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Automated Systems Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 771)

MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RESPECT OF THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF MDCL- FRONTLINE SOLUTIONS LIMITED

**Financial Adviser to Automated Systems
Holdings Limited**



THE ACQUISITION

The Board is pleased to announce that on 12 November, 2012, ELMT, a wholly owned subsidiary of the Company, and Hong Kong Teamsun entered into the Acquisition Agreement pursuant to which ELMT has conditionally agreed to purchase, and Hong Kong Teamsun has conditionally agreed to sell the entire issued share capital of MDCL. MDCL holds a 100% shareholding interest in Mocha Software which together with its subsidiary are principally engaged in the provision of IT software solutions for corporations in the PRC. The MDCL Group owes the Shareholder's Loan to Teamsun Group the net outstanding amount of which as at 31 October 2012 was approximately RMB50.6 million (equivalent to approximately HK\$62,238,000).

The total consideration under the Acquisition is HK\$220,000,000 which will be settled by way of a payment by ELMT of HK\$150,000,000 in cash no later than 30 days after Completion (or on such later date as agreed by Hong Kong Teamsun), all or part of which will be used by Hong Kong Teamsun to procure the repayment in full of the Shareholder's Loan, and an issuance of interest bearing promissory notes of an aggregate principal amount of HK\$70,000,000 to Hong Kong Teamsun upon Completion.

Completion of the Acquisition Agreement is subject to the fulfillment of a number of conditions, including all necessary regulatory approvals and consents in connection with the Acquisition and the approval of the Acquisition by the Independent Shareholders having

been obtained. If any of the preconditions are not fulfilled or waived on or before 31 December, 2012, the Acquisition Agreement shall terminate immediately thereafter and be of no further effect and none of the parties to the Acquisition Agreement shall have any claims against any of the other parties under the agreement (save for claims arising out of any antecedent breach of the Acquisition Agreement).

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the approval of the Shareholders pursuant to the Listing Rules.

As Hong Kong Teamsun is the direct controlling shareholder of the Company, it is a connected person of the Company within the meaning of the Listing Rules. The Acquisition therefore also constitutes a connected transaction under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Hong Kong Teamsun is regarded as having a material interest in the Acquisition, it and its associates will be required to abstain from voting on the resolution(s) relating to the approval of Acquisition at the SGM pursuant to Rule 14A.54 of the Listing Rules.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further particulars of the Acquisition; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iii) a letter from the independent financial adviser of the Company containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the SGM to consider and, if thought fit, to approve the resolution(s) relating to the Acquisition, will be despatched to the Shareholders on or before 23 November, 2012.

WARNING: As Completion of the Acquisition Agreement is subject to the fulfillment of certain preconditions, the issue of this announcement should not be regarded in any way as implying that the Acquisition will be completed. Therefore, Shareholders and potential investors should exercise caution when dealing in the Shares.

THE ACQUISITION

The Board is pleased to announce that on 12 November, 2012, ELMT, a wholly owned subsidiary of the Company, and Hong Kong Teamsun entered into the Acquisition Agreement pursuant to which ELMT has conditionally agreed to purchase, and Hong Kong Teamsun has

conditionally agreed to sell the entire issued share capital of MDCL. The MDCL Group owes the Shareholder's Loan to Teamsun Group the net outstanding amount of which as at 31 October, 2012 was approximately RMB50.6 million.

THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are summarised below.

Date: 12 November, 2012

Parties: (1) ELMT, as Purchaser; and
(2) Hong Kong Teamsun, as Vendor.

Assets to be Acquired

Pursuant to the Acquisition Agreement, ELMT, a wholly owned subsidiary of the Company has conditionally agreed to purchase, and Hong Kong Teamsun has conditionally agreed to sell the entire issued share capital of MDCL. The MDCL Group owes the Shareholder's Loan to Teamsun Group the net outstanding amount of which as at 31 October, 2012 was approximately RMB50.6 million (equivalent to approximately HK\$62,238,000).

MDCL holds a 100% shareholding interest in Mocha Software which is principally engaged in the provision of IT software solutions for corporations in the PRC. Mocha Software in turn holds a 99.99% shareholding interest in 北京摩卡软件有限公司 (Mocha Software (Beijing) Co., Ltd*) and maintains 摩卡软件(天津)有限公司北京分公司 (Mocha Software (Tianjin) Co. Ltd. Beijing branch office*) and 摩卡软件(天津)有限公司南京办事处 (Mocha Software (Tianjin) Co., Ltd, Nanjing Office*) as its branch offices.

