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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Automated Systems Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**AUTOMATED SYSTEMS HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 771)**

**MAJOR 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**



**Independent Financial Adviser to the Independent Board Committee and  
Independent Shareholders**



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A letter from the Board is set out on pages 4 to 12 of this circular and a letter from the Independent Board Committee is set out on pages 13 to 14 of this circular. A letter from Goldin Financial, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 31 of this circular.

A notice convening the SGM to be held at 15th Floor, Topsail Plaza, 11 On Sum Street, Shatin, New Territories, Hong Kong on 21 December, 2012 at 9:30 a.m. is set out on pages 85 to 86 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Hong Kong branch share registrar of the Company, Tricor Tengis Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not less than 48 hours before the time appointed for holding the SGM or adjournment thereof. Completion of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

5 December, 2012

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## DEFINITIONS

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*In this circular, 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
“Announcement”	the announcement dated 12 November, 2012 issued by the Company in respect of 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 circular, 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
“Enlarged Group”	the Group immediately after Completion
“Group”	the Company together with all of its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong

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## DEFINITIONS

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“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 Financial Adviser” or “Goldin Financial”	Goldin Financial Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to 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
“Latest Practicable Date”	3 December, 2012, being the latest practicable date for ascertaining certain information referred to in this circular prior to printing of this circular
“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
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened to approve the Acquisition

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## DEFINITIONS

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“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
“S\$”	Singapore dollars, the lawful currency of Singapore
“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 circular, 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 circular, 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.*

\* For identification purpose only

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LETTER FROM THE BOARD

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**AUTOMATED**

**AUTOMATED SYSTEMS HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 771)**

*Executive Directors*

Mr. Lai Yam Ting, Ready (*Vice Chairman*)  
Mr. Hui Wing Choy, Henry (*Chief Executive Officer*)  
Mr. Leung Tat Kwong, Simon  
Mr. Lau Ming Chi, Edward (*Chief Financial Officer*)

*Non-Executive Directors*

Mr. Hu Liankui (*Chairman*)  
Mr. Wang Weihang

*Independent Non-Executive Directors*

Ms. Young Meng Ying  
Mr. Lu Jiaqi  
Ms. Xu Peng

*Registered Office:*

Canon's Court, 22 Victoria Street  
Hamilton HM12,  
Bermuda

*Head office and principal place of  
business in Hong Kong:*

15th Floor, Topsail Plaza  
11 On Sum Street,  
Shatin, New Territories  
Hong Kong

5 December, 2012

*To the Shareholders*

Dear Sir and Madam,

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

**INTRODUCTION**

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among other things, the details of the Acquisition, to set out recommendation of the Independent Board Committee and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition and to give the Shareholders the notice of SGM and other information required by the Listing Rules.

**THE ACQUISITION**

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 (equivalent to approximately HK\$62.2 million).

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## LETTER FROM THE BOARD

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### 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 300,000 ordinary shares of MDCL, representing 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\$62.2 million). As disclosed more fully below, part of the consideration payable for the Acquisition will be applied to repay the Shareholder's Loan.

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 北京摩卡軟件有限公司 (Mocha Software (Beijing) Co., Ltd\*) and maintains 摩卡軟件(天津)有限公司北京分公司 (Mocha Software (Tianjin) Co. Ltd. Beijing branch office\*) and 摩卡軟件(天津)有限公司南京辦事處 (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, taking into account amongst other things (a) the profitable track record of MDCL for the past two years, the last of which ended on 31 December, 2011; (b) the guarantee by Hong Kong Teamsun (stated on page 7 of this circular) of net profits of Mocha Software Group of at least RMB12,000,000 and RMB15,000,000 for each of the two years ending 31 December, 2012 and 2013, respectively; and (c) anticipated growth of the software and IT service industry in the PRC amidst support from the PRC government to develop the industry via various government policies implemented recently (as described more fully below on pages 8 and 9 under the heading "Overview of the Software and IT Service Industry in the PRC" of this circular). The net book value of MDCL is considered not particularly relevant in determining the consideration payable under the Acquisition Agreement given the nature of the IT software solutions business of MDCL which derives its earnings primarily from provision of services to customers.

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;

\* For identification purpose only

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## LETTER FROM THE BOARD

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- (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 and/or disposal of the Company’s properties, as 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 30th 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

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## LETTER FROM THE BOARD

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- 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.

As at the Latest Practicable Date, so far as the Company was aware, none of the above preconditions had been fulfilled or waived, and ELMT did not intend 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 year ending 31 December, 2012 and the year ending 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 an amount equivalent to the shortfall if the net profits (after tax) of Mocha Software Group for any of the above years are below the relevant guaranteed amount. Any such shortfall amount shall be paid by Hong Kong Teamsun to ELMT upon demand by ELMT, and no interest shall be payable in respect of such shortfall amount.

The profit guarantees stated above were determined through arm's length negotiations between ELMT and Hong Kong Teamsun with reference to the expansion strategy of MDCL and profit projections of MDCL Group for each of the two financial years ending 31 December, 2012 and 2013.

The Company will publish an announcement in accordance with Rule 2.07C of the Listing Rules if total net profits (after tax) are less than the above guaranteed amount and will include details in its next published annual report and accounts, in which the independent non-executive Directors will provide an opinion as to whether Hong Kong Teamsun has fulfilled its obligations under such profit guarantee.

### **INFORMATION ABOUT MDCL**

MDCL is a private investment holding company incorporated in Hong Kong on 9 May, 2006 for the sole purpose of holding 100% shareholding interest in Mocha Software.

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## LETTER FROM THE BOARD

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Mocha Software, established in the PRC on 24 May, 2005, together with its subsidiary, established in the PRC on 28 June, 2012, are 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 audited consolidated net profit or loss of MDCL for each of the three years ended 31 December, 2009, 2010 and 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 2012
	HK\$'000	HK\$'000	HK\$'000	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 audited consolidated net assets of MDCL as at 30 June, 2012 were approximately HK\$28,411,000.

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). Subsequent to Hong Kong Teamsun's acquisition of MDCL in August, 2010, Teamsun Group advanced capital to MDCL to further strengthen MDCL's financial resources by way of shareholder's loan granted to MDCL. As at 31 October 2012, the aggregate net shareholder's loan granted to MDCL amounted to approximately RMB50.6 million (equivalent to approximately HK\$62.2 million). Shortly after the acquisition in August, 2010, MDCL turned from making a net loss after taxation of approximately HK\$2.2 million during 2009 financial year to making a net profit after taxation of approximately HK\$6.7 million in the following financial year. During the year ended 31 December, 2011, MDCL recorded a net profit after taxation and extraordinary items of HK\$22.2 million, representing a year-on-year growth in net profits of 230%.

### OVERVIEW OF THE SOFTWARE AND IT SERVICE INDUSTRY IN THE PRC

In the PRC the electronic information industry generally comprises of the electronic and IT hardware manufacturing industry as well as the software and IT service industry, and is regarded as one of the pillar industries of the nation. Recently, the PRC government has promulgated and implemented various policies to support the development of the electronic information industry including the software and IT service industry. On 15 April 2009, the State Council of the PRC issued the Planning on Adjusting and Revitalizing the Electronic Information Industry for the development of the electronic information industry in the PRC. On 28 January 2011, the State Council of the PRC issued the Notice on Issuing Several Policies on Further Encouraging the Development of Software and Integrated Circuit Industries to boost and optimise the software and integrated circuit industries.

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## LETTER FROM THE BOARD

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Set out below is a comparison of aggregate annual revenue generated by the software industry and the electronic and IT hardware manufacturing industry in the PRC from 2008 to 2011:

	2008	2009		2010		2011	
	RMB billion	RMB billion	year-on-year increase %	RMB billion	year-on-year increase %	RMB billion	year-on-year increase %
Software Industry	757.3	951.3	25.6%	1,336.4	40.5%	1,846.8	38.2%
Electronic and IT hardware Manufacturing Industry	5,125.3	5,130.5	0.1%	6,364.5	24.1%	7,490.9	17.7%

Source: Ministry of Industry and Information Technology of the PRC

The electronic and IT hardware manufacturing industry of the PRC is relatively more sizeable and mature than the software and IT service industry. The software and IT service industry in the PRC has however demonstrated a rapid development in the past several years. According to the Ministry of Industry and Information Technology of the PRC, the aggregate revenue generated by the software industry increased from approximately RMB757 billion in 2008 to approximately RMB1,847 billion in 2011, representing a compound annual growth rate (“CAGR”) of approximately 34.6%, and revenue of the electronic and IT hardware manufacturing industry increased from RMB5,125 billion in 2008 to RMB7,491 billion in 2011, representing a CAGR of approximately 13.4%. According to the Twelfth Five Year Plan for the Software and IT Service Industry 軟件和信息技術服務業“十二五”發展規劃 issued by the PRC government in April 2012, the software and IT service industry is expected to achieve an aggregate revenue of RMB4.0 trillion by 2015.

### INFORMATION ON THE GROUP

The Group is principally engaged in the delivery of comprehensive one-stop 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 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 Board 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. In addition, Mocha Software Group’s current quality control procedures, protocols, research and development capabilities and project management skills are expected to enhance the Group’s operational efficiency.

The Group’s financial performance has been relatively static in recent years. The net margin of the Group has decreased year on year for the past three years, resulting in a lower net profit despite achieving higher revenue. On the other hand, Mocha Software Group’s revenue, net profit and net margin increased significantly over the past three years. The Acquisition is expected to accelerate the growth potential of the Enlarged Group in view of Mocha Software Group’s earnings growth over the past three years.

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## LETTER FROM THE BOARD

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The consideration for the Acquisition does not require significant cash layout by the Group in the near future as a significant portion of the consideration will be settled by means of promissory notes repayable on the expiring of the 30th month from the date of issue of the promissory notes.

Following Completion, MDCL Group is expected to contribute at least net profits of RMB12,000,000 (equivalent to approximately HK\$14,760,000) and RMB15,000,000 (equivalent to approximately HK\$18,450,000) for each of the two years ending 31 December, 2012 and 2013, respectively, in view of the profit guarantee given by Hong Kong Teamsun as stated on page 7 above.

