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## **AUTOMATED SYSTEMS HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 771)**

### **DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION AT THE SUBSIDIARY LEVEL IN RELATION TO SUBSCRIPTION OF EQUITY INTEREST IN GDI**

The Board is pleased to announce that on 6th May 2019 (after trading hours), GDI entered into the Subscription Agreement with the Subscriber whereby GDI agreed to allot and issue, and the Subscriber agreed to subscribe for 414,685 Common Shares and 414,685 Series A Preferred Shares at an aggregate consideration of approximately US\$10,000,000 (equivalent to approximately HK\$78,500,000). GDI may allot and issue up to an additional 207,342 Common Shares and 207,342 Series A Preferred Shares to the Subscriber on the same terms and conditions (including subscription price) within 90 days after the initial Completion at a further consideration of up to approximately US\$5,000,000 (equivalent to approximately HK\$39,250,000).

Immediately upon Completion of the Subscription in full (including the Additional Issue), the Subscriber will hold up to approximately 4.93% of the total issued Common Shares and 100% of the total issued Series A Preferred Shares, which together represent up to approximately 9.39% of the issued share capital of GDI.

In connection with the Subscription, it is expected that GDI and the Subscriber will enter into the Investor's Rights Agreement on or before Completion. It is also expected that the Company will grant the Put Option to the Subscriber upon Completion.

#### **LISTING RULES IMPLICATIONS**

As more than one of the applicable percentage ratios (as defined in the Listing Rules) in respect of each of the Subscription and the Put Option are more than 5% but less than 25%, each of the Subscription and the Put Option constitutes a disclosable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Subscriber is a limited partnership which is managed and controlled by the General Partner. The General Partner is a company which voting rights are controlled by Mr. Eric Benhamou, a director of GDI, as to approximately 33%. As such the Subscriber is an associate of Mr. Eric Benhamou and a connected person of the Company at subsidiary level. Accordingly, each of the Subscription and the Put Option constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements. The Company will also comply with circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules where applicable.

**Shareholders and potential investors should note that the Subscription is subject to the conditions precedent set out in the paragraph headed “Conditions precedent to Subscription Agreement” in this announcement and therefore may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.**

## **INTRODUCTION**

The Board is pleased to announce that on 6th May 2019 (after trading hours), GDI entered into the Subscription Agreement with the Subscriber whereby GDI agreed to allot and issue, and the Subscriber agreed to subscribe for 414,685 Common Shares and 414,685 Series A Preferred Shares at an aggregate consideration of approximately US\$10,000,000 (equivalent to approximately HK\$78,500,000). GDI may allot and issue up to an additional 207,342 Common Shares and 207,342 Series A Preferred Shares to the Subscriber on the same terms and conditions (including subscription price) within 90 days after the initial Completion at a consideration of up to approximately US\$5,000,000 (equivalent to approximately HK\$39,250,000).

Immediately upon Completion of the Subscription in full (including the Additional Issue), the Subscriber will hold up to approximately 4.93% of the total issued Common Shares and 100% of the total issued Series A Preferred Shares, which together represent up to approximately 9.39% of the issued share capital of GDI.

## **THE SUBSCRIPTION**

### **Subscription Agreement**

The principal terms of the Subscription Agreement are summarised as follows:

- Date** : 6th May 2019
- Parties** : (1) GDI, a 96.45%-owned subsidiary of the Company as at the date of the Subscription Agreement; and
- (2) the Subscriber, a limited partnership managed and controlled by the General Partner, which in turn is a company which voting rights are controlled as to approximately 33% by Mr. Eric Benhamou, a director of GDI.
- Subscription shares** : 414,685 Common Shares and 414,685 Series A Preferred Shares, representing approximately 3.34% of the total issued Common Shares of GDI and 100% of the total issued Series A Preferred Shares immediately following the initial Completion.

Pursuant to the Subscription Agreement, GDI may allot and issue up to an additional 207,342 Common Shares and 207,342 Series A Preferred Shares to the Subscriber on the same terms and conditions (including subscription price), representing approximately 1.64% and 33.3% of the total issued Common Shares and total issued Series A Preferred Shares of GDI immediately following Completion of the Additional Issue in full.

Upon Completion of the Subscription in full (including the Additional Issue), the 622,027 Common Shares and 622,027 Series A Preferred Shares would together represent approximately 9.39% of the total issued share capital of GDI.

