



AUTOMATED SYSTEMS HOLDINGS LIMITED

自動系統集團有限公司*

(Incorporated in Bermuda with limited liability)

Connected Transactions

Summary

The board of directors (the "Board") of Automated Systems Holdings Limited (the "Company") announce that Automated Systems (H.K.) Limited ("ASL(HK)"), a wholly owned subsidiary of the Company, has been and will be entered into transactions with various subsidiaries of CSA Holdings Ltd. ("CSA"), the controlling shareholders of the Company.

Transactions with Automated Systems (PRC) Limited ("ASL(PRC)")

ASL(HK) has been entered into certain sales and purchases transactions (the "ASL(PRC) Transactions") with ASL(PRC), a wholly owned subsidiary of CSA, from time to time. A waiver from strict compliance with connected transactions requirements set out in Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") was granted by the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13th July, 1999 subject to conditions including, amongst other things, the aggregate value of the ASL(PRC) Transactions not exceeding HK\$10 million for the financial year ended 31st December, 1999.

Transactions with other subsidiaries of CSA

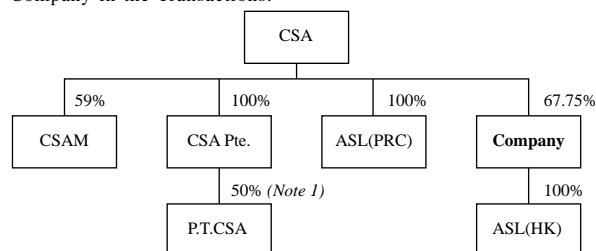
ASL(HK) has been entered into certain transactions (the "CSA Transactions") with each of CSA Automated Pte. Ltd. ("CSA Pte."), CSA (M) Berhad ("CSAM") and P.T. Cita Simas Artha ("P.T. CSA") from time to time. Each of CSA Pte., CSAM and P.T. CSA is an associate of CSA (as defined under the Listing Rules), therefore the CSA Transactions constitute connected transactions under the Listing Rules. The aggregate value of the CSA Transactions is HK\$1,644,851.64 during the period commencing 28th February 1999 up to the end of December, 1999.

Waiver

The existing waiver in respect of the ASL(PRC) Transactions has expired on 31st December, 1999. In light of the ongoing nature of the CSA Transactions and the ASL(PRC) Transactions and the change in financial year end date of the Company from 31st December to 31st March, application has been made to the Stock Exchange for a waiver from strict compliance with relevant connected transactions requirements under the Listing Rules.

BACKGROUND

The Board wishes to announce that ASL(HK) has been and will be entered into transactions with various subsidiaries of CSA, including ASL(PRC), CSA Pte., CSAM and P.T. CSA. Each of ASL(PRC), CSA Pte., CSAM and P.T. CSA is an associate (as defined under the Listing Rules) of CSA and therefore the transactions entered into between ASL(HK) and each of ASL(PRC), CSA Pte., CSAM and P.T. CSA constitute connected transactions under the Listing Rules. The following diagram sets out the relationships between each of the connected parties and the Company in the Transactions:



Note 1: P.T. CSA is a subsidiary of CSA.

The Company and its subsidiaries (the "Group") are engaged in the business of systems integration and the supply of computers and associated products, Internet/Intranet networking and the provision of engineering services and software services in Hong Kong, Macau and Taiwan. ASL(HK) is principally engaged in the sale of computer systems and the provision of information technology services in Hong Kong.

ASL(PRC) TRANSACTIONS

Particulars of the ASL(PRC) Transactions

ASL(PRC) Transactions comprise sale and purchase of computer goods and related services between ASL(HK) and ASL(PRC). The aggregate value of the ASL(PRC) Transactions amounted to HK\$7,865,983.24 for the period commencing 1st January, 1999 to the end of December 1999. The Board (including independent non-executive directors of the Company) considers that the ASL(PRC) Transactions are entered into in the ordinary and usual course of business of the Company, on normal commercial terms and are fair and reasonable so far as the shareholders of the Company are concerned.

Reasons and benefits for entering into the ASL(PRC) Transactions

ASL(HK), from time to time, will supply computer systems and associated products to companies located in the People's Republic of China (the "PRC") in connection with its business in Hong Kong, Macau and Taiwan. Some of those supplied computer systems and associated products are located in the PRC. ASL(HK) will provide after-sale supports and consultancy services in relation to those systems and will charge those customers through billings to ASL(PRC).

Pursuant to a territorial agreement entered into between the Company and CSA (the "Territorial Agreement") on 16th October, 1997, ASL(HK) is prohibited from, amongst other things, carrying on the business of systems integration and/or provisioning of consultancy services in the PRC. As such, ASL(HK) will only charge customers which are located in the PRC through billings to ASL(PRC). The Board together with the directors of CSA are also of the view that ASL(HK) is in a better position to provide such services and supports in relation to those customers and consider that it is beneficial to the Group as a whole.

