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AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 771)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of Automated Systems Holdings Limited (the “**Company**”) dated 26th October 2018 (the “**Announcement**”), in relation to the continuing connected transactions contemplated under the Supply Agreement. Capitalised terms used in this supplemental announcement shall have the same meanings as those defined in the Announcement unless stated otherwise.

The Company wishes to provide the Shareholders and the public with following additional information in relation to the Supply Agreement.

Products

Products means any products of ASH Group or Teamsun Group (as the case may be) including but not limited to IT hardware (e.g. computer devices, servers, routers, peripherals and other similar or associated products) and IT software (e.g. system software, programming software and application software). ASH Group may purchase Teamsun Group Product to our customers in the PRC and ASH Group may sell ASH Group Products to Teamsun Group for its customers in Hong Kong, Southeast Asia, Europe and United States.

Type I Teamsun Services and Type I ASH Services

Type I Teamsun Services and Type I ASH Services mean the provision of non-administrative information technology or information technology related functions and services by the Teamsun Group or the ASH Group including, but not limited to, the sharing of relevant human resources and facilities, network sharing, internet sharing, software sharing, intellectual property rights sharing, technical and project management services, transaction services based on hosted model (including CLOUD Computing), certain information technology services (including information technology infrastructure, network architectural development, systems integration, application development, customer support and maintenance services, facilities management and training services), agency services and invoicing and handling services. ASH Group may require Type I Teamsun Services to our customers in the PRC and ASH Group may provide Type I ASH Services to Teamsun Group for its customers in Hong Kong, Southeast Asia, Europe and United States.

Type II Teamsun Services and Type II ASH Services

Type II Teamsun Services and Type II ASH Services mean the provision or sharing of premises (including but not limited to information technology development centres) owned by Teamsun Group in the PRC with ASH Group or owned by ASH Group in Hong Kong, Southeast Asia, Europe and United States with Teamsun Group by way of leasing for information technology development purposes, together with the usage of such facilities, equipment and/or utilities as may be attached to or otherwise provided at such premises.

Product Contract(s) contemplated under the Supply Agreement

Purchase of Teamsun Group Products being part of the ASH Regulated Transactions

Pricing Policies

Under the Product Contract(s), the assessment criteria of ASH Group on procurement for selecting a supplier for Products are, including but not limited to, availability, urgency, price, purchase transaction history, and customers' preference on the operation synergy between the ASH Group and the Teamsun Group. The Product Price to be payable by ASH Group to Teamsun Group will be determined with reference to (i) the costs of Products; (ii) the quotation provided by at least two independent third party suppliers of similar product; (iii) the Product Price to be payable by ASH Group to Teamsun Group will be comparable with that charged by Teamsun Group to its independent third party customers; and/or (iv) a case-by-case basis after arm's length negotiations with terms no less favourable to those provided by such independent third party suppliers.

Proposed Annual Caps

The proposed annual caps are prepared with reference to the projected order schedule for Teamsun's Products in 2018, 2019 and 2020 as estimated by the Company. This includes: (i) the Company's assessment of possible business opportunities in information technology products of ASH Group according to tenders submitted and anticipated to be submitted by ASH Group by the amount of approximately HK\$10 million for the financial year ending 31st December 2018; and (ii) taking into account that the data of the proportion of multinational enterprises' development in the PRC market with the existing cost of goods sold of ASH Group, and role of Teamsun Group acts as multiple authorized distributors in Mainland China, the estimated costs of ASH Group's proposed business strategies and development in its information technology products in the PRC market will be HK\$100 million for each financial years ending 31st December 2019 and 2020, among which, limit to 10% of the estimated cost from potential cooperation with Teamsun Group.

Sale of ASH Group Products being part of the Teamsun Regulated Transactions

Pricing Policies

Under the Product Contract(s), the Product Price to be received by ASH Group from Teamsun Group will be determined with reference to (i) the sum of the direct costs of each Product plus mark-up of up to 200% of the direct costs; (ii) the quotation provided by ASH Group to at least two independent third party buyers of similar product; and/or (iii) a case-by-case basis after arm's length negotiations with terms no more favourable to those provided by ASH Group to such independent third party buyers.

Proposed Annual Caps

The proposed annual caps are prepared with reference to the estimated amount of the sale by ASH Group to Teamsun Group of ASH Group's Products in accordance with (i) the operational needs of Teamsun Group for ASH Group's Products for its customers in Hong Kong, Southeast Asia, Europe and United States for the estimated amount of HK\$3 million; (ii) the projected business opportunities for ASH Group's Products as indicated by Teamsun Group in mid-2018 after considering pipeline projects of Teamsun Group for the estimated amount of HK\$3 million; (iii) the projected number of customers of Teamsun Group which will require ASH Group's Products; and (iv) the anticipated volume and size of transaction of Teamsun Group's multi-tasks project for its customers, among which, to be handled by ASH Group which will constitute ASH Group's Products for the estimated amount of HK\$4 million.

