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AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 771)

CONTINUING CONNECTED TRANSACTIONS

The Company entered into a Supply Agreement with each of CSC, CSC Singapore and CSA Malaysia on 21 February 2006 for the purpose of governing the Continuing Connected Transactions and ensuring compliance with Chapter 14A of the Listing Rules.

The Continuing Connected Transactions will be subject to the reporting, announcement and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

An independent board committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of the Continuing Connected Transactions and the Annual Caps, and an independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders on the terms of the Continuing Connected Transactions and the Annual Caps.

A circular containing, among other things, particulars of the Supply Agreements, the Continuing Connected Transactions and the Annual Caps, a letter of advice from an independent financial adviser to be appointed to advise the independent board committee of the Company and the Independent Shareholders on the Continuing Connected Transactions and the notice convening the SGM will be despatched to the shareholders of the Company as soon as practicable.

BACKGROUND

Reference is made to the announcement of the Company dated 17 March 2005 in relation to certain transactions entered into by the Group with CSC Group, and CSA Holdings Ltd and its subsidiaries respectively which constitute continuing connected transactions of the Company.

CONTINUING CONNECTED TRANSACTIONS AND THE SUPPLY AGREEMENTS

For the purposes of governing the Continuing Connected Transactions and ensuring compliance with Chapter 14A of the Listing Rules, the Company entered into a Supply Agreement with each of CSC, CSC Singapore and CSA Malaysia on 21 February 2006. The principal terms of the Supply Agreements are as follows:

Date: 21 February 2006

Parties: (a) the Company
(b) CSC, CSC Singapore and CSA Malaysia respectively

Services and products to be provided:

The Company will, and will procure its subsidiaries to, provide to the relevant CSC/CSA Entity, and the relevant CSC/CSA Entity will provide to the Group, the following services and products and on the following charging basis:

(i) Services

Type of service

1. Certain shared non-administrative functions and services including sharing of relevant human resources and facilities, network sharing, technical and project management services (i) provided by or charged to a Group member who is a local contracting entity, under the Supply Agreements with CSC and CSC Singapore respectively; or (ii) provided by a local contracting entity, under the Supply Agreement with CSA Malaysia (the "**Local Outsourcing Project Services**")
2. Certain IT services (including IT infrastructure, network architectural development, systems integration, application development, customer support and maintenance services, facilities management and training services) provided by a non-local contracting entity in relation to outsourcing projects (the "**Non-Local Outsourcing Project Services**")
3. Certain IT services (including IT infrastructure, network architectural development, systems integration, application development, customer support and maintenance services, facilities management and training services) provided in relation to non-outsourcing projects (the "**Non-Outsourcing Project Services**")
4. Agency services including provision of invoice handling service and purchase of certain products by one party for the other ("**Agency Services**") but the Supply Agreement with CSA Malaysia only covers provision of invoice handling service

Charging basis

- Cost incurred in connection with providing the service plus a mark-up of not higher than 8% but, in respect of the Supply Agreement with CSA Malaysia, subject to adjustment
- Cost incurred in connection with providing the services plus a mark-up of not lower than 8%
- Market price
- Cost incurred in connection with providing the service plus a mark-up of not higher than 8% but, in respect of the Supply Agreements with CSA Malaysia, subject to adjustment

(ii) Products

Products provided

1. Provision of Products in outsourcing projects (i) by a Group member who is a local contracting entity, or by the relevant CSC/CSA Entity to a Group member who is a local contracting entity, under the Supply Agreements with CSC and CSC Singapore respectively; or (ii) by a local contracting entity, under the Supply Agreement with CSA Malaysia (the "**Local Outsourcing Project Products**")
2. Provision of Products by a non-local contracting entity in outsourcing projects (the "**Non-Local Outsourcing Project Products**")
3. Provision of Products in relation to non-outsourcing projects (the "**Non-Outsourcing Project Products**")

Charging basis

- Costs incurred in connection with providing the Products plus a mark-up not higher than 8% but, in respect of the Supply Agreements with CSA Malaysia, subject to adjustment
- Costs incurred in connection with providing the Products plus a mark-up not lower than 8%
- Market price

Local Outsourcing Project Services, Non-Local Outsourcing Project Services and Non-Outsourcing Project Services

Even though the ASL Services and Products and the CSC Services and Products cover the same broad categories, in practice, the types of services provided by the Group to CSC Group and vice versa under the categories of Local Outsourcing Project Services, Non-Local Outsourcing Project Services and Non-Outsourcing Project Services include (but are not limited to) the following:

- (a) in respect of the ASL Services and Products
 - Local Outsourcing Project Services: the Group provides project management services;
 - Non-Local Outsourcing Project Services: the Group provides IT infrastructure administrative services function, facilities management, network operation maintenance and on-site support (for example, customer's data center operation services on a 24 x 7 basis, facilities infrastructure, security management and technical personnel), hardware maintenance and desktop computing services, and such services are provided in relation to outsourcing projects;
 - Non-Outsourcing Project Services: the types of services provided by the Group under this category are similar to those under Non-Local Outsourcing Project Services but they are provided in relation to non-outsourcing projects;
- (b) in respect of the CSC Services and Products
 - Local Outsourcing Project Services: CSC Group provides shared facilities such as provision of data centre and helpdesk support, global communication line/network, provision of application/management system for outsourcing services and account management;
 - Non-Local Outsourcing Project Services: CSC Group provides network, midrange facilities and maintenance, and such services are provided in relation to outsourcing projects;
 - Non-Outsourcing Project Services: the types of service provided by CSC Group under this category are similar to those under Non-Local Outsourcing Project Services but they are provided in relation to non-outsourcing projects.

Agency Services

Two main types of Agency Services are offered by the Group to CSC Group and vice versa. The first is invoice handling services i.e. collection by the Group on behalf of CSC Group from customers located in countries or regions where the Group, but not CSC Group, has a billing entity, and vice versa. The second type of Agency Services is purchase by the Group on behalf of CSC Group of products which are sourced in countries or regions where the Group, but not CSC Group, has presence, and vice versa. Therefore, the Agency Services are provided for the purposes of administrative convenience. The Group will, under the first type of Agency Services, transfer the invoiced amount collected from the customers to CSC Group and, under the second type of Agency Services, transfer the consideration received from CSC Group to the vendor of the products. In each case, the Group will charge CSC Group a fee. The same arrangement applies where CSC Group provides Agency Services to the Group.

Products

The Products which the Group and CSC Group provide to each other under the categories of Local Outsourcing Project Products, Non-Local Outsourcing Project Products and Non-Outsourcing Project Products will be sourced from third party vendors. The types of Products provided by the Group to CSC Group and vice versa are similar because under contracts made between the Group or CSC Group and the third party vendor of the Products, or between the customer and the third party vendor, there may be a pre-agreed procurement mechanism specifying the entity within the Group or CSC Group which places the order and buys the Products from the third party vendor.

(iii) Local and non-local contracting entities

A local contracting entity is the entity which enters into an agreement with the customer for the provision of outsourcing services to the customer. A non-local contracting entity will provide outsourcing services to the customer of the local contracting entity pursuant to such agreement, but the non-local contracting entity itself does not directly enter into an agreement with the customer in respect of such services.

(iv) Mark-up rate

The percentage of the mark-up rate charged are determined based on prevailing market conditions and comparative pricing study commissioned by CSC for the purpose of planning and evaluating the pricing arrangements relating to provision of certain services among CSC and its foreign affiliates.

(v) Adjustments to the charging basis

Under the terms of the Supply Agreement made between the Company and CSA Malaysia, the parties agree to review and (if deemed appropriate) adjust the price range of the charging basis in respect of the Local Outsourcing Project Services, the Agency Services and the Local Outsourcing Project Products for the financial years covered by the Supply Agreement taking into account the prevailing market conditions and such other factors as may be considered relevant by the parties provided that the price range of the charging basis for each of the financial years ended 31 March 2007 and 2008 shall be the costs incurred by the relevant party in providing the Products or the services plus a mark-up rate of not be higher than 10%.

Term:

Subject to approval by the Independent Shareholders and early termination by the parties to the agreements, the Supply Agreements shall remain in force until 31 March 2008.

Condition precedent:

The Supply Agreements are subject to approval by the Independent Shareholders of the transactions contemplated thereunder at the SGM on or before 31 March 2006.

Additional members:

Members of CSC Group may from time to time enter into agreements with the Company on and subject to substantially the same terms as the Supply Agreements. The Continuing Connected Transactions entered into pursuant to such agreements will be subject to the Annual Caps. If the transactions covered by any of these agreements fall beyond the ASL Services and Products and the CSC Services and Products, the Company will comply with all applicable requirements under the Listing Rules.