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.

### FINANCIAL EFFECTS OF THE ACQUISITION

#### Earnings

Upon Completion, MDCL will become a wholly-owned subsidiary of the Company and the financial results of the MDCL Group will be consolidated into the consolidated financial statements of the Group. It is expected that the revenue and earnings of the MDCL Group will contribute to the performance of the Enlarged Group.

#### Assets and Liabilities

Based on the unaudited pro forma financial information of the Enlarged Group as if the Acquisition had been completed on 30 June, 2012 as set in Appendix III to the Circular, the effects on assets and liabilities of the Enlarged Group are set out below:

<b>As at 30 June, 2012</b>	<b>The Group (Immediately before Completion) <i>approximately</i> <i>HK\$ million</i></b>	<b>The Enlarged Group (Immediately after Completion) <i>approximately</i> <i>HK\$ million</i></b>	<b><i>Change</i></b>
Unaudited total assets	950.88	930.22	-2.17%
Unaudited total liabilities	437.54	546.23	+24.84%
Unaudited net assets	513.34	383.99	-25.20%

### RELATIONSHIP BETWEEN THE PARTIES AND LISTING RULES IMPLICATIONS

Hong Kong Teamsun is a controlling shareholder of the Company. As at the Latest Practicable Date, Hong Kong Teamsun held 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. Hong Kong Teamsun is ultimately and beneficially wholly owned by a company listed on the Shanghai Stock Exchange, which is primarily engaged in the provision of information technology products and service, development of application software, system integration, value-added distribution and other IT services across cloud computing, mobile internet, internet of things and information security.

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## LETTER FROM THE BOARD

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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.

### 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.

Mr. Hu Liankui and Mr. Wang Weihang, the Non-Executive Directors and Ms. Zou Zhiying, a past Non-Executive Director who has resigned with effect from 30 November, 2012, 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 the advice from the Independent Financial Adviser is included in the "Letter from the Independent Board Committee" section of this circular) 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

A notice convening the SGM to be held on 21 December, 2012 is set out on pages 85 to page 86 of this circular.

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 relating to the approval of Acquisition Agreement at the SGM pursuant to Rule 14A.54 of the Listing Rules.

### RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Acquisition is in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. The Independent Board Committee therefore recommends the Independent Shareholders to vote in favour of the resolution to be proposed in the SGM to approve the Acquisition and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is drawn to the advice of the Independent Board Committee set out on pages 13 to 14 in this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 15 to 31 in this circular.

Your attention is also drawn to the information contained in Appendix I to Appendix IV to this circular.

Yours faithfully,  
for and on behalf of the Board  
**Lau Ming Chi, Edward**  
*Company Secretary*

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LETTER FROM INDEPENDENT BOARD COMMITTEE

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**AUTOMATED**

**AUTOMATED SYSTEMS HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 771)**

*Independent Non-Executive Directors*

Ms. Young Meng Ying

Mr. Lu Jiaqi

Ms. Xu Peng

*Registered Office:*

Canon's Court, 22 Victoria Street

Hamilton HM12,

Bermuda

*Head office and principal place of  
business in Hong Kong:*

15th Floor, Topsail Plaza

11 On Sum Street,

Shatin, New Territories

Hong Kong

5 December, 2012

*To: the Independent Shareholders*

Dear Sir/Madam,

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

We refer to this circular dated 5 December, 2012 issued by the Company to the Shareholders (the "Circular"), of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the entering into the Acquisition Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and whether the terms of which are fair and reasonable so far as the Independent Shareholders are concerned. None of the members of the Independent Board Committee have any direct or indirect interest in the Acquisition Agreement. In addition, the Independent Financial Adviser has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition.

We wish to draw your attention to (i) the letter of advice from the Independent Financial Adviser as set out on pages 15 to 31 of the Circular; and (ii) the letter from the Board as set out on pages 4 to 12 of the Circular, which set out information relating to, and the reasons for and benefits of the Acquisition.

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## LETTER FROM INDEPENDENT BOARD COMMITTEE

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As the Company's independent Directors, we have discussed with the management of the Company the reasons for and benefits of the Acquisition and the basis upon which their terms have been determined. We have considered the factors and reasons considered by, and the opinions and recommendations of, the Independent Financial Adviser as set out on pages 15 to 31 of the Circular. We concur with the view of the Independent Financial Adviser that while the entering into the Acquisition Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Company, the terms of the Acquisition Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Acquisition Agreement and the transactions contemplated thereunder to be proposed at the SGM.

Yours faithfully,  
Independent Board Committee  
**Automated Systems Holdings Limited**  
**Lu Jiaqi**  
*Independent Non-Executive Directors*

**Young Meng Ying** **Xu Peng**

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from Goldin Financial setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement, which has been prepared for the purpose of inclusion in this circular.*



**高銀融資有限公司**  
GOLDIN FINANCIAL LIMITED

**Goldin Financial Limited**  
23/F  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

5 December, 2012

*To the Independent Board Committee and  
the Independent Shareholders of  
Automated Systems Holdings Limited*

Dear Sirs,

### **MAJOR AND CONNECTED TRANSACTION**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement, details of which are contained in the letter from the board (the “Letter from the Board”) of the circular of the Company dated 5 December, 2012 (the “Circular”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

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 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.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Ms. Young Meng Ying, Mr. Lu Jiaqi and Ms. Xu Peng, being the independent non-executive Directors, has been established to make recommendations to the Independent Shareholders as to whether the terms and conditions of the Acquisition Agreement are fair and reasonable and whether the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole and to advise the Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

We, Goldin Financial Limited, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement, and to make recommendations as to, among others, whether the terms and conditions of the Acquisition Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole and as to voting in respect of the relevant resolutions at the SGM. Our appointment has been approved by the Independent Board Committee.

### BASIS OF OUR ADVICE

In formulating our opinion and recommendations, we have reviewed, inter alia, the Announcement, the Acquisition Agreement, the annual reports of the Company for the nine months ended 31 December 2010 and for the year ended 31 December 2011 and the interim report of the Company for the six months ended 30 June 2012. We have also reviewed certain information provided by the management of the Company relating to the operations, financial condition and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the terms of the Acquisition Agreement, the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, which we have relied upon them in formulating our opinion, are true, accurate and complete in all material respects as of the date hereof and the Shareholders will be notified of any material changes in respect of the Acquisition Agreement as soon as possible.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement herein or in the Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of, and reasons for entering into, the Acquisition Agreement to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or any material information given to us is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Acquisition Agreement, and this letter, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation on the Acquisition Agreement to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

#### 1. Background information of the Group

The Group is principally engaged in the delivery of comprehensive one-stop shop IT services including applications and software development, consultancy, system integration, maintenance support, help desk, outsourcing and training to clients across all industries. Set out below are the unaudited financial information of the Group for the twelve months ended 31 December 2010, the audited financial information of the Group for the year ended 31 December 2011 and the unaudited financial information of the Group for each of the six months ended 30 June 2011 and 2012 as extracted from the annual reports of the Group for the year ended 31 December 2010 and 2011 and the interim reports of the Group for the six months ended 30 June 2011 and 2012:

**Table 1: Financial highlights of the Group**

	<b>For the twelve months ended 31 December 2010</b>	<b>For the year ended 31 December 2011</b>	<b>For the six months ended 30 June</b>	
	<i>HK\$'000</i> <i>(unaudited)*</i>	<i>HK\$'000</i> <i>(audited)</i>	<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i> <i>(unaudited)</i>
Revenue ( <i>continuing operations</i> )	1,392,510	1,537,328	761,142	891,019
Profit attributable to equity holders of the Company	58,513	44,816	18,784	21,943
		<b>As at 31 December 2010</b>	<b>2011</b>	<b>As at 30 June 2012</b>
		<i>HK\$'000</i> <i>(audited)</i>	<i>HK\$'000</i> <i>(audited)</i>	<i>HK\$'000</i> <i>(unaudited)</i>
Non-current assets	195,451	271,101		278,522
Current assets	625,348	638,146		672,354
(Current liabilities)	(345,489)	(369,024)		(398,775)
Net current assets	279,859	269,122		273,579
Net assets	457,241	507,627		513,341

*\*Note: The Company changed its financial year end date from 31 March to 31 December since the nine months ended 31 December 2010. For the purpose of comparison of the Group's financial figures, unaudited financial statements for the twelve months ended 31 December 2010 as extracted from the section headed "Chief Executive Officer's Statement" on page 9 of the annual report 2010 of the Company is shown in the table above.*

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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For the twelve months ended 31 December 2010, the unaudited revenue of the Group from continuing operations increased to approximately HK\$1,392.51 million from approximately HK\$1,282.35 million of the prior twelve months, representing an increase of approximately 8.59%, and the unaudited profit attributable to equity holders of the Company decreased to approximately HK\$58.51 million from approximately HK\$104.09 million of the prior twelve months, representing a decrease of approximately 43.79%. As advised by the management of the Company, the decrease in profit was mainly due to the absence of profit from discontinued operations disposed in 2009 which contributed after-tax profit of approximately HK\$73.52 million for the twelve months ended 31 December 2009. As at 31 December 2010, the audited net current assets and net assets of the Group amounted to approximately HK\$279.86 million and approximately HK\$457.24 million, respectively.

For the year ended 31 December 2011, the revenue of the Group increased to approximately HK\$1,537.33 million from approximately HK\$1,392.51 million of that for the twelve months ended 31 December 2010, representing an increase of approximately 10.40%, and the profit attributable to equity holders of the Company decreased to approximately HK\$44.82 million from approximately HK\$58.51 million of that for the twelve months ended 31 December 2010 year, representing a decrease of approximately 23.40%. According to the annual report 2011 of the Company, the decrease in net profit attributable to equity holders of the Company was mainly due to the increase in operating costs and staff costs, investment in various projects and the one-off relevant expenses for acquiring i-Sprint Innovations Pte. Ltd. As at 31 December 2011, the audited net current assets and net assets of the Group amounted to approximately HK\$269.12 million and approximately HK\$507.63 million, respectively.