Consideration

The total consideration under the Acquisition Agreement is HK\$220,000,000. The consideration was determined through arm's length negotiations and arrived at with reference to the earnings and growth potential of Mocha Software Group.

The consideration will be satisfied in the following manner:

- (1) Hong Kong Teamsun has undertaken to apply all or part of HK\$150,000,000 out of the total consideration to procure repayment in full by the MDCL Group of the Shareholder's Loan, and ELMT shall no later than 30 days after Completion (or on such later date as agreed by Hong Kong Teamsun) pay HK\$150,000,000 to Hong Kong Teamsun in cash or by cheque and/or in such manner as agreed by both parties to arrange repayment by the MDCL Group in full of the Shareholder's Loan;

- (2) HK\$70,000,000 shall be payable by issuance by ELMT to Hong Kong Teamsun upon Completion of interest bearing and unsecured promissory notes (the “**Promissory Notes**”) which will mature on the expiring of the 30th month from the date of issue.

The consideration for the Acquisition will be financed by a combination of the Company’s internal resources and, or the obtaining of bank facility or disposal of the Company’s properties, if appropriate.

Promissory Notes

The principal terms of the Promissory Notes are as follows:

- | | | |
|-----|------------------|---|
| (1) | Issuer | The Purchaser. |
| (2) | Principal amount | HK\$70,000,000, in such denomination as agreed by the parties. |
| (3) | Maturity | The principal amount will be repayable on the expiring of the 30 th month from the date of issue of the Promissory Notes. |
| (4) | Transferability | The Promissory Notes are transferable. |
| (5) | Interest rate | 2% per annum. |
| (6) | Security | No security will be provided by the Purchaser in respect of its obligations under the Promissory Notes. |
| (7) | Early repayment | At the sole discretion of the Purchaser, the Promissory Notes or such part thereof may be repaid before its maturity. Otherwise, payment of the principal amount and the interest amount of the Promissory Notes shall be made upon its maturity. |

Preconditions

Completion of the Acquisition Agreement is conditional upon the fulfillment of the following conditions:

- a) the approval of the Acquisition Agreement and the transactions contemplated thereunder by the Independent Shareholders at an SGM pursuant to the Listing Rules;
- b) each of the representations and warranties made by Hong Kong Teamsun in respect of the MDCL Group remaining true and accurate and not misleading in all material aspects;

- c) all approvals, consents, authorisations and waivers (so far as necessary) required to be obtained by Hong Kong Teamsun and ELMT respectively in relation to the signing of the Acquisition Agreement and the transactions contemplated under the Acquisition Agreement having been obtained; and
- d) all necessary approvals of the Shanghai Stock Exchange and/or relevant PRC governmental or regulatory authorities or agencies which are required in respect of the Acquisition having been obtained; and all relevant requirements under the laws, rules and regulations in the PRC or other relevant jurisdictions in relation to the Acquisition having been complied with.

ELMT shall be entitled to waive precondition (b) stated above.

Completion

Completion shall take place on the third Business Day following the day on which all the preconditions of the Acquisition Agreement are fulfilled (or otherwise waived in accordance with the Acquisition Agreement), or such other date as the parties to the Acquisition Agreement may agree in writing, but shall in no event be later than 31 December, 2012. If any of the preconditions of the Acquisition Agreement has not been fulfilled or, if applicable, waived on or before 31 December, 2012 (or such later date as the parties may otherwise agree in writing), the Acquisition Agreement shall terminate immediately thereafter and be of no further effect and none of the parties to the Acquisition Agreement shall have any claim against any of the other party under the Acquisition Agreement (save for claims arising out of any antecedent breach of the Acquisition Agreement).

Profit Guarantee

Under the Acquisition Agreement, Hong Kong Teamsun has guaranteed that the net profits (after tax) of Mocha Software Group for the years ending 31 December, 2012 and 31 December, 2013 shall at least be RMB12,000,000 (equivalent to approximately HK\$14,760,000) and RMB15,000,000 (equivalent to approximately HK\$18,450,000) respectively, and has undertaken to indemnify ELMT for the shortfall if the net profits (after tax) of Mocha Software Group for any of the above years are below the relevant guaranteed amount.

