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AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 771)

**(1) VERY SUBSTANTIAL ACQUISITION
IN RELATION TO THE ACQUISITION OF
GRID DYNAMICS INTERNATIONAL, INC.
AND
(2) RESUMPTION OF TRADING**

THE ACQUISITION

The Board is pleased to announce that on 16th December 2016 (after trading hours), the Company, the Purchaser and Merger Sub entered into the Merger Agreement with the Target Company and the Securityholder Representative, pursuant to which the Company agreed to acquire the Target Company for total cash consideration of approximately US\$118,000,000 (equivalent to approximately HK\$915,267,000), subject to the terms and conditions set out in the Merger Agreement. The Acquisition is proposed to be effected by way of a merger of Merger Sub with and into the Target Company, with the Target Company surviving the Merger as an indirect wholly-owned subsidiary of the Company.

Reasons for and benefits of the Acquisition

The Directors are of the view that the following benefits will be accrued from the Acquisition and synergy will be created between the principal business of the Target Group and that of the Group: quickly establish the Group's business as a digital business enabler; rapidly capture market opportunities brought by big data analytics; bring strong cross-selling opportunities in retail and financial services sector; enhance operational efficiency; extend our managed services business into total IT outsourcing; and capture e-commerce opportunities in mainland China.

The Board is of the view that this Acquisition can lay a solid foundation for the Group's long-term development. It can also help to expand the Group's geographical coverage beyond Asia Pacific.

LISTING RULES IMPLICATIONS

As certain of the relevant percentage ratios applicable to the Company exceed 100%, the entering into of the Merger Agreement constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on 19th December 2016 pending release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 1:00 p.m. on 19th December 2016.

GENERAL

A General Meeting will be convened to consider and, if thought fit, to approve the transactions contemplated by the Merger Agreement, including the Merger. All Shareholders who have a material interest (which is different from all other Shareholders) in any of the transactions contemplated by the Merger Agreement, including the Merger, and their associates (as defined in the Listing Rules) will be required to abstain from voting on the resolution to approve the transactions contemplated by the Merger Agreement, including the Merger, at the General Meeting.

The Circular will include, among other things, (a) the accountants' report on the Target Group for the financial years ended 31st December 2013, 2014 and 2015 and the financial period ended 30th September 2016; (b) the pro forma financial information of the Group following the Closing; and (c) a notice of the General Meeting.

The Circular is expected to be despatched to the Shareholders on or before 6th February 2017, in order to allow sufficient time for the Company to prepare the Circular.

Shareholders and potential investors in the Company should note that the consummation of the Merger is subject to the fulfilment of certain conditions, including, among other things, the approval of the Shareholders of the Company, the approval of shareholders of Teamsun and the approval of the Securityholders of the Target Company, and that the Merger Agreement may be terminated in certain circumstances. Accordingly, there is no assurance that the Merger will be completed. Shareholders and potential investors in the Company should exercise caution when dealing in the Shares.

A. INTRODUCTION

The Board is pleased to announce that on 16th December 2016 (after trading hours), the Company, the Purchaser and Merger Sub entered into the Merger Agreement with the Target Company and the Securityholder Representative, pursuant to which the Company agreed to acquire the Target Company for total cash consideration of approximately US\$118,000,000 (equivalent to approximately HK\$915,267,000), subject to the terms and conditions set out in the Merger Agreement. The Acquisition is proposed to be effected by way of a merger of Merger Sub with and into the Target Company, with the Target Company surviving the Merger as an indirect wholly-owned subsidiary of the Company.

B. THE ACQUISITION

The principal terms and conditions of the Merger Agreement are set out below.

1. Date

16th December 2016

2. Parties

- (a) the Company;
- (b) the Purchaser;
- (c) the Merger Sub;
- (d) the Target Company; and
- (e) the Securityholder Representative.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, the Target Company and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company (as defined in the Listing Rules).

3. Merger

The Company has agreed to acquire the Target Company by way of a merger to be consummated in accordance with the California General Corporation Law, subject to the terms and conditions of the Merger Agreement. The Acquisition is proposed to be effected by way of the Merger whereby the Merger Sub will be merged with and into the Target Company, with the Target Company surviving the Merger as an indirect wholly-owned subsidiary of the Company.