HISTORICAL TRANSACTIONS

For each of the three financial years ended 31 March 2003, 2004 and 2005, the aggregate value of the ASL Services and Products were approximately HK\$2,108,000, HK\$5,883,000 and HK\$6,800,000 and of the CSC Services and Products were approximately HK\$5,819,000, HK\$6,867,000 and HK\$9,544,000.

PROPOSED ANNUAL CAPS

For each of the three financial years ending 31 March 2006, 2007 and 2008, the Board proposes that the Annual Caps be as follows:

- (i) in respect of the ASL Services and Products, HK\$6 million, HK\$30 million and HK\$50 million; and
- (ii) in respect of the CSC Services and Products, HK\$20 million, HK\$30 million and HK\$50 million.

As the Annual Caps in relation to (i) the ASL Services and Products for the financial years ending 31 March 2007 and 2008 and (ii) the CSC Services and Products for the financial years ending 31 March 2006, 2007 and 2008 represent more than 2.5% of the applicable percentage ratios, each of these categories of Continuing Connected Transactions is subject to the reporting, announcement and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

The Annual Caps for the CSC Services and Products were determined by reference to the historical figures as set out in the paragraph headed "Historical Transactions" and taking into account anticipated future demand and on the principal assumptions that for the relevant financial periods the business of the Group and CSC Group will experience significant growth as a result of (a) anticipated improvements in the economy which stimulates IT spending; (b) the needs of the Group and CSC Group for the relevant services and products due to the steady growth of the CSC Services and Products; and (c) the availability of other service and product providers.

The services and products provided by the Group and CSC Group under the Supply Agreements complement each other and will encourage members of each group to use the services and products provided by the other group. In this way, a reciprocal arrangement exists between the Group and CSC Group whereby each group will have the opportunity to participate in the outsourcing and other IT services contracts made between the other group and its customers and to explore the outsourcing business of the other group. Because of the reciprocal arrangement between the Group and CSC Group, the Board expects the Annual Caps for the ASL Services and Products for the financial years ending 31 March 2007 and 2008 to be the same as the Annual Caps for the CSC Services and Products in respect of the corresponding financial years.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

CSC Group will, from time to time, enter into outsourcing or other IT service contracts with global or regional customers who have presence in the Asia Pacific region in connection with the provision of IT services. The Group may participate in such transactions by providing local or regional support to CSC and/or its customers. The Board is of the view that the Continuing Connected Transactions can (i) broaden the customer base of the Group; and (ii) enable the utilisation of the resources, technical expertise and technological know-how of the Group and CSC Group on a sharing basis to provide quality products and services to their customers.

The Directors (excluding the independent non-executive Directors who will opine on the terms of the Continuing Connected Transactions after taking into account the advice to be received from an independent financial adviser) consider that the Continuing Connected Transactions have been and will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms and have been or will be negotiated on an arm's length basis. The Directors (excluding the independent non-executive Directors for the reason stated above) are of the view that the terms of the Supply Agreements, the Continuing Connected Transactions and the Annual Caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES REQUIREMENTS

As CSC is the ultimate holding company of the Company, CSC and its associates are regarded as connected persons of the Company. Since CSC Singapore and CSA Malaysia are associates of CSC, they are connected persons of the Company. Hence the Continuing Connected Transactions constitute connected transactions for the Company for the purposes of the Listing Rules and will be subject to the reporting, announcement and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

The Company will seek from the Independent Shareholders approval of the Supply Agreements, the Continuing Connected Transactions and the Annual Caps for a period of three financial years ending on 31 March 2008 at the SGM. At the SGM, CSC and its associates are required to abstain from voting for approval of the Supply Agreements, the Continuing Connected Transactions and the Annual Caps.

GENERAL

The Group is principally engaged in the business of information technology, providing systems integration, IT infrastructure, software and consulting services, engineering support for products and solutions, managed services as well as supply of IT and associated products in Hong Kong, Macau, Taiwan and Thailand.

CSC Group is principally engaged in the business of information technology outsourcing and IT and professional services for customers in the global commercial and the United States markets.

CSC Singapore is principally engaged in the business of providing information technology services, systems integration and consulting, customer services and support and outsourcing in Asia.

CSA Malaysia and its subsidiaries are principally engaged in the business of providing information technology services, systems integration and consulting, customer services and support and outsourcing in Malaysia.