**Consideration** : Approximately US\$10,000,000 (equivalent to approximately HK\$78,500,000), being the aggregate consideration for 414,685 Common Shares and 414,685 Series A Preferred Shares at US\$9.25 per Common Share and US\$14.8647 per Series A Preferred Share.

Should GDI allot and issue all the additional 207,342 Common Shares and 207,342 Series A Preferred Shares, GDI will receive an additional consideration of approximately US\$5,000,000 (equivalent to approximately HK\$39,250,000).

The subscription prices of US\$9.25 for each Common Share and US\$14.8647 for each Series A Preferred Share were arrived at after arm's length negotiation between the parties with reference to, among other things, the cost of investment when the Company acquired GDI in 2017 together with the performance of GDI and its subsidiaries for the year ended 31 December 2018.

**Completion and payment** : Completion (including any subsequent Completion) shall take place on the third day following the fulfilment of the relevant conditions precedent or at such other time and place as GDI and the Subscriber may agree in writing.

Payment of the consideration for the Common Shares and the Series A Preferred Shares shall be made on or before the date of initial Completion or Completion of the Additional Issue (as the case may be).

### **Put Option**

In connection with the Subscription, it is expected that the Company, being the largest shareholder of GDI, will grant the Put Option to the Subscriber on the date of initial Completion. In the event the Board resolves not to proceed with an initial public offering of shares in GDI (including a SPAC listing) on a stock exchange in the US ("IPO") within three years from the date of the initial Completion (except for non-fulfilment of applicable requirements for listing on the part of GDI or reasons beyond the control of the Company), the Subscriber shall have the right to require, within 60 days of such Board resolution, the Company to purchase all or part of the securities then held by the Subscriber at an amount equal to the original subscription price plus an annual return of 20% (simple interest). The consideration payable upon exercise of the Put Option was determined after arm's length negotiation between the parties having considered the historical growth rate of GDI. The Put Option shall terminate at the earlier of the closing of the IPO of GDI and the third anniversary of the date of grant of the Put Option.

## Terms of the Series A Preferred Shares and Investor's Rights Agreement

The principal terms of the Series A Preferred Shares are summarised as follows:

- Voting rights: Holders of Series A Preferred Shares shall have the right to vote at any general meeting of GDI on an as-converted basis, and not as a separate class, except as required by law.
- Dividend: Holders of Series A Preferred Shares shall be entitled to payment of dividends on an as-converted basis as and when dividends are paid on Common Shares. Such right to dividends shall not be cumulative and no right to dividend shall accrue by reason that no dividend was declared during a particular period, nor shall any undeclared or unpaid dividend bear or accrue interest.
- Optional conversion: Holders of Series A Preferred Shares shall have the option to convert Series A Preferred Shares to Common Shares at an initial conversion price of US\$14.8647 per share, subject to adjustments for stock issuances, splits, combinations, dividends, distributions, merger and reorganization and similar events.
- Mandatory conversion: Series A Preferred Shares shall be automatically converted into Common Shares at the then applicable conversion ratio in the event of:
- (1) closing of any other firm commitment underwritten public offering of Common Shares at a price equal to US\$24.1147 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to Common Shares) and net proceeds to GDI of not less than US\$75 million;
  - (2) a SPAC acquisition implemented in connection with certain specified entity;
  - (3) any other SPAC acquisition with pricing of the Common Shares being at least US\$24.1147 per share (subject to applicable adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Common Shares); or
  - (4) upon the vote or written consent of the holders of a majority of the Series A Preferred Shares.

Liquidation preference: In the event of any liquidation, dissolution or winding up of the Company, each Series A Preferred Share shall be entitled to US\$24.1147 plus declared and unpaid dividends (or, if greater, the amount that the Series A Preferred Share would receive on an as-converted basis). The balance of any proceeds shall be distributed pro rata to holders of Common Shares.

Others: Veto rights over certain reserved matters including but not limited to amending constitutional documents, reclassification or amendment of terms of any existing securities of GDI which would render such securities senior to Series A Preferred Shares, repurchase or redemption of any existing securities of GDI and issuance of debt or equity securities.

