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**AUTOMATED SYSTEMS HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 771)**

**CONTINUING CONNECTED TRANSACTIONS**

On 26th October 2018, the Company and Teamsun, a controlling shareholder and a connected person of the Company, entered into the Supply Agreement in relation to: (i) sale and purchase of Products between ASH Group and Teamsun Group; and (ii) provision or sharing of ASH Services and Teamsun Services.

Both ASH Group and Teamsun Group are reputable information technology infrastructure, solution and services providers, and have well established distribution channels and networks in the Greater China region and the PRC respectively. The entering into of the Supply Agreement will enhance the efficiency and sales capabilities of ASH Group's existing distribution channels and networks by sharing the business know-how between ASH Group and Teamsun Group. In addition, the Directors believe that the cooperation between ASH Group and Teamsun Group will allow the realisation of substantial synergies in terms of, among others, convenience, support and marketing of ASH Group Products and services.

The Supply Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As all of the relevant percentage ratios in respect of the aggregate annual caps for the amounts payable by ASH Group to Teamsun Group in relation to the ASH Regulated Transactions under the Supply Agreement (including the Product Price for Teamsun Group Products and the Teamsun Service Fee) exceed 0.1% but all of such applicable percentage ratios are less than 5%, the ASH Regulated Transactions under the Supply Agreement and the relevant annual caps are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempt from the independent Shareholders' approval requirement.

As all of the relevant percentage ratios in respect of the aggregate annual caps for the amounts receivable by ASH Group from Teamsun Group in relation to the Teamsun Regulated Transactions under the Supply Agreement (including the Product Price for ASH Group Products and the ASH Service Fee) exceed 0.1% but all of such applicable percentage ratios are less than 5%, the Teamsun Regulated Transactions under the Supply Agreement and the relevant annual caps are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempt from the independent Shareholders' approval requirement.

## **INTRODUCTION**

On 26th October 2018, the Company and Teamsun, a controlling shareholder and a connected person of the Company, entered into the Supply Agreement in relation to: (i) sale and purchase of the Products between ASH Group and Teamsun Group; and (ii) provision or sharing of ASH Services and Teamsun Services.

## **SUPPLY AGREEMENT**

### **Date**

26th October 2018

### **Parties**

- (i) The Company
- (ii) Teamsun, a controlling shareholder of the Company

### **Duration**

The term of the Regulated Transactions shall commence on 26th October 2018 and shall end on 31st December 2020 (both days inclusive), unless terminated earlier in accordance with the terms and conditions of the Supply Agreement.

### **Subject matters**

- (i) **Product Contract(s)**

#### *Principal terms*

Pursuant to the Supply Agreement, it is agreed that Teamsun Group shall supply and ASH Group shall purchase the Products of Teamsun Group as and when reasonably requested by ASH Group. It is also agreed that ASH Group shall supply and Teamsun Group shall purchase the Products of ASH Group as and when reasonably requested by Teamsun Group.

All such supplies and purchases shall be carried out in accordance with the terms and conditions of the Supply Agreement and the specific terms and conditions of the relevant Product Contract(s). The Product Price, quantity, time and place of delivery, payment method, means of delivery and other terms and conditions of delivery of the relevant Products shall be determined by the relevant members of Teamsun Group and ASH Group from time to time under the relevant Product Contract(s).

The terms and conditions under the Product Contract(s) (including but not limited to the Product Price) for the supply of Products of ASH Group to Teamsun Group shall be determined with reference to market terms and prices which shall be no more favourable to Teamsun Group than those offered by ASH Group for similar Products to other independent third parties; and the terms and conditions under the Product Contract(s) (including but not limited to the Product Price) for the supply of Products of Teamsun Group to ASH Group shall be determined with reference to market terms and prices which shall be no less favourable to ASH Group than those offered by Teamsun Group for similar Products to other independent third parties.

To ensure that terms and conditions of the Product Contracts are no more/less favourable to Teamsun Group than those offered to/from independent third parties, ASH Group invites quotations from independent suppliers and/or buyers. The Company also compares quotations from Teamsun Group with other existing suppliers and/or buyers. For individual transactions exceeding a stipulated amount or terms which require special attention, management of the Company also meets to discuss and consider the particulars before entering into such transactions. The Company also conducts monthly review of its transactions with Teamsun Group, in addition to the annual review by the independent non-executive Directors.