For the six months ended 30 June 2012, the unaudited revenue of the Group increased to approximately HK\$891.02 million from approximately HK\$761.14 million of the prior period, representing an increase of approximately 17.06%, and the unaudited profit attributable to equity holders of the Company increased to approximately HK\$21.94 million from approximately HK\$18.78 million of the prior period, representing an increase of approximately 16.83%. According to the interim report 2012 of the Company, such improvement in financial results were mainly due to the significant improvement in the gross profit margin of service business, especially that in solutions business. As at 30 June 2012, the unaudited net current assets and net assets of the Group amounted to approximately HK\$273.58 million and approximately HK\$513.34 million, respectively.

## **2. Reasons for and benefits of entering into the Acquisition Agreement**

### *Background information of MDCL*

As stated in the Letter from the Board, 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, established in the PRC, together with its subsidiary, is primarily engaged in the provision of IT software solutions for corporations in the PRC.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### *Financial overview*

Set out below is a summary of the audited consolidated income statement of MDCL for each of the three years ended 31 December 2011 and the six months ended 30 June 2012, respectively and the unaudited consolidated income statement of MDCL for the six months ended 30 June 2011, prepared in accordance with the Hong Kong Financial Reporting Standards:

**Table 2: Financial highlights of MDCL**

	For the year ended 31 December			For the six months ended 30 June	
	2009	2010	2011	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Revenue	78,863	126,366	130,790	46,625	44,279
Gross profit	27,423	51,786	52,044	11,223	9,655
Net profit/(loss) before taxation and extraordinary items	(2,217)	6,729	22,230	(2,659)	966
Net profit/(loss) after taxation and extraordinary items	(2,217)	6,729	22,230	(2,659)	966

For the year ended 31 December 2011, MDCL reported an audited gross profit of approximately HK\$52.04 million, up from approximately HK\$51.79 million of the prior year. It is noted that the gross profit margin for the year ended 31 December 2009 was approximately 34.77% and that for each of the two years ended 31 December 2011 further improved to around 40%. For the year ended 31 December 2011, MDCL reported an audited consolidated net profit after taxation and extraordinary items of approximately HK\$22.23 million, which is more than three times of that for the year ended 31 December 2010 of approximately HK\$6.73 million. Based on the financial information for each of the six months ended 30 June 2012, it is noted result of the second half of the year was better than that of the first half of the year, as demonstrated from the unaudited financial information of MDCL for the six months ended 30 June 2011, of which MDCL recorded revenue for the first half of 2011 of approximately HK\$46.63 million, representing only approximately 35.65% of the revenue for the full year of 2011, while MDCL recorded a net loss for the first half of 2011 of approximately HK\$2.66 million, as opposed to a net profit for the full year of 2011 of approximately HK\$22.23 million. As advised by the management of the Company, such phenomenon is mainly due to that the bulk of profits of the MDCL Group are generally generated during the final quarter of the financial year. As advised by the management of the Company, the significant growth in net profit was mainly attributable to among others, reduction in selling expenses. As at 30 June 2012, the audited consolidated net assets of MDCL were approximately HK\$28.41 million. As reflected in the financial information of MDCL above, Mocha Software Group has demonstrated a positive trend in financial performance with increasing profitability.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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As stated in the Letter from the Board, the consideration paid by Hong Kong Teamsun for the acquisition of MDCL in August 2010 was approximately USD9,900,000 (equivalent to approximately HK\$77,200,000). Subsequent to Hong Kong Teamsun's acquisition of MDCL in August, 2010, Teamsun Group advanced capital to MDCL to further strengthen MDCL's financial resources by way of shareholder's loan granted to MDCL. As at 30 October 2012, the aggregate net shareholder's loan granted to MDCL amounted to approximately RMB50.6 million (equivalent to approximately HK\$62.2 million). Shortly after the acquisition in August, 2010, MDCL was able to turn a net loss into a net profit after taxation as discussed above.

Having reviewed the financial information of MDCL as above, we are of the view that the IT services business of the Mocha Software Group is on a positive trend.

### *Business overview*

Established in 1998, the Mocha Software Group is specialised in the formulation of tailor-made IT software solutions for enterprises in the PRC leveraging on its Mocha-branded products, a diversified range of self-developed enterprise software products. As noted from the official website of the Mocha Software Group ([www.mochasoft.com.cn](http://www.mochasoft.com.cn)), the Mocha Software Group provides, among others, business process management (BPM), business service management (BSM), collaboration, IT infrastructure library (ITIL)-based IT operation and maintenance management, project management, security, infrastructure and integration related IT services, the development, implementation and ongoing support of which are supported by the strong research and development capability (R&D) of Mocha Software Group with over 150 R&D specialists. The Mocha Software Group maintains a strong clientele covering a broad range of industries in the PRC, including but not limited to, telecommunications operators, banking and financial institutions, government organizations, television and other media operators, with some of the leading enterprises such as China Mobile, China Unicom and Bank of Communications. The IT solutions provided by the Mocha Software Group have won recognitions from the IT industry in the PRC, receiving several industry awards from the country's leading organisations, including《2011中國信息產業創新突出貢獻企業獎》(2011 China IT industry — enterprise of outstanding contribution on innovation award\*) awarded by《2011中國信息產業經濟年會》(2011 Annual Economic Conference of China IT Industry\*), a renowned annual conference of the IT industry in the PRC, and《2012年度中國行業信息化最具影響力企業獎》(2012 the most influential enterprise on China industry informatisation award\*) awarded by《2012中國行業信息化獎項評選活動》(2012 China Industry Informatisation Awards Event\*) hosted by the China Computer Industry Association, the leading organisation of the IT industry in the PRC.

### *Service overview*

The key IT service offered by the Mocha Software Group is the development and provision of BPM solutions, essentially a platform powered by suitable software, with the integration of various office automation applications and search engine for data access, on which an enterprise and its personnel conduct the day-to-day business function. The Mocha Software Group also develops the BSM, a complementary software component to the BPM solutions.

Considering the importance of maintaining the stability of the platform provided, the Mocha Software Group provides ongoing maintenance and support services to its clients. Such business nature allows the Mocha Software Group to maintain long-term relationship with its clients with continuous stream of revenue flow.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### *Client overview*

We were given to understand that revenue from clients in the telecommunication industry, being group of companies of China Mobile Limited (stock code: 941, “China Mobile”) and China Unicom (Hong Kong) Limited (stock code: 762, “China Unicom”), accounted for the majority of the total revenue of the Mocha Software Group. According to 《中國電信運營行業分析報告 — 2012年2季度》 (China telecommunication industry analysis report — 2012 Q2\*) issued by 中國經濟信息網 (China Economic Information Network), a government unit set up for the provision of domestic economic information, the market share of China Mobile and China Unicom in the mobile telecommunication market in the PRC as at the end of June 2012 were approximately 64.93% and 20.84% respectively. Based on the information provided by the management of the Company, the Mocha Software Group is providing services to the China Mobile’s group office and provincial offices in over 15 out of 33 provinces and municipalities in the PRC, and to five of China Unicom’s provincial offices including Beijing.

As stated in the Letter from the Board, 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. Most notably, the Mocha Software Group now offers services to Bank of Communications’ headquarters and its 82 branches in the PRC. We have also reviewed new clients of the Mocha Software Group secured since 2010 and noted that such new clients include media operators, industrial enterprise and government organisations. With the proven track record serving major enterprises in the PRC, and the business relationship maintained therewith, the Mocha Software Group intends to further diversify its client base and expand into overseas market.

Considering the above, we consider that the Mocha Software Group has a strong clientele, well-established branded products as well as a diversified range of IT solutions supported by sound R&D capability.

### *Reasons for and benefits of the Acquisition*

With reference to the Letter from the Board, the Directors consider that the acquisition of the Mocha Software Group, through the acquisition of MDCL, is expected to create synergies and competitive advantages for the Group. The 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 Hong Kong and overseas markets.

The Group has been delivering comprehensive IT services to a well-established client base across various industries, which span from government units to renowned enterprises in Hong Kong. To accelerate the business development of the Group and strengthen the Group’s IT solutions portfolio, in March 2011, the Group acquired the entire equity interest in i-Sprint Innovations Pte. Ltd., a Singapore-based company providing credential and access management solutions. According to the annual report 2011 of the Company, revenue of the Group was mainly generated from Hong Kong, whilst revenue from the PRC accounted for less than 2% of the Group’s total revenue. As advised by the management of the Company, the Acquisition will enable the Group to capitalise on the growth potential of the PRC market.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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From our discussion with the management of the Company, we were given to understand that the Acquisition is expected to create the following synergies and competitive advantages for the Group:

- Market expansion: We note that the Mocha Software Group has attained reputation in the industry by serving some of the leading enterprises such as China Mobile, China Unicom and Bank of Communications. Considering the established Mocha brand, proven track record as well as the strong clientele of the Mocha Software Group, the Group can capitalise on the growth potential of the PRC market, in particular of the high-end market. On the other hand, the Group can use its experience and knowledge on overseas market to help market and sell Mocha-branded products to overseas customers. We noted that the Group has begun the marketing of the Mocha-branded products to certain potential clients in Hong Kong, in particular China-based companies, and obtained feedback therefrom to facilitate the expansion of the Mocha-branded products to the overseas market.
- Cost saving: We were advised that the software and solutions of the Mocha Software Group can be rewritten into smaller modules for use in other projects. Accumulated from past projects serving some of the leading enterprises in the PRC, the Mocha Software Group has built up a library of modules which can save the resources for developing same/similar modules again as required by new software and solutions, resulting in lower development costs which attributed to the significant growth in consolidated net profit of MDCL for the year ended 31 December 2011. In particular, the platform component and the software component, being BPM and BSM respectively, of the Mocha integrated solution are self-developed, proprietary products. Currently, the Group is offering similar integrated solution to its clients with components procured from third parties. Through the Acquisition, the Group will have access to such proprietary components and other IT resources of the Mocha Software Group for production development and enhancement, saving the need to procure from third parties, thereby lowering costs and increasing the competitiveness of the Group's products while lowering the overall development costs. We noted that the Group has begun the evaluation of the Mocha-branded products and carried out staff training on such products, in order to establish the technical channel as well as business channel between the Group and the Mocha Software Group.
- Enhanced R&D and product portfolio: With the Mocha Software Group's strong R&D team of 150 specialists, the Acquisition will add R&D capabilities to the Group, helping it to stay ahead in the ever-evolving, technology-intensive industry of IT services. We noted that the Group has advised the R&D team of the Mocha Software Group over the creation of the English version of its solutions, and the Group will continue to work closely with the R&D team over the development of the Mocha-branded products targeting the overseas market. Furthermore, the addition of the Mocha-branded IT products will enhance the existing product portfolio of the Group, diversifying the range of services offered as well as broadening the potential client base of the Group.