4. Consideration

Pursuant to the terms of the Merger Agreement, each issued and outstanding Target Share will be cancelled and converted into the right to receive cash. The total cash consideration to be paid by the Company will be approximately US\$118,000,000 (equivalent to approximately HK\$915,267,000) (the “**Merger Consideration**”), comprising:

- (a) a purchase price (on a net cash and net debt basis) of approximately US\$100,000,000 (equivalent to approximately HK\$775,650,000) to be paid by the Company, in cash, upon Closing (“**Purchase Price**”); and
- (b) an earnout payment in the sum of up to US\$18,000,000 (equivalent to approximately HK\$139,617,000) to be paid by the Company, in cash, after the Closing within 60 days after the end of each earnout period, i.e. the first twelve months and the second twelve months after the Closing, respectively, subject to the Target Group meeting the agreed revenue target and the profit before tax target in respect of each relevant earnout period (“**Earnout Payment**”).

Basis of the Merger Consideration

The Merger Consideration was agreed at after arm’s length negotiation between the Target Company and the Group on normal commercial terms after taking into account the benefits of the Acquisition as disclosed in the paragraph headed “Reasons for and benefits of the Acquisition” below and the recent profitability of the Target Company.

The Purchase Price was determined having taken into account that (i) the human capital and technical knowhow (including but not limited to knowhow in developing, integrating and managing next-generation digital cloud platform in information technology (“IT”)) that are possessed by the Target Company, being an IT related services provider; (ii) the comparable trading multiples (i.e. enterprise value, EBIT/EBITA and P/E ratio) publicly available in the US market; (iii) the historical background and profitable clientele of the Target Company are promising; and (iv) the Group’s target of improving its profitability by exploring other potential business opportunity that could create synergy effect with the existing business of the Group.

The Earnout Payment was determined by reference to the Target’s historical performance, revenue growth potential and market trend of cloud-based IT solutions widely adopted in enterprise environment.

5. Conditions precedent

The Closing is conditional upon and subject to customary conditions, as well as the following specific conditions that may not be waived by any party to the Merger Agreement:

- a) The Merger Agreement shall have been duly adopted and the Merger shall have been duly approved by the requisite vote of the Securityholders.
- b) The Merger Agreement shall have been duly adopted and the Merger shall have been duly approved by a majority of the Shareholders at the General Meeting.
- (c) The Merger Agreement shall have been duly adopted and the Merger shall have been duly approved by a majority of the shareholders of Teamsun at its general meeting.
- d) No governmental authority shall have enacted, issued, promulgated, enforced or entered any governmental order which is in effect and has the effect of making the transactions contemplated under the Merger Agreement illegal, otherwise restraining or prohibiting consummation of any material transactions or causing any of the material transactions contemplated hereunder to be rescinded following completion thereof.
- e) Each of the Company and the Target Company shall have received all consents, authorizations, orders and approvals from governmental authorities and no such consent, authorization, order and approval shall have been revoked.

- f) No actions shall have been commenced against any of the parties to the Merger Agreement (other than the Securityholder Representative) that would prevent the Closing.
- g) The transactions contemplated under the Merger Agreement shall have received CFIUS Approval, without any material alteration or material modifications of the terms of the Merger Agreement or of the structure or ownership of the Target Company and its subsidiaries, or the assets held by such entities.

In the event the Merger Agreement is terminated due to certain conditions not satisfied by certain agreed date, the Company or the Target Company is liable to pay a termination fee to the other party in the amount of up to US\$3,000,000. Upon termination, the Merger Agreement shall forthwith become void and there shall be no liability on the part of any party to the Merger Agreement except:

- (a) the right of the Company to access to information and other rights in accordance with the Merger Agreement; and
- (b) that nothing in the Merger Agreement shall relieve any party from liability for any willful breach of any provision.

6. Closing

Subject to the terms and conditions of the Merger Agreement, the Closing shall take place no later than five (5) business days after the last of the conditions to the Closing set forth in the Merger Agreement have been satisfied or waived (other than conditions which, by their nature, are to be satisfied on the Closing Date), or at such other time or on such other date or at such other place as the Target Company and the Company may mutually agree upon in writing.

7. Financing of the Merger

The Company is evaluating different options of financing the Acquisition, which will be by a combination of the Group's internal resources, loan facilities by commercial banks and possible future equity financing activities, including by way of rights issue and issuance of new Shares. The Company will follow the necessary legal procedures and will make the necessary disclosure in accordance with the bye-laws of the Company and comply with the applicable Listing Rules as and when appropriate.