Service Contract(s) contemplated under the Supply Agreement

Teamsun Services being part of the ASH Regulated Transactions

Pricing Policies

Under the Service Contract(s), the Company, possess requisite knowledge and experience in such services and is familiar with the market price and relevant specific requirements for relevant procurement, will be responsible for identifying the suppliers. Under the Service Contract(s), the assessment criteria of ASH Group on procurement for selecting a supplier for services are, including but not limited to, technical issues, whether the service scope(s) provided by the supplier fully match with customer's criteria (e.g. intellectual property requirements), necessity for further exploring other suppliers to support, price for same or similar services in the market, service level requirement requested by customers, urgency and customer's preference on operation synergy between the ASH Group and the Teamsun Group.

The Teamsun Service fee in relation to the Type I Teamsun Services to be payable by ASH Group to Teamsun Group will be determined with reference to (i) the sum of the direct costs of each Teamsun Services plus mark-up of up to 200% of the direct costs; (ii) the quotation provided by at least two independent third party suppliers of a similar service; (iii) the Teamsun Service Fee to be payable by ASH Group to Teamsun Group will be comparable with that charged by Teamsun Group to its independent third party customers; and/or (iv) a case-by-case basis after arm's length negotiations with terms no less favourable to those provided by such independent third party suppliers. If there is no comparison quotation due to different service requirements by our customers, the Company will follow its policy to mark-up a minimum gross profit margin.

The Teamsun Service fee in relation to the Type II Teamsun Services to be payable by ASH Group to Teamsun Group will be determined with reference to (i) the prevailing market rent of similar properties and business nature in nearby locations; (ii) the quotation provided by at least two independent third party lessors of a similar property; and/or (iii) a case-by-case basis after arm's length negotiations with terms no less favourable to those provided by such independent third party lessors.

Proposed Annual Caps

The proposed annual caps are prepared with reference to the projected order schedule for Teamsun Service in 2018, 2019 and 2020 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 by the amount of approximately HK\$25 million for the financial year ending 31st December 2018; (ii) taking into account that the data of the proportion of multinational enterprises' development in the PRC market with the existing cost of services rendered of ASH Group, the talent pool owned by Teamsun Group in the PRC, and the assessment of the project requirement of ASH Group's customers, the estimated cost of ASH Group's proposed business strategies and development in its information technology service in the PRC market will be HK\$250 million for each financial years ending 31st December 2019 and 2020, among which, limit to 10% of the estimated cost from potential cooperation with Teamsun Group, it is ASH Group's intention to sub-contract certain information technology development functions to Teamsun Group for enhancing the competitiveness and the cost efficiency of ASH Group in its business offering; and (iii) the expected possibility for Type II Teamsun Services for the amount of approximately HK\$1 million.

ASH Services being part of the Teamsun Regulated Transactions

Pricing Policies

The ASH Service Fee in relation to Type I ASH Services to be received by ASH Group from Teamsun Group will be determined with reference to (i) the sum of the direct costs of each ASH Services plus mark-up of up to 200% of the direct costs; (ii) the quotation provided by ASH Group to at least two independent third party buyers of a similar service; and/or (iii) a case-by-case basis after arm's length negotiations with terms no more favourable to those provided by ASH Group to such independent third party buyers. If there is no comparison quotation due to different service requirements by its customers, the Company will follow its policy to mark-up a minimum gross profit margin.

The ASH Service fee in relation to the Type II ASH Services to be payable by ASH Group to Teamsun Group will be determined with reference to (i) the prevailing market rent of similar properties and business nature in nearby locations; (ii) the quotation provided by ASH Group to at least two independent third party lessees of a similar property; and/or (iii) a case-by-case basis after arm's length negotiations with terms no more favourable to those provided by ASH Group to such independent third party lessees.

Proposed Annual Caps

The proposed annual caps are prepared with reference to the estimated amount of information technology or information technology related functions and services available to be sourced from Teamsun Group in accordance with (i) the operational needs of Teamsun Group for ASH services for serving its customers in Hong Kong, Southeast Asia, Europe and United States for the estimated amount of HK\$10 million; (ii) the projected business opportunities for ASH Services as indicated by Teamsun Group in mid-2018 after considering pipeline projects of Teamsun Group for the estimated amount of HK\$10 million; (iii) the projected number of customers of Teamsun Group which will require ASH Services; (iv) the anticipated volume and size of transaction of Teamsun Group's multi-tasks project for its customers, among which, to be handled by ASH Group which will constitute ASH Services for the estimated amount of HK\$4 million; and (v) the expected possibility for Type II ASH Services for the amount of approximately HK\$1 million.