*Proposed Annual Caps for purchase of Teamsun Group Products being part of the ASH Regulated Transactions*

The Directors estimate that the annual caps for the Product Price payable by ASH Group to Teamsun Group under the Product Contract(s) for Teamsun Group's Products for each of the financial years ending 31st December 2018, 2019 and 2020 will be HK\$10 million. There was no historical transaction between ASH Group and Teamsun Group for transactions of a nature similar to those under the Supply Agreement. Such annual caps are arrived at based on, among other things, (i) the ongoing negotiations between ASH Group and Teamsun Group; (ii) the estimated amount of the sale by Teamsun Group to ASH Group of Teamsun Group's Products; and (iii) the market prices of the related products offered by Teamsun Group to other independent third parties.

*Proposed Annual Caps for the sale of ASH Group Products being part of the Teamsun Regulated Transactions*

The Directors further estimate that the annual caps for the Product Price receivable by ASH Group from Teamsun Group under the Product Contract(s) for ASH Group's Products for each of the financial years ending 31st December 2018, 2019 and 2020 will be HK\$10 million. There was no historical transaction between ASH Group and Teamsun Group for transactions of a nature similar to those under the Supply Agreement. Such annual caps are arrived at based on, among other things, (i) the ongoing negotiations between ASH Group and Teamsun Group; (ii) the estimated amount of the sale by ASH Group to Teamsun Group of ASH Group's Products; and (iii) the market prices of the related products offered by ASH Group to other independent third parties.

**(ii) Service Contract(s)**

*Principal terms*

Pursuant to the Supply Agreement, Teamsun agrees to provide or cause to be provided Teamsun Services to ASH Group as and when reasonably requested by ASH Group. The Company also agrees to provide or cause to be provided the ASH Services to Teamsun Group as and when reasonably requested by Teamsun Group. Such transactions shall be carried out in accordance with the terms and conditions of the Supply Agreement and the specific terms of the relevant Service Contract(s) or the relevant Lease Agreement(s) (as the case may be).

For the Teamsun Services, the relevant members of ASH Group shall pay the Teamsun Service Fee to the relevant members of Teamsun Group. For the ASH Services, the relevant members of Teamsun Group shall pay the ASH Service Fee to the relevant members of ASH Group.

In cases of Service Contracts, both the Teamsun Service Fee in relation to the Type I Teamsun Services and the ASH Service Fee in relation to the Type I ASH Services shall be payable and settled within 30 days after the receipt of a valid invoice relating to the relevant Type I Teamsun Services or the relevant Type I ASH Services (as the case may be) provided in the relevant period. The amount, payment method and other details of payment of the Teamsun Service Fee in relation to the Type I Teamsun Services or the ASH Service Fee in relation to the Type I ASH Services (as the case may be) shall be separately determined and agreed by the relevant members of ASH Group and Teamsun Group under the relevant Service Contract(s).

The terms and conditions under the Service Contracts in relation to the Type I ASH Services (including but not limited to the ASH Service Fee for Type I ASH Services) shall be determined with reference to market terms and rates which shall be no more favourable to Teamsun Group than those offered by ASH Group for similar services to other independent third parties; and the terms and conditions under the Service Contracts in relation to the Type I Teamsun Services (including but not limited to the Teamsun Service Fee for Type I Teamsun Services) shall be determined with reference to market terms and rates which shall be no less favourable to ASH Group than those offered by Teamsun Group for similar services to other independent third parties.

In cases of Lease Agreements, the term of lease, the amount of rental, payment method and other details thereof in relation to the provision or sharing of Type II Teamsun Services or Type II ASH Services (as the case may be) shall be separately determined and agreed between the relevant members of Teamsun Group and the relevant members of ASH Group under the relevant Lease Agreement(s).

The terms and conditions under the Lease Agreements in relation to the Type II ASH Services (including but not limited to rental) for the provision or sharing of Type II ASH Services shall be determined with reference to market terms and rates which shall be no more favourable to Teamsun Group than those offered by ASH Group for similar lease or services to other independent third parties; and the terms and conditions under the Lease Agreements in relation to the Type II Teamsun Services (including but not limited to rental) for the provision or sharing of Type II Teamsun Services shall be determined with reference to market terms and rates which shall be no less favourable to ASH Group than those offered by Teamsun Group for similar lease or services to other independent third parties.

To ensure that terms and conditions of the Service Contracts and Lease Agreements are no more/less favourable to Teamsun Group than those offered to/from independent third parties, ASH Group invites quotations from independent service providers and/or users or lessors and/ or lessees. The Company also compares quotations from Teamsun Group with other existing service providers or users or lessors or lessees. For individual transactions exceeding a stipulated amount or terms which require special attention, management of the Company also meets to discuss and consider the particulars before entering into such transactions. The Company also conducts monthly review of its transactions with Teamsun Group, in addition to the annual review on the relevant transactions conducted by the independent non-executive Directors.