C. REASONS FOR AND BENEFITS OF THE ACQUISITION

The rapid rise of a new generation of digital technologies — including cloud, mobile, big data and analytics and social business, collectively called the “third platform” technologies as defined by International Data Corporation (“IDC”) — is disrupting every industry. The traditional IT enterprise and application architecture can no longer meet today’s digital needs. The Company is of the view that clients increasingly develop their business applications by using third platform technologies to reduce costs and streamline operational processes and improve business agility. According to IDC, virtually all of enterprises’ new strategic IT investments through 2020 will be built on third platform technologies and solutions.

In response to new IT ecosystem, IT services players have to acquire ability to bring a full suite of services capability that includes integration of cloud, mobile, analytics and security delivered ‘as a service’ that is agile, people-oriented and innovative to enable enterprise succeed on its digital transformation journey.

In view of the market trend, the Directors are of the view that the following benefits will be accrued from the Acquisition and synergy will be created between the principal business of the Target Group and that of the Group:

- (1) ***Quickly establish the Group’s business as a digital business enabler.*** By integrating the Target Group’s experts, resources and technologies with the Group’s marketing, logistics and a huge global IT vendor network to the local market, the Group can rapidly develop next-generation integrated IT solutions that (i) built on agile, efficient technology infrastructure; (ii) blend existing or new clients’ business models; and (iii) use disruptive digital technologies, thus can flexibly accommodate clients’ needs and provide the best products, solutions and services to achieve clients’ desired business outcomes. The Company believes that the Acquisition will enable the Group to quickly take up the role as a major IT services partner in the third platform technologies in Greater China.
- (2) ***Rapidly capture market opportunities brought by big data analytics.*** As cloud computing and Internet of Things continues to disrupt traditional business models, companies increasingly turn to IT services providers who have experts, domain knowledge and technologies to drive value from large volumes and diverse types of data, known as big data, for customer experience enhancement, business process improvement and revenue generation. The supply of highly skilled big data professionals and a proven track record across diverse industries of the Target Group allows the Group to capture big data market opportunities for business expansion.

- (3) ***Bring strong cross-selling opportunities in retail and financial services sector.*** The emergence of new market trends, like omni-channel and Fintech in retail and financial sector respectively, presents good market opportunities. The Acquisition can reinforce our leading position and exposure in these two verticals. The Target Group's omni-channel platforms have been proven for eight years and well recognised by many US local leaders with a global presence of which half are from retail and financial services sectors. By combining the Group's well-established customer network, which includes government agencies, prestigious universities, telecommunications giants, transportation enterprises, major financial institutions and leading international corporations, dedicated sales force together with the Target Group's experience, domain expertise and professionals, the Company believes the Acquisition will bring deeper market penetration and broaden its customer base in the aforementioned sectors.
- (4) ***Enhance operational efficiency.*** The Target Group's successful onshore/offshore business model and its capabilities on DevOps (a new superior IT service delivery, and agile application development methodologies, practices and industry-specific tools) are expected to bring higher productivity, improve quality and minimise risk in application development for the Group. Meanwhile, the Group will benefit from a greater talent pool by combining resources from the offshore centers of the Target Group and the Group. Hence, the Group will be able to deliver sophisticated yet cost-effective and quality services.
- (5) ***Extend our managed services business into total IT outsourcing.*** The Target Group's automated cloud delivery platform can extend our managed services business from current managing hardware and software infrastructure to total IT outsourcing by including the provision of high-end Business Process Outsourcing services.
- (6) ***Capture e-commerce opportunities in mainland China.*** The synergy from the Acquisition also enables the Group to capture the enormous e-commerce opportunities arisen from the third platform technologies in one of the fastest growing economy in the world, mainland China. In addition, we believe that the Acquisition can accelerate the capability of the Group as well as Teamsun and its subsidiaries to help clients transforming their customer experiences, core business process, partner relationships, and supporting IT systems in their digital development.

The Group is engaged in the delivery of comprehensive one-stop IT services with core business in systems integration, maintenance support, managed services and applications development to clients across all industries mainly in Hong Kong and other locations including Macau, mainland China, Thailand, Taiwan, Singapore and Malaysia.