We have obtained an action list from the management of the Company, and noted that since 2011, the Group has already carried out various tasks for facilitating the integration of the Mocha-branded products in its sales and marketing channels, including but not limited to evaluation of products, initiation of sales effort, conduction of staff training and obtaining market feedback as mentioned above. Having considered the objectives and the updated status of the various tasks carried out, we are of the view that the actions taken could help the realisation of the synergies and competitive advantages as analysed above.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Considering Mocha Software Group's broad clientele, the well-established Mocha brand in the PRC as well as the diversified range of IT solutions supported by sound R&D capability, and the potential synergies and competitive advantages for the Group brought by the Acquisition as mentioned above, we are of the view that the Acquisition would help the Group expand its existing business into the PRC market, and on the other hand, the Mocha Software business could expand into the Hong Kong market leveraging on the Group's established customer network, thereby stimulating the Group's business growth in both the PRC and Hong Kong.

To further assess the business outlook of the Mocha Software Group, we have conducted research from the public domain on the PRC's IT service industry. According to 《軟體和資訊技術服務業“十二五”發展規劃》(the Twelfth Five Year Plan for the Software and IT Service Industry\*, the "IT Industry Plan") issued by the PRC government in April 2012, the Software and IT service Industry in the PRC has achieved an average annual growth rate of about 28.3% from 2006 to 2010, with aggregate revenue reaching RMB1.36 trillion in 2010, which is over three times of that in 2005, reflecting the increasing demand from enterprises in the PRC seeking automation and improvement in business operation efficiency alongside the economy development of the PRC. The IT Industry Plan sets out the government's target for the software and IT service Industry to achieve aggregate revenue of RMB4.0 trillion by 2015, representing an average annual growth rate of over 24.5%, of which revenue from the IT service sector amounts to over RMB2.5 trillion. To facilitate the IT Industry Plan for the software and IT service Industry, being a strategic step to attain modernisation and greater efficiency of the country's economy, the PRC government intends to attract investment in the software and IT service Industry and encourage enterprises to achieve computerisation and automation in business operation, by means of export subsidy, interest allowance for loan financing, establishment of equity funds by local government, risk compensation for investment funds and other administrative measures.

According to the studies on the IT service industry in the PRC published in February 2012 by ASKCI Corporation ([www.askci.com](http://www.askci.com)), an independent business research institute focused on the PRC, the scale of the software and IT service industry accounted for only about 18% of the whole electronic information industry in the PRC in 2010, the same figure as mentioned in the IT Industry Plan, whereas such figure in the United States of America reached as high as 69.9%, implying considerable growth potential of the software and IT service industry. The studies estimated that annual growth rate in IT related spending in the PRC would reach about 10.8%, of which annual growth rate in spending in software and IT services could reach over 15%. The IT Industry Plan further estimates that the scale of the software and IT service industry would account for over 60% of the whole electronic information industry in the PRC by 2015, a level closer to that of the developed economies. Having considered the robust historical growth of the IT service industry in the PRC, the growth potential of the IT service industry in the PRC and the government's industry-fostering plan, we are of the view that the IT service industry in the PRC remains positive, and the Acquisition would allow to Group to capitalise on the growth potential of the industry in the PRC.

We have also studied the business process management sector of the software and IT service industry in the PRC. According to an article by 中國軟件網 (China Software Net\*) ([www.soft6.com](http://www.soft6.com)), a leading organisation promoting the IT industry in the PRC, as quoted by CNET ([www.cnetnews.com.cn](http://www.cnetnews.com.cn)), the market size of the BPM sector is estimated to be about RMB10 billion, increased by a CAGR of about 20% to 30% from that of about RMB2.98 billion in 2009. Despite the significant growth, the sector remains very fragmented, with about 4,000 small to medium size market participants. The article highlights the issue of the lack of after-sale support services by many of the solution providers. As such, we are of the view that the acquisition of the Mocha Software Group, which possesses well-established brand, proven track record and adequate local support team, would enable the Group to capitalise on the potential of the PRC market, which would otherwise be difficult for the Group to tap into through organic development.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Having considered that (i) the IT services business of Mocha Software Group is on a positive trend; (ii) the Acquisition would help the Group expand its existing business into the PRC market, and on the other hand, the Mocha Software business could expand into the Hong Kong market leveraging on the Group's established customer network, thereby stimulating the Group's business growth in both the PRC and Hong Kong; and (iii) the Acquisition would assist the Group to capture the upside potential of the fast growing IT service industry in the PRC and would bring in additional revenue stream to the Group, we are of the view that the entering into of the Acquisition Agreement is in the interest of the Company and the Shareholders as a whole.

### 3. Principal terms of the Acquisition Agreement

As disclosed in the Letter from the Board, 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, taking into account amongst other things (a) the profitable track record of MDCL for the past two years, the last of which ended on 31 December, 2011; (b) the guarantee by Hong Kong Teamsun of net profits of Mocha Software Group of at least RMB12,000,000 and RMB15,000,000 for each of the two years ending 31 December, 2012 and 2013, respectively; and (c) anticipated growth of the software and IT service industry in the PRC amidst support from the PRC government to develop the industry via various government policies implemented recently. The consideration will be satisfied in the following manner: (i) 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; and (ii) HK\$70,000,000 shall be payable by issuance by ELMT to Hong Kong Teamsun upon Completion of interest bearing and unsecured 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 and/or disposal of the Company's properties, as appropriate.

Under the Acquisition Agreement, Hong Kong Teamsun has guaranteed that the net profits (after tax) of the 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 an amount equivalent to the shortfall if the net profits (after tax) of Mocha Software Group for any of the above years are below the relevant guaranteed amount (the "Profit Guarantee"). Any such shortfall amount shall be paid by Hong Kong Teamsun to ELMT upon demand by ELMT, and no interest shall be payable in respect of such shortfall amount. As stated in the Letter from the Board, the Profit Guarantee are determined through arm's length negotiations between ELMT and Hong Kong Teamsun with reference to the expansion strategy of MDCL and profit projections of MDCL Group for each of the two financial years ending 31 December, 2012 and 2013.

We noted that the profit guarantee for the year ending 31 December 2012 of approximately HK\$14,760,000 represents approximately 219.35% and approximately 66.40% of the net profit of MDCL for each of the year ended 31 December 2010 and 2011 respectively and is about the average of the net profit for the two years ended 31 December 2010 and 2011, while the profit guarantee for the year ending 31 December 2013 of approximately HK\$18,450,000 represents approximately 274.19% and approximately 83.0% of the net profit of MDCL for each of the year ended 31 December 2010 and 2011 respectively and is approximately 27.42% higher than the average of the net profit for the two years ended 31 December 2010 and 2011. We are of the view that while the profit guarantee for each of the two years ending 31 December 2013 is lower than, representing approximately two thirds and approximately 80% of, the consolidated net profit of MDCL for the year ended 31 December 2011, the provision of the Profit Guarantee nevertheless can offer protection

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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to the Company in case the net profit of the Mocha Software Group in 2012 drops below the level in 2011 but in any event would not be lower than doubling the net profit in 2010 as guaranteed, and furthermore the net profit in 2013 in any event would not be lower than that close to three times the net profit in 2010 as guaranteed. Considering the above, we are of the view that the Profit Guarantee is sufficient in offering protection to the Company, fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

In assessing the fairness and reasonableness of the consideration for the Acquisition, we have adopted the price to earnings ratio (“P/E Ratio”) analysis (which is regarded as one of the commonly used valuation methods to value a company with recurrent income base) on companies that are selected based on the following criteria: (i) of companies listed on the Stock Exchange; (ii) generating revenue from sales of IT products and provision of IT solutions (which is similar to the principally business of the Group) of not less than 80% of the total revenue of the latest financial year and of a profit-making position; (iii) have more than half of the segment revenue derived from the PRC (including Hong Kong and Macau); and (iv) had a market capitalisation of less than HK\$1,000 million as at 9 November 2012, being the last trading day before the entering into of the Acquisition Agreement. We have, to our best effort, identified and made references to, so far as we are aware, 14 companies that meet the aforesaid criteria which is exhaustive (the “Comparables”). We consider that the Comparables are fair and representative samples for comparison as the principal businesses, geographical source of revenue and market capitalisation of the Comparables are similar to those of the Group. Details of our analyses are set out in the following table:

**Table 3: Comparables analysis**

Company name (stock code)	Principal activities	Market capitalisation <i>(Note 1)</i> (1) (approximate HK\$' million)	Profit after taxation <i>(Note 2)</i> (2) (approximate HK\$' million)	P/E Ratio  (3)=(1)/(2) (times)
Computer and Technologies Holdings Limited (46)	Provision of system and network integration services, application development services, IT solutions implementation and outsourcing; enterprise software applications and outsourcing and e-business services; property and treasury investments	441.66	51.54	8.57
Champion Technology Holdings Limited (92)	Sales of goods and licensing (including sales of systems products, software licensing and customisation, provision of services and leasing of systems products, provision of e-lottery services and sales of cultural goods)	643.13	97.88	6.57