INFORMATION ABOUT MDCL

MDCL is a private investment holding company incorporated in Hong Kong for the sole purpose of holding 100% shareholding interest in Mocha Software.

Mocha Software Group, established in the PRC, is primarily engaged in the provision of IT software solutions for corporations in the PRC. Its IT services include business process management, business service management, collaboration, ITIL-based IT operation and maintenance management, project management, security, infrastructure and integration. Mocha

Software Group has built up a broad client base in the PRC, ranging from telecommunication operators, government bodies, financial institutions to media corporations. Mocha Software Group has recently adopted an expansion strategy to further develop its clients from different industries in the PRC as well as from overseas.

MDCL is a direct wholly owned subsidiary of Hong Kong Teamsun which is in turn wholly owned by a joint stock limited company, the shares of which are listed on the Shanghai Stock Exchange.

Set out in the table below is the unaudited consolidated net profit or loss of MDCL for each of the three years ended 31 December, 2011 and the six months ended 30 June, 2012, respectively, prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 31 December			For the six months ended
	2009	2010	2011	30 June
	HK\$ '000	HK\$ '000	HK\$ '000	2012 HK\$ '000
Net profit/(loss) before taxation and extraordinary items	(2,217)	6,729	22,230	966
Net profit/(loss) after taxation and extraordinary items	(2,217)	6,729	22,230	966

The unaudited consolidated net assets of MDCL as at 30 June, 2012 were approximately HK\$7,791,000.

The cost incurred by Hong Kong Teamsun for the acquisition of MDCL in August 2010 was approximately USD9,900,000 (equivalent to approximately HK\$77,200,000).

INFORMATION ON THE GROUP

The Group is principally engaged in the delivery of comprehensive one-stop shop IT services including applications and software development, consultancy, systems integration, maintenance support, help desk, outsourcing and training to clients across all industries.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The acquisition of the Mocha Software Group, through the acquisition of MDCL, is expected to create synergies and competitive advantages for the Group. Mocha Software Group's broad clientele, its brand and software products are expected to enable the Group to expand its existing business into the PRC market. Similarly, the Group's established customer network is expected

to help expand the Mocha Software business into the Hong Kong and overseas market.

The Group has been mainly focused in the provision of IT services in Hong Kong. The Company is of the view that while the overall IT service industry is generally well developed and mature, the IT software market presents good opportunities for expansion and development. Mocha Software Group's diversified range of self-developed and enterprise software products and research and development capabilities are expected to complement and contribute to the future expansion of the Group's IT software business.

The Board is of the view that the Acquisition is expected to diversify the activities of the Group resulting in greater appeal of the Company to investors.

RELATIONSHIP BETWEEN THE PARTIES AND LISTING RULES IMPLICATIONS

Hong Kong Teamsun is a controlling shareholder of the Company. As at the date of this announcement, Hong Kong Teamsun holds 208,792,996 Shares, representing 67.05% of the issued share capital of the Company. Hong Kong Teamsun is an investment holding company where its investment holdings are primarily engaged in the provision of computer and communication product sales, technical service, and systems integration service.

As certain applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the approval of the Shareholders pursuant to the Listing Rules.

As Hong Kong Teamsun is the direct controlling shareholder of the Company, Hong Kong Teamsun is a connected person of the Company within the meaning of the Listing Rules. The Acquisition therefore also constitutes a connected transaction under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Hong Kong Teamsun is regarded as having a material interest in the Acquisition, it and its associates will abstain from voting on the resolution(s) relating to the approval of Acquisition Agreement at the SGM pursuant to Rule 14A.54 of the Listing Rules.

BOARD OPINION

The Independent Board Committee, comprising all of the Independent Non-Executive Directors of the Company, namely Ms. Young Meng Ying, Mr. Lu Jiaqi and Ms. Xu Peng, has been formed to advise the Independent Shareholders in respect of the Acquisition.

The Non-Executive directors of the Company, namely, Mr. Hu Liankui, Mr. Wang Weihang and Ms. Zou Zhiying, are either directors or senior management of Hong Kong Teamsun or its associates, and therefore they have abstained from voting on the relevant resolution of the Board approving the Acquisition.