An independent board committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of the Connected Transactions and the Annual Caps, and an independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders on the terms of the Continuing Connected Transactions and the Annual Caps.

A circular containing, among other things, particulars of the Supply Agreements, the Continuing Connected Transactions and the Annual Caps, a letter of advice from an independent financial adviser to be appointed to advise the independent board committee of the Company and the Independent Shareholders on the Continuing Connected Transactions and the notice convening the SGM will be despatched to the shareholders of the Company as soon as practicable. The votes of the Independent Shareholders at the SGM will be taken by poll and CSC and its associates will abstain from voting at the SGM.

DEFINITIONS

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

"Agency Services"	has the meaning as defined under the paragraph headed "Services and products to be provided" above
"Annual Caps"	the maximum aggregate annual value of the transactions contemplated under the Continuing Connected Transactions for the financial years ending 31 March 2006, 2007 and 2008
"ASL Services and Products"	the provision of Local Outsourcing Project Services, Non-Local Outsourcing Project Services, Non-Outsourcing Project Services, Agency Services, Local Outsourcing Project Products, Non-Local Outsourcing Project Products and Non-Outsourcing Project Products by the Group to CSC Group
"Board"	the board of the Directors
"Company"	Automated Systems Holdings Limited, a limited liability company incorporated in Bermuda, with its shares listed on the Stock Exchange
"connected person(s)"	has the same meaning as defined in the Listing Rules
"Continuing Connected Transactions"	the ASL Services and Products and the CSC Services and Products

“CSA Malaysia”	Computer Systems Advisers (M) Berhad, a company incorporated in Malaysia and a subsidiary of CSC, the securities of which are listed on the Kuala Lumpur Stock Exchange
“CSC”	Computer Sciences Corporation, the ultimate holding company of the Company, the securities of which are listed on the New York Stock Exchange
“CSC Group”	CSC and its subsidiaries (excluding the Group)
“CSC Services and Products”	the provision of Local Outsourcing Project Services, Non-Local Outsourcing Project Services, Non-Outsourcing Project Services, Agency Services, Local Outsourcing Project Products, Non-Local Outsourcing Project Products and Non-Outsourcing Project Products by CSC Group to the Group
“CSC Singapore”	CSC Computer Sciences Pte Limited, a company incorporated in Singapore with limited liability and a subsidiary of CSC
“CSC/CSA Entities”	CSC, CSC Singapore and CSA Malaysia
“Director(s)”	the director(s) of the Company including the independent non-executive directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	the shareholders of the Company other than CSC and its associates
“IT”	information technology
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Local Outsourcing Project Products”	has the meaning as defined under the paragraph headed “Services and products to be provided” above
“Local Outsourcing Project Services”	has the meaning as defined under the paragraph headed “Services and products to be provided” above
“Non-Local Outsourcing Project Products”	has the meaning as defined under the paragraph headed “Services and products to be provided” above
“Non-Local Outsourcing Project Services”	has the meaning as defined under the paragraph headed “Services and products to be provided” above
“Non-Outsourcing Project Products”	has the meaning as defined under the paragraph headed “Services and products to be provided” above
“Non-Outsourcing Project Services”	has the meaning as defined under the paragraph headed “Services and products to be provided” above
“PRC”	the People’s Republic of China
“Products”	IT products including but not limited to computer hardware, software, peripherals and other similar or associated products and related services
“SGM”	the special general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the Supply Agreements, the Continuing Connected Transactions and the Annual Caps or any adjournment thereof
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Agreements”	the agreements dated 21 February 2006 entered into between the Company and each of CSC Singapore, CSC and CSA Malaysia respectively in relation to Continuing Connected Transactions

By order of the Board
Lau Ming Chi, Edward
Secretary

Hong Kong, 21 February 2006

As at the date hereof, the Board comprises Mr. Lai Yam Ting and Mr. Lau Ming Chi, Edward being executive Directors, Mr. Allen Joseph Pathmarajah, Mr. Kuo Chi Yung, Peter, Mr. Tan Swee Hock, Sunny, Mr. Moo Kwee Chong, Johnny, Ms. Tan Suan Kheng, Esther, Mr. George Finlay Bell, Mr. Darren John Collins and Mr. Wang Yung Chang, Kenneth being non-executive Directors and Mr. Cheung Man, Stephen, Mr. Hon Sheung Tin, Peter and Mr. Li King Hang, Richard being independent non-executive Directors.

Please also refer to the published version of this announcement in China Daily.