Internal Control Procedures

To ensure that the continuing connected transactions of ASH Group are fair and reasonable and on normal commercial terms, the Company has adopted the following internal control procedures:

- (a) The management of the Company shall meet to discuss and assess the terms and conditions and the pricing mechanism of each transaction contemplated under the Supply Agreement before entering into such transactions to ensure that they are on normal commercial terms;
- (b) The Company's financial department also conducts monthly review on such transactions with Teamsun Group and will submit such information for the Board's review quarterly, including but not limited to the pricing terms, payment arrangements and actual transaction amounts, to ensure that the relevant transactions are carried out in accordance with the terms of the Supply Agreements and will not exceed the respective annual caps;
- (c) The Board will quarterly review each transaction contemplated under the Supply Agreement:
 - (1) In terms of the purchase of Teamsun Group Products being part of the ASH Regulated Transactions, the Board will review the contracts signed during that quarter to ensure the transactions will be conducted on normal commercial terms and in the interests of the Company and the Shareholders as a whole by referring to (i) the costs of Products; (ii) the quotation provided by at least two independent third party suppliers of similar product; and/or (iii) the Product Price to be payable by ASH Group to Teamsun Group compare with that charged by Teamsun Group to its independent third party customers.

- (2) In terms of the Teamsun Service fee in relation to the Type I Teamsun Services being part of the ASH Regulated Transactions, the Board will review the contracts signed during that quarter to ensure the transactions will be conducted on normal commercial terms and in the interests of the Company and the Shareholders as a whole by referring to (i) the sum of the direct costs of each Teamsun Services plus mark-up; (ii) the quotation provided by at least two independent third party suppliers of a similar service; and/or (iii) the Teamsun Service Fee to be payable by ASH Group to Teamsun Group compare with that charged by Teamsun Group to its independent third party customers. If there is no comparison quotation due to different service requirements by our customers, the Board will review the mark-up of gross profit margin.
- (3) In terms of the Teamsun Service fee in relation to the Type II Teamsun Services being part of the ASH Regulated Transactions, the Board will review the contracts signed during that quarter to ensure the transactions will be conducted on normal commercial terms and in the interests of the Company and the Shareholders as a whole by referring to (i) the prevailing market rent of similar properties and business nature in nearby locations; and/or (ii) the quotation provided by at least two independent third party lessors of a similar property.
- (4) In terms of the sale of ASH Group Products being part of the Teamsun Regulated Transactions, the Board will review the contracts signed during that quarter to ensure the transactions will be conducted on normal commercial terms and in the interests of the Company and the Shareholders as a whole by referring to (i) the sum of the direct costs of each Product plus mark-up; and/or (ii) the quotation provided by ASH Group to at least two independent third party buyers of similar product.
- (5) In terms of the ASH Service Fee in relation to Type I ASH Services being part of the Teamsun Regulated Transactions, the Board will review the contracts signed during that quarter to ensure the transactions will be conducted on normal commercial terms and in the interests of the Company and the Shareholders as a whole by referring to (i) the sum of the direct costs of each ASH Services plus mark-up; and/or (ii) the quotation provided by ASH Group to at least two independent third party buyers of a similar service. If there is no comparison quotation due to different service requirements by its customers, the Board will review the mark-up of gross profit margin.
- (6) In terms of the ASH Service fee in relation to the Type II ASH Services being part of the Teamsun Regulated Transactions, the Board will review the contracts signed during that quarter to ensure the transactions will be conducted on normal commercial terms and in the interests of the Company and the Shareholders as a whole by referring to (i) the prevailing market rent of similar properties and business nature in nearby locations; and/or (ii) the quotation provided by ASH Group to at least two independent third party lessees of a similar property.

Furthermore, pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the transactions contemplated under the Supply Agreement are subject to the following annual review:

The independent non-executive Directors must review the transactions contemplated under the Supply Agreement annually and confirm in the annual report that the continuing connected transactions have been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or better; and
- (c) according to the Supply Agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The auditors of the Company must be engaged to provide a letter to the Board annually confirming whether anything has come to their attention that causes them to believe that the transactions contemplated under the Supply Agreement:

- (a) have not been approved by the Board;
- (b) were not, in all material respects, in accordance with the pricing policies of the Group;
- (c) were not entered into, in all material respects, in accordance with the Supply Agreement governing the transactions; and
- (d) have exceeded the cap.

Opinions of the Board

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) are of the view that internal control measures adopted by the Company concerning all continuing connected transactions are appropriate and sufficient, and be able to ensure that the pricing policies of the Product Contracts and Service Contracts contemplated under the Supply Agreement and the transactions contemplated under such contracts will be conducted on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

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

Hong Kong, 19th December 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.