With its strong commitment to quality services, the Group has been winning clients such as government agencies, prestigious universities, telecommunications giants, transportation enterprises, major financial institutions and leading international corporations.

Accordingly, the Board is of the view that this Acquisition can lay a solid foundation for the Group's long-term development. It can also help to expand the Group's geographical coverage beyond Asia Pacific. The Directors will continue to explore other business opportunities that may enhance and benefit the Group's current mix of business operations. As at the date of this announcement, the Directors do not have any plan, arrangement, understanding, intention or negotiation underway regarding any potential transaction which will involve disposal, downsizing or termination of the existing businesses and/or major operating assets of the Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Merger Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Group's strategy for the Target Group

Our strategy is to expand the Target Group's business into Asia market while fueling the Group's business spanning from Greater China to the United States, or even to certain European countries where the Target Group currently has operation in by cross-selling service competency.

The Group relies on competent staff to provide quality services and capture the increasing business opportunities arisen from the third platform technologies. To retain the existing key management team and employees of the Target Group, the Company and the Target Company has agreed to devise and adopt a retention plan that will give cash for a value up to US\$10,000,000 to the employees of the Target Group.

D. RECOMMENDATION OF THE BOARD

Having taken into account the reasons for and benefits of the Merger as set out above, the Directors have unanimously approved, among other things, the Merger and recommend the Shareholders to vote in favour of the resolution to be proposed at the General Meeting to approve the transactions contemplated by the Merger Agreement, including the Merger.

E. INFORMATION ON THE GROUP

At present, the Group is principally focusing on five key solutions and services pillars (i.e. infrastructure, security, data intelligence, mobile and cloud) and engaged in the delivery of comprehensive one-stop IT services with core business in systems integration, maintenance support, managed services and applications development to clients across all industries mainly in Hong Kong and other locations including Macau, mainland China, Thailand, Taiwan, Singapore and Malaysia.

Of the five key pillars that the Group is principally focusing on, infrastructure is the foundation of the Company and represents a legacy of 40 plus years of successful business operations in Hong Kong, and security is the central key pillar to all the other four pillars of solutions and services, and is needed so as to effectively deploy infrastructure and applications. With its experience with security and infrastructure, the Group has enabled security as the intersecting pillar for our other three businesses focus, namely data intelligence, mobile and cloud.

F. INFORMATION ON THE TARGET GROUP

The Target Group is a provider of open, scalable, next-generation e-commerce technology solutions in the areas of omni-channel digital platforms, cloud enablement, big data analytics and continuous delivery. Founded in 2006, the Target Company is headquartered in Menlo Park, California with offshore resources in Eastern Europe. The Target Group has a track record of success and is well-known in providing transformative, cloud solutions for enterprises customers in retail, finance, media and technology sectors, including included omni-channel e-Commerce, search engine services, big data analytics, continuous performance testing and environment-as-a-Services.

As at 31st December 2015 and 30th September 2016, the Target Group's book value, in accordance with US GAAP, totaled US\$13,368,671 (audited) and US\$16,779,941 (unaudited), respectively.

For the financial years ended 31st December 2015 and 2014, (i) the Target Group's income before income taxes as reporting in accordance with US GAAP totaled US\$8,816,554 and US\$2,584,054, respectively; (ii) the Target Group's net profits after taxation as reporting in accordance with US GAAP totaled US\$5,981,432 and US\$1,462,808, respectively; and (iii) the Target Group's total revenue as reporting in accordance with US GAAP totaled US\$39,737,962 and US\$30,365,933, respectively.

G. LISTING RULES IMPLICATIONS

As certain of the relevant percentage ratios applicable to the Company exceed 100%, the entering into of the Merger Agreement constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

H. RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on 19th December 2016 pending release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 1:00 p.m. on 19th December 2016.

I. GENERAL

1. General Meeting

A General Meeting will be convened to consider and, if thought fit, to approve the transactions contemplated by the Merger Agreement, including the Merger. All Shareholders who have a material interest (which is different from all other Shareholders) in any of the transactions contemplated by the Merger Agreement, including the Merger, and their associates (as defined in the Listing Rules) will be required to abstain from voting on the resolution to approve the transactions contemplated by the Merger Agreement, including the Merger, at the General Meeting.