CSA TRANSACTIONS

Particulars of the CSA Transactions

CSA Transactions comprise mainly transactions involving the provisioning of maintenance and consultancy services between each of CSA Pte., CSAM and P.T. CSA on one hand and ASL(HK) on the other hand. The aggregate value of the CSA Transactions was HK\$1,644,851.64 during the period commencing 28th February 1999 up to the end of December 1999. The Board (including independent non-executive directors of the Company) considers that the CSA Transactions are entered into in the ordinary and usual course of business of the Company, on normal commercial terms and are fair and reasonable so far as the shareholders of the Company are concerned.

Reasons and benefits for entering into the CSA Transactions

Similar to the ASL(PRC) Transactions, ASL(HK), from time to time, will supply computer systems and associated products to companies located in South East Asian countries in connection with its business in Hong Kong, Macau and Taiwan. Some of those supplied computer systems and associated products are located in South East Asia and required ongoing maintenance by ASL(HK). Each of CSA Pte., CSAM and P.T. CSA will in turn supply computer systems and associated products to companies located in Hong Kong, Macau or Taiwan in connection with its business in South East Asia.

Pursuant to the Territorial Agreement, ASL(HK) is prohibited from, amongst other things, carrying on the business of systems integration and/or provisioning of consultancy services in South East Asian countries including Singapore, Malaysia and Indonesia. On the other hand, each of CSA Pte., CSAM and P.T. CSA is prohibited from, amongst other things, carrying on the business of systems integration and/or provisioning of consultancy services in Hong Kong, Macau or Taiwan pursuant to the Territorial Agreement. As such, ASL(HK) and each of CSA Pte., CSAM and P.T. CSA will

charge their respective customers through billings to one another. The Board together with the directors of CSA are also of the view that ASL(HK) is in a better position to provide such services and supports in relation to those customers and consider that it is beneficial to the Group as a whole.

WAIVER

The directors of the Company are of the view that it would not be practicable to make disclosure of or, if necessary, obtain shareholders' approval on each occasion they arise given the ongoing nature of the ASL(PRC) Transactions and the CSA Transactions.

In view of the above and the change in financial year end from 31st December to 31st March from the financial year ended 31st December, 1999 as announced by the Company on 24th November, 1999, the Company has therefore applied to the Stock Exchange for a conditional waiver (the "Waiver") from strict compliance with Rule 14.25 of the Listing Rules regarding the ASL(PRC) Transactions and the CSA Transactions in respect of each and every occasion they arise during the three months ending 31st March, 2000 and the subsequent financial years subject to the following conditions:

- 1) that the ASL(PRC) Transactions and the CSA Transactions (together the "Transactions") shall be:
 - (i) entered into by the Group in the ordinary and usual course of its business;
 - (ii) conducted either (a) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities) or (b) (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
 - (iii) entered into either (a) in accordance with the terms of the agreements governing the Transactions or (b) (where there are no such agreements) on terms no less favourable than those available to or from independent third parties;
- 2) the aggregate value of the Transactions for the three months period ending 31st March, 2000 shall not exceed HK\$5 million;
- 3) the annual aggregate value of the Transactions for each of the subsequent financial year shall not exceed HK\$10 million;
- 4) the independent non-executive directors of the Company shall review the Transactions annually and confirm in the Company's annual report for the financial year concerned that these were conducted in the manner as stated in paragraphs 1 to 3 above;
- 5) the Company's auditors shall review the Transactions annually and confirm in a letter to the Board (a copy of which shall be provided to the Listing Division of the Stock Exchange) stating whether:
 - (i) the Transactions have received approval of the Board;
 - (ii) the Transactions have been entered into on normal commercial terms, in accordance with the terms of the agreements governing the Transactions or, if there are no such agreements, on terms no less favourable than those available to or from independent third parties; and
 - (iii) the cap amounts stipulated in paragraphs 2 and 3 above have been exceeded;
- 6) details of the Transactions in each financial year shall be disclosed as required under Rule 14.25(1)(A) to (D) of the Listing Rules in the annual report of the Company for the financial year concerned together with a statement of the opinion of the independent non-executive directors of the Company and the auditors of the Company referred to in paragraphs 4 and 5 above; and
- 7) each of the Company, ASL(HK) and CSA shall provide to the Stock Exchange an undertaking that, for so long as the Company's shares are listed on the Stock Exchange, they will provide the Company's auditors with full access to their relevant record for the purpose of the auditors' review of the Transactions referred to in paragraph 5 above.

Should the aggregate value of the Transactions exceed the cap amounts set out above, the Company will comply with the relevant disclosure and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Before the Waiver is being granted by the Stock Exchange, the Company will continue to comply with the relevant disclosure and shareholders' approval requirements under Chapter 14 of the Listing Rules.

By Order of the Board
Automated Systems Holdings Limited
Edward Lau
Executive Director

Hong Kong, 6th January, 2000

* For identification only