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Company name (stock code)	Principal activities	Market capitalisation <i>(Note 1)</i> (1) (approximate HK\$'million)	Profit after taxation <i>(Note 2)</i> (2) (approximate HK\$'million)	P/E Ratio  (3)=(1)/(2) (times)
Beijing Development (Hong Kong) Limited (154)	System integration and provision of IT technical support and consultation services, provision of total education solutions and management information system services and operation of electronic payment cards	989.09	48.94	20.21
SinoCom Software Group Limited (299) <i>(Note 3)</i>	Provision of outsourcing software development services and technical support services	N/A	186.64	N/A
Founder Holdings Limited (418)	Software development and systems integration	293.88	49.93	5.89
Automated System Holdings Limited (771)	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	358.11	44.82	7.99
Universal Technologies Holdings Limited (1026)	Provision of payment solutions and related services and technical platform services	799.60	61.70	12.96
Kantone Holdings Limited (1059)	Sales of systems and licensing (including sales of systems products, software licensing and customisation, provision of services and leasing of systems products, provision of e-lottery services and development and provision of IT solutions for e-gaming, leisure and entertainment)	525.32	80.18	6.55

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Company name (stock code)	Principal activities	Market capitalisation <i>(Note 1)</i> (1) (approximate HK\$'million)	Profit after taxation <i>(Note 2)</i> (2) (approximate HK\$'million)	P/E Ratio  (3)=(1)/(2) (times)
Qianlong Technology International Holdings Limited (1236)	Research, development and distribution of software, and the provision of related maintenance, usage and information services in the PRC	174.29	26.00	6.70
Jiangsu Nandasoft Technology Company Limited (8045)	Develop, manufacture and marketing of network security software, internet application software, educational software, business application software and provides systems integration services including information technology consulting, sales of computer hardware products and trading of IT related equipment	174.72	84.14	2.08
Excel Technology International Holdings Limited (8048) <i>(Note 3)</i>	Development, sale and implementation of enterprise software and the provision of systems integration, professional services and ASP services	314.67	2.37	132.71
Yunbo Digital Synergy Group Limited (8050)	Provision of system integration services and other value-added technical consultation services and hardware-related business	111.25	6.38	17.44
Global Link Communications Holdings Limited (8060)	Provision of message communication and passenger information management systems and telecommunications solutions, telecommunications application software and networking solutions	122.98	12.77	9.63

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Company name (stock code)	Principal activities	Market capitalisation <i>(Note 1)</i> (1) (approximate HK\$'million)	Profit after taxation <i>(Note 2)</i> (2) (approximate HK\$'million)	P/E Ratio  (3)=(1)/(2) (times)
China City Railway Transportation Technology Holdings Company Limited (8240)	Design, implementation and sale, and maintenance of application solutions for the networking and controlling systems of public transport and other companies	784.00	80.72	9.71
Minimum				2.08
Maximum				20.21
Mean				9.53
Median				8.28
The Acquisition <i>(Note 4)</i>				9.90

*Source: The website of the Stock Exchange (www.hkex.com.hk)*

*Notes:*

- 1) *Based on the closing share price and the number of outstanding shares on 9 November 2012, being the last trading day immediately prior to the date of the Acquisition Agreement.*
- 2) *Based on the financial information as published in their respective latest annual reports.*
- 3) *SinoCom Software Group Limited (stock code: 299) is excluded from our analysis as its shares have been suspended for trading since 10 July 2012.*

*Excel Technology International Holdings Limited (stock code: 8048) is excluded from our analysis since the P/E Ratio of such company is significantly higher than that of the Comparables, which in our view would distort the analysis of the P/E Ratio comparison.*

- 4) *The P/E Ratio represented by the consideration for the Acquisition is calculated by the consideration of HK\$220,000,000 under the Acquisition Agreement over the audited consolidated net profit after taxation and extraordinary items of HK\$22,230,000 for the year ended 31 December 2011 of MDCL.*
- 5) *Figures in RMB have been converted into HK\$ using the approximate exchange rates of RMB1 to HK\$1.24.*

As set out in table 3 above, the P/E Ratio of the Comparables ranged from approximate 2.08 times to approximate 20.21 times with a mean of approximately 9.53 times. Having considered that the P/E Ratio represented by the consideration for the Acquisition fall within the range and is approximate to the mean of that of the Comparables, we are of the view that the consideration for the Acquisition is fair and reasonable.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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We noted that the Purchaser will issue the Promissory Notes with an interest rate of 2% per annum to Hong Kong Teamsun which will mature on the expiring of the 30th month from the date of issue, as a partial settlement of the consideration for the Acquisition. Having taken into account the interest rate of the Promissory Notes is significantly lower than the best lending rate of 5% for commercial loan in Hong Kong (source: www.hsbc.com.hk) and the issue of the Promissory Note for the partial settlement of the consideration for the Acquisition will reduce the immediate cash outlay for the Group for the Acquisition, we are of the view that the terms (including the interest rate) of the Promissory Notes is fair and reasonable.

Having considered that (i) the P/E Ratio represented by the consideration for the Acquisition fall within the range and is approximate to the mean of that of the Comparables; (ii) the interest rate of the Promissory Notes is below the current best lending rate for commercial loan in Hong Kong; (iii) the issuance of the Promissory Note would reduce the immediate cash outlay of the Group for the Acquisition; and (iv) the Profit Guarantee would secure the profit contribution from the Acquisition to the Group of not less than HK\$14 million for each of the two years ending 31 December 2012 and 2013, we are of the view that the terms of the Acquisition Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

#### **4. Financial effects of the Acquisition**

The following illustrates the financial effects on the Group upon Completion:

##### *Net asset value*

Based on the unaudited pro forma financial information of the Enlarged Group as set in Appendix III to the Circular, the unaudited net assets of the Enlarged Group as at 30 June 2012 would decrease by approximately 25.20% to approximately HK\$383.99 million from approximately HK\$513.34 million assuming Completion had taken place on 30 June 2012.

##### *Earnings*

Upon Completion, MDCL will become a subsidiary of the Company and the financial results of the MDCL Group will be consolidated into the consolidated financial statements of the Group. Having considered the profitable track record of the MDCL, with the latest net profit for the year ended 31 December 2011 of HK\$22.23 million, and the optimistic outlook of the IT service business of Mocha Software Group in the PRC as discussed above, and having taken into account the interest expenses per annum of approximately HK\$1.4 million calculated based on the interest rate of 2% and the principal amount of HK\$70 million, it is expected that the Acquisition would bring positive impact to the financial performance of the Group.

##### *Gearing*

According to the interim report 2012 of the Group, the gearing ratio of the Group was nil (calculated based on the total borrowings over total equity) as at 30 June 2012. Based on the unaudited pro forma financial information of the Enlarged Group as set in Appendix III to the Circular, assuming Completion had taken place on 30 June 2012, the total borrowings of the Enlarged Group would increase by HK\$70 million, being the principal amount of the Promissory Notes, while the total equity of the Enlarged Group will decrease by HK\$129.35 million to HK\$383.99 million. As such, the gearing ratio of the Group will increase to approximately 18.23%. Having considered that the Acquisition would contribute an additional income stream to the Group and improve the financial performance of the Group, we are of the view that the increase in gearing ratio is acceptable.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### *Working capital*

The total consideration under the Acquisition Agreement is HK\$220 million which will be payable by ELMT as to HK\$150 million in cash no later than 30 days after Completion and as to HK\$70 million by issuance of the Promissory Notes by ELMT to Hong Kong Teamsun upon Completion. Accordingly, there will be an immediate cash outflow of HK\$150 million no later than 30 days after Completion. Based on the interim report 2012 of the Group, the working capital (i.e. total current assets of approximately HK\$672.35 million less total current liabilities of approximately HK\$398.78 million) amounted to approximately HK\$273.57 million, representing a current ratio of approximately 1.69 times. While the cash and bank balances of the Group as at 30 June 2012 stood at HK\$144.70 million, we were given to understand that 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. As such, the immediate cash outflow of HK\$150 million would not exert considerable pressure on the working capital of the Group.

In light of the aforesaid financial effects of the Acquisition on the net asset value, earnings, gearing position as well as working capital of the Group, we are of the view that the Acquisition would have no material changes on the Group's financial position, save and except for the reduction in net asset value and working capital and increase in liabilities attributable to the Promissory Notes, which are inevitable as the Group intends to finance the aggregate consideration by internal cash resources plus the Promissory Notes. Although the Group's net asset value and cash resources would be reduced and its gearing position would conversely increase, having considered that (i) the IT services business of Mocha Software Group is on a positive trend; (ii) the Acquisition would help the Group expand its existing business into the PRC market, and on the other hand, the Mocha Software Group's business could expand into the Hong Kong market leveraging on the Group's established customer network, thereby stimulating the Group's business growth in both the PRC and Hong Kong; and (iii) the Acquisition would assist the Group to capture the upside potential of the fast growing IT service industry in the PRC and would bring in additional revenue stream to the Group, we are of the view that in the long run, the Acquisition is expected to benefit the Company and the Shareholders as a whole.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATIONS

Having considered the above principal factors and reasons for the Acquisition Agreement, we are of the view that while the entering into of the Acquisition Agreement is not in the ordinary and usual course of business of the Group, the terms of the Acquisition Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Goldin Financial Limited**

**Billy Tang**  
*Director*

\* *For identification purpose only*

## 1. FINANCIAL INFORMATION OF THE GROUP

The published audited consolidated financial statements of the Group for the year ended 31 March, 2010, nine months ended 31 December, 2010 and the year ended 31 December, 2011 are disclosed in the Company's annual reports for the year ended 31 March, 2010, nine months ended 31 December, 2010 and the year ended 31 December, 2011 and the published unaudited consolidated financial statements of the Group for the six months ended 30 June, 2012 are disclosed in the Company's interim report for the six months ended 30 June, 2012, which can be accessed on both the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://www.asl.com.hk/>).

## 2. INDEBTEDNESS

As at the close of business on 31 October, 2012, corporate guarantee to vendors as security for goods supplied to the Enlarged Group amounted to approximately HK\$44.5 million. The amount utilised against goods supplied as at the close of business on 31 October, 2012 which was secured by the corporate guarantee amounted to approximately HK\$1.1 million.