The Board (excluding the members of the Independent Board Committee, the opinion of

which after taking into account of the advice from the independent financial adviser of the Company will be included in the circular to be despatched to the Shareholders) is of the view that the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms, that the terms of the Acquisition Agreement have been determined after arm's length negotiations between the parties and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

THE SGM

The SGM will be convened to consider and, if thought fit, to approve the Acquisition Agreement. Pursuant to Rule 14A.54 of the Listing Rules, any shareholder with a material interest in the relevant connected transactions and its associates are required to abstain from voting on the relevant resolutions at a shareholders' meeting. Accordingly, Hong Kong Teamsun and its associates are required to abstain from voting on the resolution(s) relating to the approval of the Acquisition Agreement at the SGM.

A circular containing, among other things, (i) further particulars of the Acquisition; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iii) a letter from the independent financial adviser of the Company containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the SGM to consider and if thought fit to approve the resolution(s) relating to the Acquisition will be despatched to the Shareholders of the Company on or before 23 November, 2012.

WARNING: As Completion of the Acquisition Agreement is subject to the fulfillment of certain preconditions, the issue of this announcement should not be regarded in any way as implying that the Acquisition will be completed. Therefore, Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the acquisition of the entire issued share capital of MDCL pursuant to the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement dated 12 November, 2012 entered into between ELMT as Purchaser, and Hong Kong Teamsun as Vendor, in relation to the Acquisition
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	means any day (excluding a Saturday, Sunday, public holiday

in Hong Kong and any day on which a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9 a.m. to 5 p.m.) on which banks are generally open for business in Hong Kong

“China” or “PRC”	the People’s Republic of China (excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan)
“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
“Completion”	completion of the Acquisition Agreement, which is expected to take place on or before 31 December, 2012
“connected person”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“ELMT” or “Purchaser”	ELM Technologies Holdings Limited, which is a limited company incorporated in the British Virgin Islands and is a wholly owned subsidiary of the Company
“Group”	the Company together with all of its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Teamsun” or “Vendor”	Teamsun Technology (HK) Limited, a limited company incorporated in Hong Kong, which is the controlling shareholder of the Company
“Independent Board Committee”	an independent board committee, comprising all of the Independent Non-Executive Directors, namely Ms. Young Meng Ying, Mr. Lu Jiaqi and Ms. Xu Peng, formed to advise the Independent Shareholders in respect of the Acquisition
“Independent Shareholders”	shareholders of the Company other than those who are required to abstain from voting at the SGM pursuant to the Listing Rules
“IT”	information technology
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“MDCL”	MDCL-Frontline Solutions Limited, which is a private limited company incorporated in Hong Kong and is a direct wholly owned subsidiary of Hong Kong Teamsun
“MDCL Group”	collectively, MDCL and Mocha Software Group
“Mocha Software”	摩卡軟件（天津）有限公司 (Mocha Software (Tianjin) Co., Ltd*), which is a limited company established in the PRC and is a wholly owned subsidiary of MDCL
“Mocha Software Group”	Mocha Software and its subsidiary
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be convened to approve the Acquisition
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholders”	shareholders of the Company
“Shareholder’s Loan”	the total net amount due by the MDCL Group to Teamsun Group at the date of Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Teamsun Group”	Hong Kong Teamsun, its holding company and their respective subsidiaries and associated companies
“USD”	United States Dollars, the lawful currency of the United States of America

For the purposes of this announcement, the exchange rate of USD1.00 = HK\$7.80 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.

For the purposes of this announcement, the exchange rate of RMB1.00 = HK\$1.23 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
Lau Ming Chi, Edward
Company Secretary

Hong Kong, 12 November, 2012

As at the date of this announcement, the Board comprises Mr. Lai Yam Ting, Ready, Mr. Hui Wing Choy, Henry, Mr. Leung Tat Kwong, Simon and Mr. Lau Ming Chi, Edward being

Executive Directors, Mr. Hu Liankui, Mr. Wang Weihang and Ms. Zou Zhiying being Non-Executive Directors and Ms. Young Meng Ying, Mr. Lu Jiaqi and Ms. Xu Peng being Independent non-executive Directors.

**for identification purpose only*