In connection with the Subscription, it is expected that GDI and the Subscriber will enter into the Investor's Rights Agreement on or before Completion. The following are principal terms of the Investor's Rights Agreement:

- (i) the Subscriber will be entitled to registration rights to require GDI to effect registration of registrable securities of GDI under the Securities Act of 1933 of the United States;
- (ii) if GDI grants any rights, preferences or privileges to any investor whose aggregate capital contribution to GDI does not exceed that of the Subscriber, the Subscriber will be granted substantially equivalent rights, preferences or privileges;
- (iii) the Subscriber will undertake not to dispose of any Common Shares or securities convertible into Common Shares for a period up to 180 days following the date of final prospectus relating to the registration by GDI for its own behalf Common Shares or any other equity securities under the Securities Act of 1933 of the United States;
- (iv) the Subscriber will be entitled to a right of first offer (on reasonable and good faith effort basis) in the event GDI proposes to offer or issue any new securities, as long as the Subscriber (together with its affiliates) remains the holder of a majority of registrable securities of GDI; and
- (v) in the event of an initial public offering of the shares of GDI, GDI will use commercially reasonable efforts to cause the managing underwriter(s) to designate a number of shares equal to five per cent (5%) of Common Shares to be offered in the initial public offering for sale to the Subscriber or its designees.

### **Conditions precedent to Subscription Agreement**

Completion (including any subsequent Completion) is conditional upon the fulfilment of the following conditions:

- (i) the representations and warranties given by each of GDI and the Subscriber having remained true and correct;
- (ii) each of GDI and the Subscriber having performed and complied with all covenants, agreements, obligations and conditions contained under the Subscription Agreement;

- (iii) all authorizations, approvals or permits required in connection with the Subscription having been obtained and remaining effective;
- (iv) the Company having complied with applicable requirements under the Listing Rules in respect of the Subscription;
- (v) as at the initial Completion, the board of directors of GDI comprising six members and the authorized size of the board of directors of GDI being seven members ; and
- (vi) GDI having filed the amended and restated articles of incorporation with the Secretary of State of California and such certificate remaining in full force and effect.

Completion (including any subsequent Completion) shall take place on the third day following the fulfilment of the relevant conditions precedent or at such other time and place as GDI and the Subscriber may agree in writing.

## **GENERAL INFORMATION**

### **Information of the Company**

The Company is an investment holding company with its subsidiaries principally engaged in the business of information technology (“IT”) and is one of the leading and professional IT service providers 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 three 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.

## Information on the Subscriber

The Subscriber is a limited partnership established in the State of Delaware of the United States and is a venture capital fund founded to make investments in growth-stage technology companies.

As at the date of this announcement, the Subscriber is managed by the General Partner, a company which voting rights are controlled by Mr. Eric Benhamou, a director of GDI, as to approximately 33%. As at the date of this announcement, Ms. Zhang Shuo, a director of GDI, has a 0.48% interest in a limited partner of the Subscriber.

## Information on GDI

GDI is a corporation incorporated in the State of California of the United States and a 96.45%-owned subsidiary of the Company as at the date of this announcement. GDI is a provider of open, scalable, next-generation e-commerce technology solutions in the areas of omni-channel digital platforms (such as designing and developing web catalogs, search systems and mobile applications), cloud enablement, big data analytics and continuous delivery.

Set out below is the financial information of GDI for the two financial years ended 31st December 2017 and 31st December 2018 prepared based on the United States Generally Accepted Accounting Principles:

	<b>For the year ended 31st December 2017</b>	<b>For the year ended 31st December 2018</b>
	<i>US\$ (unaudited)</i>	<i>US\$ (audited)</i>
Net profit before taxation	12,891,079 (equivalent to approximately HK\$101,194,970)	14,422,087 (equivalent to approximately HK\$113,213,383)
Net profit after taxation	10,782,339 (equivalent to approximately HK\$84,641,361)	10,229,699 (equivalent to approximately HK\$80,303,137)

The net asset value of GDI was approximately US\$32,687,869 (equivalent to approximately HK\$256,599,772) as at 31st December 2018.

## REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND PUT OPTION

The Directors are of the view that the Subscription will enlarge the shareholder base and the capital base of GDI with a view to enhancing the cash flow of GDI thereby facilitating its growth by acquisitions and ability to seize future business and other expansion opportunities (including but not limited to merger and acquisition possibilities) in a timely manner. As described in the paragraph headed "Put Option" above, it is the intention of both the Subscriber and the Company to prepare GDI for IPO on a US stock exchange. The Directors believe that the Subscription will strengthen its strategic relationship with the Subscriber who has capital markets experience in the United States, which is expected to enhance GDI's access to capital markets in the United States. Taking advantage of such experience, the Group may explore possible capital markets opportunities in the United States which would be beneficial to the Group.

In line with the Subscriber's investment strategies and the ultimate objective of GDI going public, it is expected that the Company will grant the Put Option upon Completion so that the Subscriber will have a right to exit under the circumstances described in the paragraph headed "Put Option" above.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Subscription and the Put Option are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

## **FINANCIAL IMPACT OF THE SUBSCRIPTION**

Immediately upon Completion of the Subscription in full (including the Additional Issue), GDI will become an indirect 87.39%-owned subsidiary of the Company. Considering the Subscription does not result in change in control of GDI, the Subscription will be treated as transaction(s) with non-controlling interest and the difference between the proceeds from the Subscription and the decrease in the shared net assets of GDI is adjusted to reserves, no gain or loss on the disposal of equity interest in GDI will be recognized in the Company's consolidated statement of profit or loss.

## **USE OF PROCEEDS FROM THE SUBSCRIPTION**

The Company intends to utilize all the net proceeds from the Subscription for growth acquisitions.

## **LISTING RULES IMPLICATIONS**

As more than one of the applicable percentage ratios (as defined in the Listing Rules) in respect of each of the Subscription and the Put Option are more than 5% but less than 25%, each of the Subscription and the Put Option constitutes a disclosable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Subscriber is a limited partnership which is managed and controlled by the General Partner. The General Partner is a company which voting rights are controlled by Mr. Eric Benhamou, a director of GDI, as to approximately 33%. As such the Subscriber is an associate of Mr. Eric Benhamou and a connected person of the Company at subsidiary level. Accordingly, each of the Subscription and the Put Option constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements. The Company will also comply with circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules where applicable.

**Shareholders and potential investors should note that the Subscription is subject to the conditions precedent set out in the paragraph headed "Conditions precedent to Subscription Agreement" in this announcement and therefore may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.**



## DEFINITIONS

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

“Additional Issue”	the allotment and issue of up to 207,342 Common Shares and 207,342 Series A Preferred Shares upon subsequent Completion
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Common Share(s)”	share(s) of common stock in GDI
“Company”	Automated Systems Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 771)
“Completion”	completion of the subscription of Common Shares and Series A Preferred Shares contemplated under the Subscription Agreement, or if there is more than one, each or all of such completion(s) as the context requires
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“GDI”	Grid Dynamics International, Inc., a corporation incorporated in the State of California of the United States and a 96.45%-owned subsidiary of the Company as at the date of this announcement
“General Partner”	BGV Opportunity Fund Partners, LLC, the general partner of the Subscriber, which is a limited liability company incorporated in the State of Delaware of the United States and an associate of Mr. Eric Benhamou, a director of GDI
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Investor’s Rights Agreement”	the investor’s rights agreement to be entered into between GDI and the Subscriber on or before the initial Completion in respect of certain rights of the Subscriber
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time

“Put Option”	the put option to be granted to the Subscriber to require the Company to acquire part or all of the shares in GDI allotted and issued to the Subscriber upon Completion
“Series A Preferred Share(s)”	share(s) of Series A preferred stock in GDI, to be created upon Completion
“Shareholder(s)”	shareholders of the Company
“SPAC”	special purpose acquisition company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	BGV Opportunity Fund LP, a limited partnership established in the State of Delaware of the United States and an associate of Mr. Eric Benhamou, a director of GDI
“Subscription”	the subscription of up to 622,027 Common Shares and 622,027 Series A Preferred Shares pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	a common stock and series A preferred stock purchase agreement dated 6th May 2019 entered into between GDI and the Subscriber pursuant to which the Subscriber agreed to subscribe for up to 622,027 Common Shares and 622,027 Series A Preferred Shares
“United States” or “US”	the United States of America
“US\$”	United States dollar, the lawful currency of the United States
“%”	per cent

*For the purposes of this announcement, the exchange rate of US\$1.00 = HK\$7.85 has been used for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at any particular rate on the date or dates in question or any other date.*

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

Hong Kong, 6th May 2019

*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.*