*Proposed Annual Caps for the Teamsun Services being part of the ASH Regulated Transactions*

The Directors estimate that the aggregate annual caps for Teamsun Service Fee payable by ASH Group to Teamsun Group for Teamsun Services under the Service Contracts and the Lease Agreements (as the case may be) for each of the financial years ending 31st December 2018, 2019 and 2020 will be HK\$25 million. There was no historical transaction between ASH Group and Teamsun Group for transactions of a nature similar to those under the Supply Agreement, such annual caps are arrived at based on, among other things, (i) the ongoing negotiations between ASH Group and Teamsun Group; (ii) the estimated amount of information technology or information technology related functions and services available to be sourced from Teamsun Group; (iii) the market prices of the related services offered by Teamsun Group to other independent third parties; and (iv) the expected possibility for Type II Teamsun Services.

The proposed annual cap for 2018 and 2019 is prepared with reference to the projected order schedule for Teamsun Service in 2018 and 2019 as estimated by the Company. This includes: (i) the Company's assessment of possible business opportunities in information technology service of ASH Group according to tenders submitted or anticipated to be submitted by ASH Group for such services; (ii) ASH Group's proposed business strategies and development in its information technology service; and (iii) the Company's assessment of potential cooperation with Teamsun expertise of Teamsun Group, it is ASH Group's intention to sub-contract certain information technology development functions to Teamsun Group (the "Sub-contracting Arrangement") for enhancing the competitiveness of ASH Group. ASH Group is currently negotiating with Teamsun Group for the Sub-contracting Arrangement. In view of the increase in staff costs and the difficulty in recruiting experienced information technology staff in Hong Kong, the Company considers that the Sub-contracting Arrangement will enhance the cost efficiency of ASH Group in its business offering. The Company has estimated potential business opportunities with its customers for information technology service projects where the Sub-contracting Arrangement is considered to be potentially feasible and economically justifiable in arriving at the amount associated with Sub-contracting Arrangement, and such has been included as a component of projected order for Teamsun Services in 2018 and 2019. In making estimation for the Sub-contracting Arrangement, the Company has also considered the projected customers' needs for the types of application development services of information technology projects, skill sets required and staff costs in providing such information technology services for identifying potential Teamsun Services. Since there is no historical precedent for subcontracting services by ASH Group to Teamsun Group, the significant increase in the proposed annual caps is considered by the Company to be commercially sensible in venturing forth into a new business arrangement with Teamsun Group.

*Proposed Annual Caps for the ASH Services being part of the Teamsun Regulated Transactions*

The Directors also estimate that the aggregate annual caps for ASH Service Fee receivable by ASH Group from Teamsun Group for ASH Services under Service Contracts and the Lease Agreements (as the case may be) for each of the financial years ending 31st December 2018, 2019 and 2020 will be HK\$25 million. There was no historical transaction between ASH Group and Teamsun Group for transactions of a nature similar to those under the Supply Agreement. Such annual caps are arrived at based on, among other things, (i) the ongoing negotiations between ASH Group and Teamsun Group; (ii) the estimated amount of purchase of information technology or information technology related functions and services by Teamsun Group from ASH Group; (iii) the market prices of the related services offered by ASH Group to other independent third parties; and (iv) the expected possibility for Type II ASH Services.

The proposed annual caps are arrived at based on discussion between ASH Group and Teamsun Group after considering the operational needs of Teamsun Group for ASH services for serving its customers in Hong Kong, Southern China Europe and United States. The following factors have been taken into account in estimating the proposed annual caps: (i) the projected business opportunities for ASH Services as indicated by Teamsun Group in mid-2018 after considering pipeline projects of Teamsun Group; (ii) the projected number of customers of Teamsun Group which will require ASH Services in service delivery by Teamsun Group; and (iii) the anticipated volume and size of transaction to be handled by ASH Group for customers of Teamsun Group which will constitute ASH Services.

## **REASONS FOR AND BENEFITS OF THE SUPPLY AGREEMENT**

Both ASH Group and Teamsun Group are reputable IT infrastructure, solution and services providers, and have well established distribution channels and networks in the Greater China region and the PRC respectively. The entering into of the Supply Agreement will enhance the efficiency and sales capabilities of ASH Group's existing distribution channels and networks by sharing the business know-how between ASH Group and Teamsun Group. In addition, the Directors believe that the cooperation between ASH Group and Teamsun Group would allow the realisation of substantial synergies in terms of, among others, convenience, support and marketing of ASH Group Products and services.