2. Circular

The Circular will include, among other things, (a) the accountants' report on the Target Group for the financial years ended 31st December 2013, 2014 and 2015 and the financial period ended 30th September 2016; (b) the pro forma financial information of the Group following the Closing; and (c) a notice of the General Meeting.

The Circular is expected to be despatched to the Shareholders on or before 6th February 2017, in order to allow sufficient time for the Company to prepare the Circular.

3. Warning

Shareholders and potential investors in the Company should note that the consummation of the Merger is subject to the fulfilment of certain conditions, including, among other things, the approval of the Shareholders of the Company, the approval of the shareholders of Teamsun and the approval of the Securityholders of the Target Company, and that the Merger Agreement may be terminated in certain circumstances. Accordingly, there is no assurance that the Merger will be completed. Shareholders and potential investors in the Company should exercise caution when dealing in the Shares.

J. DEFINITIONS

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

“Acquisition”	the acquisition of the Target Company pursuant to the Merger Agreement
“Board”	the board of Directors
“California General Corporation Law”	the General Corporation Law of the State of California (as amended, modified and revised from time to time)
“CFIUS Approval”	The approval of applicable US governmental authorities pursuant to the Committee on Foreign Investment in the United States
“Circular”	the circular to be issued by the Company and despatched to the Shareholders in relation to the Merger and the convening of the General Meeting in order to obtain the Shareholders’ approval of the Merger Agreement and the transactions contemplated thereunder, including the Merger
“Closing”	closing of the Merger

“Closing Date”	the date on which the Closing takes place
“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)
“Director(s)”	the director(s) of the Company
“General Meeting”	the special general meeting of the Company to be convened for Shareholders to consider and, if thought fit, approve the transactions contemplated by the Merger Agreement, including the Merger
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Material Adverse Effect”	any event, occurrence, fact, condition or change that is, or would reasonably be expected to become, individually or in the aggregate, materially adverse to (a) the business, results of operations, condition (financial or otherwise) or assets of the Target Company, or (b) the ability of the Target Company to consummate the transactions contemplated hereby on a timely basis, in each of (a) and (b) taken as a whole, as defined in detail in the Merger Agreement
“Merger”	the merger between the Target Company and the Merger Sub involving cancellation of all issued and outstanding Shares and conversion of each issued share in the Merger Sub into one ordinary share of the Target Company, resulting the Target Company as the surviving corporation and wholly-owned by the Purchaser

“Merger Agreement”	the agreement and plan of merger dated 16th December 2016 entered into amongst the Company, the Purchaser, the Merger Sub, the Target Company and the Securityholder Representative in relation to the Merger
“Merger Sub”	GDD International Merger Company, a corporation incorporated in the State of California, United States and an indirect wholly-owned subsidiary of the Company
“Preferred Shareholder Conversion Consent”	written consent executed by the requisite holders of preferred stock of the Target Company that, effective as of immediately prior to the Closing, such holders shall convert all shares of preferred stock of the Target Company into common stock of the Target Company in accordance with the articles of incorporation or bylaws of the Target Company
“Purchaser”	GDD International Holding Company, a corporation incorporated in the State of Delaware, United States and an indirect wholly-owned subsidiary of the Company
“Securityholder(s)”	holder(s) of Target Shares and/or vested company options of the Target Company
“Securityholder Representative”	BGV II, LP, solely in its capacity as representative of Securityholders
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company (or such other nominal amount as shall result from a sub-division, consolidation, reclassification, or reconstruction of the share capital of the Company, from time to time)
“Shareholders”	holders of Share(s) in issue
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Grid Dynamics International, Inc., a limited liability company incorporated in the State of California, United States
“Target Group”	Target Company and its subsidiaries
“Target Shares”	all shares of common stock and preferred stock of the Target Company
“Teamsun”	Beijing Teamsun Technology Co., Ltd. (北京華勝天成科技股份有限公司), the ultimate holding company of the Company
“US\$”	United States dollars, the lawful currency of the United States
“US” or “United States”	the United States of America
“US GAAP”	US Generally Accepted Accounting Principles

For illustration purposes only, figures in US\$ have been converted to HK\$ at the rate of US\$1 = HK\$7.7565.

By Order of the Board
Automated Systems Holdings Limited
Wang Yueou
Executive Director and Chief Executive Officer

Hong Kong, 19th December 2016

As of 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. Ye Fang, being Independent Non-Executive Directors.