As at the close of business on 31 October, 2012, the Enlarged Group had outstanding bank loan and performance bond issued to customers as security of contract of approximately HK\$2.7 million and HK\$41.3 million respectively.

As at the close of business on 31 October, 2012, the Enlarged Group's banking facilities were secured by the Enlarged Group's leasehold land and building of approximately HK\$146.4 million, investment properties of approximately HK\$28.7 million, bank deposits of approximately HK4.6 million and corporate guarantee from the Enlarged Group.

Save as disclosed in this paragraph and apart from normal trade payable in the ordinary course of business and intra-group liabilities, at the close of business on 31 October, 2012, the Enlarged Group did not have any outstanding loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges, or loans or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

## 3. WORKING CAPITAL

The directors of the Company, after due and careful consideration, are of the opinion that after taking into account the present internal resources and available bank and other loans of the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

## 4. FINANCIAL AND TRADING PROSPECTS

The Group will continue to focus on providing the high value-added services demanded by its customers. We will turn our industry-specific knowledge into IP-based products by making further investments in research & development. We will also continue to develop more localised products by leveraging i-Sprint Innovations Pte. Ltd. ("i-Sprint") and collaborate closely with Teamsun Group. Our aim is to continue to build up a wide portfolio of self-owned products, such as the human resources management systems being deployed in the Government and other IP-based products for retail, education and the property sector, making these self-owned products compatible with cloud computing and suitable for use in various industries.

The Group also plans to further invest in its data center business in Greater China. The success of our data center service will be based on the availability of IT infrastructure, the proven process in managed services, security management and a track record for delivering excellent IT services. By capitalising on the above capabilities, we expect that this service will strengthen our competitive edge in serving our customers.

The Group will continue to focus on solutions that can move up its value chain. With a particular surge being observed in regional demand for security, the Group launched its Security Operation Center in April this year to strengthen our competitive edge in this market. Based on our on-going achievements, we will actively explore new security opportunities by enhancing our security portfolios and bundling them together with our other service offerings, such as data center services.

Leveraging on the Group's strong technical competency in software applications and solutions services, the Group plans to devote more efforts in developing software and expanding software development business with an aim of generating substantial and long-term value. The Group will offer higher margin advance technology services and enterprise software to customers through provision of new value-added services and development of self-owned software. The Group may accelerate business growth potentially by means of mergers and acquisitions whenever suitable. The Acquisition represented such opportunity for the Group to accelerate its business growth.

The Group expects the development of cloud computing to be growing rapidly. To capitalise on these burgeoning trends, the Group has positioned itself as a trusted technology advisor and enabler of customers' cloud strategies. We will focus in particular on helping customers to define their IT strategy, design and build the platform that meets their business needs. We will strive to provide high-valued services to customers by providing them with professional consultancy services and setting up private cloud solutions.

Considering the challenge of a shortage in IT professionals, the Group will utilise its ISO-certified Outsourcing Delivery Excellence Center in Zhuhai, which has a group of well-trained and experienced application development professionals to ensure the level of the Group's services. Furthermore, we will continue to work closely in partnership with local universities to create a wealth of highly talented IT professionals who can meet our operational needs.

Looking ahead, we will train up our talent by increasing our training budget to maintain our competitive edge, as we are in a service-oriented business which greatly relies on high-quality individuals. We will seek to further enhance our service quality by ensuring that our work is up to international standards, and by doing so, be able to attain the highest possible levels of customer satisfaction. Lastly, we will continue to implement cost-effective measures, and fully utilise the Group's and Teamsun's capabilities. With the above initiatives in place, we remain optimistic of our business prospects.

*The following is the text of an accountants' report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong.*



The Board of Directors  
Automated Systems Holdings Limited  
15th Floor, Topsail Plaza  
11 On Sum Street  
Shatin  
New Territories  
Hong Kong

5 December, 2012

Dear Sirs

We set out below our report on the financial information of MDCL-Frontline Solutions Limited (“MDCL”) and its subsidiaries (hereinafter collectively referred to as “MDCL Group”), which comprises the consolidated and company balance sheets as at 31 December, 2009, 2010 and 2011 and 30 June, 2012, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December, 2009, 2010 and 2011 and the six months ended 30 June, 2012 (the “Relevant Periods”), and the comparative financial information for the six months ended 30 June, 2011 and a summary of significant accounting policies and other explanatory notes (the “Financial Information”), for inclusion in the circular of Automated Systems Holdings Limited (the “Company”) dated 5 December, 2012 (the “Circular”) in connection with its proposed acquisition of the entire issued share capital of MDCL (the “Acquisition”).

MDCL was incorporated in Hong Kong on 9 May, 2006 with limited liability under the Hong Kong Companies Ordinance.

MDCL Group is principally engaged in the provision of IT software solutions. MDCL and its subsidiaries have adopted 31 December as its financial year end date. The particulars of MDCL and its subsidiaries are set out in Note 1 and Note 15 to the Financial Information respectively.

The audited financial statements of MDCL for the year ended 31 December, 2009 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and were audited by Baker Tilly Hong Kong Limited, Certified Public Accountants. No audited financial statements of MDCL for the years ended 31 December, 2010 and 2011 have been prepared. The statutory audited financial statements of MDCL’s subsidiary, Mocha Software (Tianjin) Co., Ltd., prepared in accordance with accounting principles applicable in the People’s Republic of China (“PRC”) for the years ended 31 December, 2009, 2010 and 2011 were audited by Zhonglian Mindu Shu Lun Pan Certified Public Accountants 立信中聯閩都會計師事務所有限公司. No audited financial statements of MDCL’s subsidiary, Mocha Software (Beijing) Co., Ltd., has been prepared as it was inactive.

For the purpose of this report, the directors of MDCL have prepared the consolidated financial statements of MDCL Group in accordance with HKFRS issued by the HKICPA for the Relevant Periods (the “Underlying Financial Statements”). We have carried out an independent audit on the Underlying Financial Statements for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The accompanying Financial Information has been prepared based on the Underlying Financial Statements and in accordance with HKFRS.

For the purpose of this report, we have examined the Financial Information, and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA. No adjustments were considered necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

#### **DIRECTORS’ RESPONSIBILITY**

The directors of MDCL are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRS, and for such internal control as the directors of MDCL determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error. The directors of the Company are responsible for the contents of the Circular in which this report is included.

#### **REPORTING ACCOUNTANTS’ RESPONSIBILITY**

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion to you.

#### **OPINION**

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of MDCL Group and MDCL as at 31 December, 2009, 2010 and 2011 and 30 June, 2012 and of MDCL Group’s results and cash flows for the Relevant Periods.

## COMPARATIVE FINANCIAL INFORMATION

The directors of MDCL are responsible for the preparation of the unaudited comparative financial information of MDCL Group including the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June, 2011 and other explanatory notes (the “Comparative Financial Information”) in accordance with HKFRS.

We have reviewed the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

On the basis of our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe the Comparative Financial Information is not prepared, in all material respects, in accordance with the HKFRS.

## A. FINANCIAL INFORMATION

## Consolidated Income Statements

	Notes	Year ended 31 December,			Six months ended 30 June,	
		2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2011 HK\$'000 (unaudited)	2012 HK\$'000
Revenue	7	78,863	126,366	130,790	46,625	44,279
Costs of goods sold and services rendered		<u>(51,440)</u>	<u>(74,580)</u>	<u>(78,746)</u>	<u>(35,402)</u>	<u>(34,624)</u>
Other income	8	27,423	51,786	52,044	11,223	9,655
Selling expenses		(8,645)	(28,807)	(18,335)	(11,397)	(8,560)
Administrative expenses		<u>(22,689)</u>	<u>(19,946)</u>	<u>(18,992)</u>	<u>(7,235)</u>	<u>(13,142)</u>
Profit/(Loss) before income tax	9	(2,217)	6,729	22,230	(2,659)	966
Income tax expense	12	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit/(Loss) for the period/year		<u>(2,217)</u>	<u>6,729</u>	<u>22,230</u>	<u>(2,659)</u>	<u>966</u>

## Consolidated Statements of Comprehensive Income

	Year ended 31 December,			Six months ended 30 June,	
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2011 HK\$'000	2012 HK\$'000
Profit/(Loss) for the period/year	(2,217)	6,729	22,230	(2,659)	966
Other comprehensive income:					
Exchange differences on translation of overseas operation	<u>(2)</u>	<u>77</u>	<u>641</u>	<u>397</u>	<u>(228)</u>
Total comprehensive income/(expenses) for the period/year	<u>(2,219)</u>	<u>6,806</u>	<u>22,871</u>	<u>(2,262)</u>	<u>738</u>

## Consolidated Balance Sheets

	Notes	As at		As at	
		2009	2010	2011	2012
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Property, plant and equipment	13	1,438	3,446	2,938	3,847
Intangible assets	14	17,271	19,014	31,524	11,329
		<u>18,709</u>	<u>22,460</u>	<u>34,462</u>	<u>15,176</u>
<b>Current assets</b>					
Inventories	16	4,015	351	110	100
Trade receivables	18	3,790	8,086	23,102	18,192
Amounts due from customers for contract work	19	—	34,271	29,953	38,591
Other receivables, deposits and prepayments	20	2,085	5,377	23,671	49,298
Restricted bank deposits	21	—	—	29	29
Cash and cash equivalents	21	3,377	7,948	17,501	7,955
		<u>13,267</u>	<u>56,033</u>	<u>94,366</u>	<u>114,165</u>
<b>Total assets</b>		<u><u>31,976</u></u>	<u><u>78,493</u></u>	<u><u>128,828</u></u>	<u><u>129,341</u></u>
<b>Capital and reserves</b>					
Share capital	22	2,340	2,340	2,340	2,340
Share premium		5,460	5,460	5,460	5,460
Reserves		(9,805)	(2,999)	19,872	20,610
<b>Equity attributable to equity holders of MDCL</b>		<u>(2,005)</u>	<u>4,801</u>	<u>27,672</u>	<u>28,410</u>
Non-controlling interest		—	—	—	1
<b>Total equity/(capital deficiency)</b>		<u><u>(2,005)</u></u>	<u><u>4,801</u></u>	<u><u>27,672</u></u>	<u><u>28,411</u></u>
<b>Current liabilities</b>					
Trade payables	24	109	1,852	724	658
Other payables and accruals	25	13,267	51,525	96,698	97,932
Receipts in advance		20,605	20,315	3,734	2,340
		<u>33,981</u>	<u>73,692</u>	<u>101,156</u>	<u>100,930</u>
<b>Total equity and liabilities</b>		<u><u>31,976</u></u>	<u><u>78,493</u></u>	<u><u>128,828</u></u>	<u><u>129,341</u></u>
<b>Net current assets/(liabilities)</b>		<u><u>(20,714)</u></u>	<u><u>(17,659)</u></u>	<u><u>(6,790)</u></u>	<u><u>13,235</u></u>
<b>Total assets less current liabilities</b>		<u><u>(2,005)</u></u>	<u><u>4,801</u></u>	<u><u>27,672</u></u>	<u><u>28,411</u></u>