The Board (including independent non-executive Directors but excluding Mr. Wang Weihang, Mr. Wang Yueou, Mr. Li Wei and Mr. Cui Yong who are considered to have material interests in the transactions and have abstained from voting on the resolutions of the Board relating to the Supply Agreement) is of the view that Supply Agreement is entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms after arm's length negotiations between the parties; and (iii) are on terms that are fair and reasonable and in the interests of ASH Group and the Shareholders as a whole. Mr. Wang Weihang is a shareholder, the chairman and president, and a director of Teamsun and a director of certain subsidiaries of Teamsun. Mr. Wang Yueou is a director of Teamsun and its subsidiary. Mr. Li Wei is a shareholder, a holder of restricted shares and a director of Teamsun and certain of its subsidiaries. Mr. Cui Yong is a holder of restricted shares of Teamsun, a director, the executive vice president and the general manager of system information product (plate) division of Teamsun.

## **INFORMATION ON ASH GROUP AND TEAMSUN GROUP**

The Company is an investment holding company with its subsidiaries principally engaged in the business of information technology ("IT") and is a leading and professional IT services provider in Hong Kong. The Group's core business is based in Hong Kong and Macau and covers Asia Pacific, Europe and the United States. It is dedicated to offering professional and trustworthy IT services to corporate clients around the world. The Group's principle business covers the following 3 major areas:

**EMPOWER:** The Group provides solutions consultancy services, high-quality, scalable and customized application development services as well as productized solutions for customers in the government, banking, finance, transportation, healthcare, education, property, retail and more industries so as to meet various needs of customers in the next-generation digital transformation journey.

**SECURE:** Throughout the digital transformation journey, securing digital asset is particularly important. Equipped with round-the-clock Service Center and advanced Security Operation Center *Plus* (SOC+), the Group not only offers security consultancy services and comprehensive security solutions, but also provides customers a 24x7 real-time holistic IT security protection.

**MANAGE:** The Group also provides integrated IT managed services based on IT Service Management (ITSM) best practice throughout the entire IT project lifecycle. Such services include basic infrastructure services, IT operation outsourcing services, corporate-level application outsourcing services and industry applications of Software as a Service (SaaS). To ensure the quality of delivery of services and the efficiency of collaborative processes, we are committed to the Service Level Agreement (SLA), assisting customers in managing, integrating and optimizing their IT systems, improving overall information management.

“Empower”, “Secure” and “Manage” are the three core values that the Group brings to its customers. With the Group’s seven research and development centers worldwide, over a thousand of high-caliber IT experts, and more than 40 years of experience in providing professional IT services to more than 3,000 global customers, the Group provides the best practice for customers’ IT management.

Teamsun has been listed on the Shanghai Stock Exchange since 2004. Teamsun is an integrated information technology service provider in the PRC, with business scope covering information technology product service, application software development, value-added distribution and system integration. Teamsun’s headquarters is located in Beijing, with wholly-invested subsidiaries in the United States of America and Hong Kong, and branches all over the PRC. As at the date of this announcement, Teamsun is indirectly interested in approximately 56.54% Shares in the Company. Therefore, Teamsun is a controlling shareholder and a connected person of the Company.

## **LISTING RULES IMPLICATIONS**

The Supply Agreement contemplated thereunder constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the relevant percentage ratios in respect of the aggregate annual caps for the amounts payable by ASH Group to Teamsun Group in relation to the ASH Regulated Transactions under the Supply Agreement (including the Product Price for Teamsun Group Products and the Teamsun Service Fee) exceed 0.1% but all of such applicable percentage ratios are less than 5%, the ASH Regulated Transactions under the Supply Agreement and the relevant annual caps are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempt from the independent Shareholders’ approval requirement.

As all of the relevant percentage ratios in respect of the aggregate annual caps for the amounts receivable by ASH Group from Teamsun Group in relation to the Teamsun Regulated Transactions under the Supply Agreement (including the Product Price for ASH Group Products and the ASH Service Fee) exceed 0.1% but all of such applicable percentage ratios are less than 5%, the Teamsun Regulated Transactions under the Supply Agreement and the relevant annual caps are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempt from the independent Shareholders’ approval requirement.

