by certain Directors in trust for the Company, none of the Directors and chief executive of the Company had any interests and short positions 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 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 were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or 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; and
- (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group taken as a whole.

3. 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 the 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:

(i) 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 (<i>Note</i>)	46,000,000	17.55%
Foxconn	Beneficial owner	46,000,000	17.55%
Chung Shun Ming	Beneficial owner	27,343,400	10.43%

Note: Hon Hai owned 100% interest in Foxconn and was accordingly deemed to be interested in those shares beneficially owned by Foxconn.

(ii) Long positions in shares of the subsidiaries of the Company

Name of subsidiary of the Company	Name of shareholder	Number of shares held as at the Latest Practicable Date	Percentage of issued share capital of the subsidiary of the Company
SMartech Electronic Co. Ltd.	Wang Jin	290,000	29%

Save as disclosed herein, as at the Latest Practicable Date, so far as was known to any director or chief executive of the Company, no 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 the 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.

4. 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.

5. 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 2011, 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.

6. 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
Guangdong Securities	A licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO

Guangdong Securities 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, Guangdong Securities 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 2011), 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.

7. 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 2011, being the date to which the latest published audited financial statements of the Group were made up.

8. MISCELLANEOUS

- (i) Mr. Wong Wai Tai, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, is the secretary of the Company.
- (ii) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copy of the following documents are available for inspection at the office of Messrs. Angela Ho and Associates, 1109, Tower I, Lippo Centre, 89 Queensway, Hong Kong, during normal business hours on any day up to and including the date of SGM:

- (i) the Renewal Agreement;
- (ii) the Distribution Agreement;
- (iii) the Purchase Agreement;
- (iv) letter from the Independent Board Committee dated 3 December 2012;
- (v) letter from Guangdong Securities dated 3 December 2012;
- (vi) the written consent referred to in the paragraph headed “Expert’s qualification and consent” in this appendix; and
- (vii) this circular.

NOTICE OF THE SGM



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, PRC on 20 December 2012 at 11:00 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as an ordinary resolution of the Company:

ORDINARY RESOLUTIONS

“**THAT,**

- (a) the Renewal Agreement and the proposed Caps, each as defined and described in the circular of the Company dated 3 December 2012 (the “**Circular**”), a copy of the Renewal 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 transactions contemplated thereunder and in connection therewith, be and are hereby approved, ratified and confirmed; and
- (b) 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 Renewal Agreement and the proposed Caps.”

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

Hong Kong, 3 December 2012

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 of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member may appoint a proxy in respect of part only of his holding of shares in the Company. A proxy need not be a member of the Company.
3. A form of proxy for use at the special general meeting is enclosed herewith.

NOTICE OF THE SGM

4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer, attorney or other person authorized to sign the same.
5. To be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy thereof must be lodged at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than fortyeight (48) hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case maybe) and in default thereof the proxy form and such power or authority shall not be treated as valid.
6. 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.
7. Where there are joint holders of any share of the Company, any one of such joint holders may vote at any meeting, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of the Company in respect of the joint holding.
8. As at the date hereof, the Board comprises four executive directors who are Mr. Yim Yuk Lun, Stanley *J.P.*, Mr. Wong Sui Chuen, Mr. Lock Shui Cheung and Mr. Lau Ping Cheung, one non-executive director is Dr. Chang Chu Cheng and four independent non-executive directors are Mr. Cheung Chi Kwan, Mr. Liu Chun Ning, Wilfred, Dr. Lui Ming Wah *SBS J.P.* and Mr. Wong Tak Yuen, Adrian.