## Balance Sheets

	Notes	As at 31 December,			As at
		2009	2010	2011	30 June,
		HK\$'000	HK\$'000	HK\$'000	2012 HK\$'000
<b>Non-current assets</b>					
Investment in subsidiaries	15	<u>7,800</u>	<u>7,800</u>	<u>7,800</u>	<u>7,800</u>
<b>Current assets</b>					
Cash and cash equivalents	21	<u>—</u>	<u>—</u>	<u>44</u>	<u>44</u>
<b>Total assets</b>		<u><u>7,800</u></u>	<u><u>7,800</u></u>	<u><u>7,844</u></u>	<u><u>7,844</u></u>
<b>Equity attributable to equity holders of MDCL</b>					
Share capital	22	2,340	2,340	2,340	2,340
Share premium		5,460	5,460	5,460	5,460
Accumulated losses	23	<u>(123)</u>	<u>—</u>	<u>(9)</u>	<u>(9)</u>
<b>Total equity</b>		<u><u>7,677</u></u>	<u><u>7,800</u></u>	<u><u>7,791</u></u>	<u><u>7,791</u></u>
<b>Current liabilities</b>					
Other payables and accruals	25	<u>123</u>	<u>—</u>	<u>53</u>	<u>53</u>
<b>Total equity and liabilities</b>		<u><u>7,800</u></u>	<u><u>7,800</u></u>	<u><u>7,844</u></u>	<u><u>7,844</u></u>
<b>Net current liabilities</b>		<u><u>(123)</u></u>	<u><u>—</u></u>	<u><u>(9)</u></u>	<u><u>(9)</u></u>
<b>Total assets less current liabilities</b>		<u><u>7,677</u></u>	<u><u>7,800</u></u>	<u><u>7,791</u></u>	<u><u>7,791</u></u>

## Consolidated Statements of Changes in Equity

	Share capital HK\$'000	Share premium HK\$'000	Retained profits/ (Accumulated losses) HK\$'000	Translation reserves HK\$'000	Statutory reserves HK\$'000	Equity attributable to equity holders of MDCL HK\$'000	Non- controlling interest HK\$'000	Total equity HK\$'000
As at 1 January, 2009	2,340	5,460	(8,977)	1,391	—	214	—	214
Total comprehensive expenses for the year	—	—	(2,217)	(2)	—	(2,219)	—	(2,219)
As at 31 December, 2009 and 1 January, 2010	2,340	5,460	(11,194)	1,389	—	(2,005)	—	(2,005)
Total comprehensive income for the year	—	—	6,729	77	—	6,806	—	6,806
As at 31 December, 2010 and 1 January, 2011	2,340	5,460	(4,465)	1,466	—	4,801	—	4,801
Total comprehensive income for the year	—	—	22,230	641	—	22,871	—	22,871
Transfer to statutory reserves	—	—	(1,738)	—	1,738	—	—	—
As at 31 December, 2011	2,340	5,460	16,027	2,107	1,738	27,672	—	27,672
Total comprehensive income for the period	—	—	966	(228)	—	738	—	738
Capital contribution from non-controlling interest of non-wholly owned subsidiary	—	—	—	—	—	—	1	1
As at 30 June, 2012	2,340	5,460	16,993	1,879	1,738	28,410	1	28,411
As at 1 January, 2011 (audited)	2,340	5,460	(4,465)	1,466	—	4,801	—	4,801
Total comprehensive expenses for the period (unaudited)	—	—	(2,659)	397	—	(2,262)	—	(2,262)
As at 30 June, 2011 (unaudited)	2,340	5,460	(7,124)	1,863	—	2,539	—	2,539

## Consolidated Statements of Cash Flows

	Year ended 31 December,			Six months ended 30 June,	
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2011 HK\$'000 (unaudited)	2012 HK\$'000
<b>Cash flows from operating activities</b>					
Profit/(Loss) before income tax	(2,217)	6,729	22,230	(2,659)	966
Adjustments for:					
Amortisation of intangible assets	4,972	5,600	7,585	3,579	4,502
Depreciation	504	908	1,428	449	986
Interest income	(10)	(17)	(40)	(16)	(27)
(Reversal of)/Impairment loss on trade receivables and amounts due from customers for contract work	170	2,173	2,983	51	(2,194)
(Gain)/Loss on disposal of property, plant and equipment and intangible assets	—	—	123	—	(3,235)
Operating profit before working capital changes	3,419	15,393	34,309	1,404	998
Decrease/(Increase) in inventories	(3,990)	3,816	256	10	9
(Increase)/Decrease in trade receivables	(3,335)	(4,352)	(14,668)	(19,835)	4,725
(Increase)/Decrease in amounts due from customers for contract work	—	(36,444)	2,810	28,002	(6,684)
(Increase)/Decrease in other receivables, deposits and prepayments	(1,366)	(3,189)	(17,766)	425	2,739
(Decrease)/Increase in trade payables	108	1,740	(1,208)	(484)	(60)
Increase/(Decrease) in other payables and accruals	(16,178)	37,405	42,661	12,288	2,007
(Decrease)/Increase in receipts in advance	20,265	(1,073)	(17,455)	(12,655)	(1,364)
Net cash generated from/(used in) operating activities	(1,077)	13,296	28,939	9,155	2,370
<b>Cash flows from investing activities</b>					
Interest received	10	17	40	16	27
Expenditures on intangible assets	(15)	(6,663)	(19,052)	(8,673)	(9,764)
Purchase of property, plant and equipment	(303)	(2,819)	(1,000)	(234)	(1,953)
Proceeds from disposal of property, plant and equipment	—	—	93	—	14
Increase in restricted bank deposits	—	—	(29)	—	—

	Year ended 31 December,			Six months ended 30 June,	
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2011 HK\$'000 (unaudited)	2012 HK\$'000
Net cash used in investing activities	(308)	(9,465)	(19,948)	(8,891)	(11,676)
<b>Cash flows from financing activities</b>					
Capital contribution from non-controlling interest of non-wholly owned subsidiary	—	—	—	—	1
Net cash generated from financing activities	—	—	—	—	1
<b>Net (decrease)/increase in cash and cash equivalents</b>	(1,385)	3,831	8,991	264	(9,305)
Cash and cash equivalents at the beginning of the period/year	4,752	3,377	7,948	7,948	17,501
Effect of foreign exchange rate changes	10	740	562	702	(241)
<b>Cash and cash equivalents at the end of the period/year (Note 21)</b>	<b>3,377</b>	<b>7,948</b>	<b>17,501</b>	<b>8,914</b>	<b>7,955</b>

**B. NOTES TO THE FINANCIAL INFORMATION****1. GENERAL INFORMATION**

MDCL-Frontline Solutions Limited (“MDCL”) was incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance. As at 30 June, 2012, its immediate holding company was Teamsun Technology (HK) Limited, a company incorporated in Hong Kong. Its ultimate holding company is Beijing Teamsun Technology Co., Limited, a company incorporated in the People’s Republic of China (the “PRC”) and listed on The Shanghai Stock Exchange in the PRC. The addresses of the registered office and principal place of business of MDCL is Room 907, 9/F., Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong.

MDCL is an investment holding company. The principal activities of its subsidiaries are set out in Note 15 to the Financial Information.

The Financial Information are presented in thousands of units of Hong Kong dollars (HK\$’000), unless otherwise stated. The functional currency of MDCL is Renminbi (“RMB”).

**2. BASIS OF PREPARATION**

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance. The Financial Information have been prepared under the historical cost convention.

The preparation of Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying MDCL Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to this Financial Information are disclosed in Note 4.

For the purpose of preparing the Financial Information, MDCL Group has adopted all applicable HKFRS that are relevant to MDCL Group and are effective for the accounting period beginning on 1 January, 2012. For the purpose of presenting this Financial Information, these policies have been consistently applied to all the years/periods presented.

New standards, amendments and interpretations have been issued but are not effective for the financial year beginning from 1 January, 2012 which have not been early adopted and relevant to MDCL Group’s operation are as follows.

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HKAS1 (Amendments)	Presentation of Items in Other Comprehensive Income <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January, 2015

<sup>2</sup> Effective for annual periods beginning on or after 1 January, 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 July, 2012

The adoption of these new standards, amendments and interpretations is not expected to have a material impact on MDCL Group.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below.

#### (a) Basis of consolidation

Subsidiaries are all entities (including special purpose entities) over which MDCL Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether MDCL Group controls another entity. MDCL Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to MDCL Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by MDCL Group.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to MDCL Group, and in respect of which MDCL Group has not agreed any additional terms with the holders of those interests which would result in MDCL Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the owners of MDCL. Non-controlling interests in the results of MDCL Group are presented on the face of the consolidated income statement and consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of MDCL.

#### (b) Foreign currency translation

##### (i) *Functional and presentation currency*

Items included in this Financial Information of each of MDCL Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in Hong Kong dollars (HK\$), unless otherwise stated. The functional currency of MDCL is RMB.