## DEFINITIONS

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

“ASH Group” or “Group”	the Company and its subsidiaries from time to time
“ASH Regulated Transactions”	means the transactions contemplated under the Supply Agreement in relation to (i) the acquisition of Products of Teamsun Group by ASH Group from Teamsun Group; and (ii) the provision of Teamsun Services by Teamsun Group to ASH Group
“ASH Services”	Type I ASH Services and Type II ASH Services and such other services as may be agreed between the Company and Teamsun from time to time
“ASH Service Fee”	the agreed fee chargeable by ASH Group for providing ASH Services (including rental in the case of Type II ASH Services)
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Automated Systems 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: 771)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	director(s) of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lease Agreement(s)”	the relevant lease agreement(s) to be concluded or entered into between any member of Teamsun Group and any member of ASH Group in respect of the provision of Type II ASH Services or Type II Teamsun Services (as the case may be) or such other related services as may be agreed between the Company and Teamsun from time to time
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Products”	any products of ASH Group or Teamsun Group (as the case may be) including but not limited to computer hardware, software, peripherals and other similar or associated products

“Product Contract(s)”	the relevant purchase order(s) or sales contract(s) to be concluded or entered into between any member of Teamsun Group and any member of ASH Group in respect of sale and purchase of Products
“Product Price”	the price of the Products payable by ASH Group or Teamsun Group (as the case may be) under the relevant Product Contract(s)
“Proposed Annual Caps”	the respective proposed annual caps for each of the financial years ending 31st December 2018, 2019 and 2020 for each of the ASH Regulated Transactions and the Teamsun Regulated Transactions under the Supply Agreement, for the purpose of Chapter 14A of the Listing Rules, as set out in this announcement
“PRC”	the People’s Republic of China
“Regulated Transactions”	means ASH Regulated Transactions and Teamsun Regulated Transactions collectively
“Service Contract(s)”	the relevant service requisition order(s) or service contract(s) to be concluded or entered into between any member of Teamsun Group and any member of ASH Group in respect of the provision of the Type I ASH Services or the Type I Teamsun Services (as the case may be) or such other services as may be agreed between the Company and Teamsun from time to time
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	the registered holder(s) of the Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	shall have the same meaning as ascribed to such expression in section 15 of the Companies Ordinance (Chapter 622) of the Laws of Hong Kong
“Supply Agreement”	the master agreement entered into between the Company and Teamsun on 26th October 2018 in relation to the sale and purchase of Products between ASH Group and Teamsun Group and the provision or sharing of ASH Services and Teamsun Services
“Teamsun”	Beijing Teamsun Technology Co., Ltd. (北京華勝天成科技股份有限公司), a joint stock company with limited liability established under the laws of the PRC and whose shares are listed on the Shanghai Stock Exchange of the PRC (stock code: 600410)
“Teamsun Group”	Teamsun and its subsidiaries from time to time but excluding ASH Group

“Teamsun Regulated Transactions”	means the transactions contemplated under the Supply Agreement in relation to (i) the acquisition of Products of ASH Group by Teamsun Group from ASH Group; and (ii) the provision of ASH Services by ASH Group to Teamsun Group
“Teamsun Services”	Type I Teamsun Services and Type II Teamsun Services and such other services as may be agreed between the Company and Teamsun from time to time
“Teamsun Service Fee”	the agreed fee chargeable by Teamsun Group for providing the Teamsun Services (including rental in the case of Type II Teamsun Services)
“Type I ASH Services”	the provision of non-administrative information technology or information technology related functions and services as more particularly described in the Supply Agreement to be provided by ASH Group and such other services as may be agreed between the Company and Teamsun from time to time
“Type II ASH Services”	the provision or sharing of premises (including but not limited to information technology development centres) owned by ASH Group with Teamsun Group by way of leasing for information technology development purposes, together with the usage of such facilities, equipments and/or utilities as may be attached to or otherwise provided at such premises
“Type I Teamsun Services”	the provision of non-administrative information technology or information technology related functions and services as more particularly described in the Supply Agreement to be provided by Teamsun Group and such other services as may be agreed between Teamsun and the Company from time to time
“Type II Teamsun Services”	the provision or sharing of premises (including but not limited to information technology development centres) owned by Teamsun Group with ASH Group by way of leasing for information technology development purposes, together with the usage of such facilities, equipments and/or utilities as may be attached to or otherwise provided at such premises
“%”	per cent

By order of the Board  
**Automated Systems Holdings Limited**  
**Ngan Wai Hing**  
*Company Secretary*

Hong Kong, 26th October 2018

*As at the date of this announcement, the Board comprises Mr. Wang Weihang and Mr. Wang Yueou being Executive Directors; Mr. Li Wei and Mr. Cui Yong being Non-Executive Directors; and Mr. Pan Xinrong, Mr. Deng Jianxin and Ms. Or Siu Ching, Rerina being Independent Non-Executive Directors.*