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated income statement. All other foreign exchange gains and losses are presented in the consolidated income statement.

**(iii) Group companies**

The results and financial position of all MDCL Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

**(c) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation and amortisation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Office and computer equipment	20%–33 <sup>1</sup> / <sub>2</sub> %
Leasehold improvements	shorter of useful lives or unexpired leased term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

**(d) Intangible assets**

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives of 5 years. Amortisation commences when the intangible assets are available for use.

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in Note 3(e).

***Research and development costs***

Costs associated with research activities are expensed in the consolidated income statement as they occur. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet the following recognition requirements:

- (i) demonstration of technical feasibility of the prospective product for internal use or sale;
- (ii) there is intention to complete the intangible asset and use or sell it;
- (iii) MDCL Group's ability to use or sell the intangible asset is demonstrated;
- (iv) the intangible asset will generate probable economic benefits through internal use or sale;
- (v) sufficient technical, financial and other resources are available for completion; and the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

**(e) Impairment of investments in subsidiaries and non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**(f) Financial assets**

MDCL Group classifies its financial assets as loans and receivables.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that have maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. MDCL Group's loans and receivables comprise "trade receivables", "other receivables and deposits", "amounts due from customers for contract work", and "cash and bank balances".

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which MDCL Group commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and MDCL Group has transferred substantially all risks and rewards of ownership.

Loans and receivables are carried at amortised cost using the effective interest method.

**(g) Impairment of financial assets**

MDCL Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

**(h) Inventories**

Inventories comprise goods held for resale and goods pending customers' acceptance and are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

**(i) Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

**(j) Cash and cash equivalents**

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks with original maturities of three months or less, and bank overdrafts.

**(k) Share capital**

Ordinary shares are classified as equity.

**(l) Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**(m) Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in consolidated other comprehensive income or directly in equity. In this case, the tax is also recognised in consolidated other comprehensive income or directly in equity, respectively.

**(a) Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where MDCL's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**(b) Deferred income tax***Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in this Financial Information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

*Outside basis differences*

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by MDCL Group and it is probable that the temporary difference will not reverse in the foreseeable future.

**(c) Offsetting**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**(n) Provisions**

Provisions are recognised when MDCL Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**(o) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and sales related taxes. MDCL Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of MDCL Group's activities, as described below. MDCL Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to buyers (generally on delivery, satisfactory installation and customer acceptance) and the amount of revenue and the costs incurred for the transaction can be measured reliably.

Revenue from rendering of services, other than installation services and maintenance services, is recognised as revenue by reference to the stage of completion, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. Stage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Provision is made for foreseeable losses as soon as they are anticipated by the management.

Maintenance service income is recognised on a straight-line basis over the term of the maintenance service contract.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, MDCL Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

**(p) Government subsidies**

Government subsidies are recognised when the attached conditions of government subsidies are complied with and when they will be received.

Government subsidies for monetary assets are measured at amounts received or receivable, among which subsidies with solid evidence demonstrating that their provisions are based on fixed amounts can be measured at amounts receivable, otherwise, they shall be measured at actual amounts received.

Government subsidies relating to assets are recognised as deferred revenue, and are equally distributed over the useful lives of the related assets and credited to the current profit or loss. Government subsidies relating to revenue are credited to the current profit or loss if they are used to compensate the relevant expenses or losses incurred, or otherwise credited to deferred revenue if they are used to compensate the relevant expenses or losses incurred at later periods. Government subsidies are credited to the current profit or loss during the period when expenses are recognised. Government subsidies measured at nominal value are directly credited to the current profit or loss.

**(q) Retirement benefit costs**

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

**(r) Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

**(s) Related parties**

(a) A person, or a close member of that person's family, is related to MDCL Group if that person:

- (1) has control or joint control over MDCL Group;
- (2) has significant influence over MDCL Group; or
- (3) is a member of the key management personnel of MDCL Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(b) An entity is related to MDCL Group if any of the following conditions applies:

- (1) The entity and MDCL Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (3) Both entities are joint ventures of the same third party;
- (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (5) The entity is a post-employment benefit plan for the benefit of employees of either MDCL Group or an entity related to MDCL Group;
- (6) The entity is controlled or jointly controlled by a person identified in (a); or
- (7) A person identified in (a)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

MDCL Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**(a) Provision for impairment of trade and other receivables and amounts due from customers for contract work**

The provisioning policy for trade and other receivables and amounts due from customers for contract work of MDCL Group is based on the evaluation of the collectability of those receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer and the realisation of any repayment pattern promised. If the financial conditions of these customers were to deteriorate, additional provision may be required.

**(b) Income taxes**

MDCL Group is subject to income taxes in jurisdictions in which MDCL Group operates. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. MDCL Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year/period in which such determination is made.

**(c) Estimated impairment of intangible assets**

In accordance with HKFRS, an impairment charge is required for intangible assets when the carrying amount exceeds the recoverable amount, defined as the higher of fair value less costs to sell and value in use. MDCL Group determining the recoverable amount utilises a discounted cash flow methodology, which necessarily involves making numerous estimates and assumptions regarding revenue growth, operating margins, tax rates, appropriate discount rates and working capital requirements.

**(d) Revenue recognition**

According to the accounting policy as stated in Note 3(o), MDCL Group uses the percentage of completion (the "POC") method to determine the appropriate revenues to be recognised from rendering of services. The stage of completion is measured by reference to the actual costs incurred up to the balance sheet date as a percentage of total estimated costs of completion. When the outcome of a POC contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it will be probably recoverable.

## 5. CAPITAL RISK MANAGEMENT

MDCL Group manages its capital to ensure that entities in MDCL Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of MDCL Group consists of equity attributable to equity holders of MDCL, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The directors of MDCL review the capital structure periodically. As part of this review, the directors of MDCL prepare the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the directors of MDCL consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of MDCL Group, MDCL Group will balance its overall capital structure through the payment of dividends, increase registered capital as well as the issue of new debt, if necessary.

As at each of the reporting date, MDCL Group did not have any borrowings.

There have been no changes to MDCL Group's approach to capital risk management during the Relevant Periods.

## 6. FINANCIAL RISK MANAGEMENT

MDCL Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk, and liquidity risk. MDCL Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on MDCL Group's financial performance.

### (a) Market risk

#### (i) Foreign exchange risk

MDCL Group mainly earns revenue and incurs costs in RMB. Most of MDCL Group's assets and liabilities are denominated in RMB and therefore the exchange risk exposure of MDCL Group is not significant.

#### (ii) Interest rate risk

MDCL Group has no significant interest-bearing assets or liabilities, MDCL Group's income and operating cash flows are substantially independent of changes in market interest rates.

### (b) Credit risk

Credit risk was managed on a group basis. Credit risk arises from cash and bank balances as well as credit exposures to customers, including outstanding receivables and committed transactions. MDCL Group only places deposits in reputable banks and financial institutions and manages its credit risk associated with trade receivable through the application of credit approvals, credit rating and monitoring procedures.

In order to minimise the credit risk, the management of MDCL Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue trade receivables. In addition, MDCL Group reviews the recoverable amount of each individual trade debt at the end of each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of MDCL consider that MDCL Group's credit risk is significantly reduced.

MDCL Group has no significant concentration of credit risk in relation to trade receivables, cash and bank balances, with exposure spread over a number of counterparties and customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset (Note 17) in the consolidated and company balance sheet after deducting any impairment provision.

**(c) Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the directors of MDCL, which has built a liquidity risk management framework for the management of MDCL Group's short, medium and long-term funding and liquidity management requirements. MDCL Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities. MDCL Group relies on operating cash flow as a significant source of liquidity.

The table below analyses MDCL Group's and MDCL's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	On demand or within 1 year HK\$'000	Carrying amount HK\$'000
<b>MDCL Group</b>		
<b>As at 31 December, 2009</b>		
Trade payables	109	109
Other payables and accruals	3,938	3,938
	<u>4,047</u>	<u>4,047</u>
<b>MDCL Group</b>		
<b>As at 31 December, 2010</b>		
Trade payables	1,852	1,852
Other payables and accruals	45,731	45,731
	<u>47,583</u>	<u>47,583</u>
<b>MDCL Group</b>		
<b>As at 31 December, 2011</b>		
Trade payables	724	724
Other payables and accruals	89,750	89,750
	<u>90,474</u>	<u>90,474</u>
<b>MDCL Group</b>		
<b>As at 30 June, 2012</b>		
Trade payables	658	658
Other payables and accruals	92,315	92,315
	<u>92,973</u>	<u>92,973</u>
<b>MDCL</b>		
<b>As at 31 December, 2009</b>		
Other payables and accruals	123	123
	<u>123</u>	<u>123</u>
<b>MDCL</b>		
<b>As at 31 December, 2010</b>		
Other payables and accruals	—	—
	<u>—</u>	<u>—</u>
<b>MDCL</b>		
<b>As at 31 December, 2011</b>		
Other payables and accruals	53	53
	<u>53</u>	<u>53</u>
<b>MDCL</b>		
<b>As at 30 June, 2012</b>		
Other payables and accruals	53	53
	<u>53</u>	<u>53</u>

**(d) Fair value estimation**

The carrying value of financial assets and financial liabilities as at the balance sheet date approximate their fair values due to their short maturities.

**7. REVENUE**

Revenue represents the net amount received and receivable for goods sold, less returns, and revenue from service contracts, and is analysed as follows:

	Year ended 31 December,			Six months ended 30 June,	
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2011 HK\$'000	2012 HK\$'000
Revenue from service contracts	65,750	99,856	99,256	31,730	36,397
Sales of goods	13,113	26,510	31,534	14,895	7,882
	<u>78,863</u>	<u>126,366</u>	<u>130,790</u>	<u>46,625</u>	<u>44,279</u>

**8. OTHER INCOME**

	Year ended 31 December,			Six months ended 30 June,	
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2011 HK\$'000	2012 HK\$'000
Gain on disposal of property, plant and equipments and intangible assets	—	—	—	—	3,235
Government subsidies	1,665	3,520	7,346	4,729	7,500
Interest income	10	17	40	16	27
Reversal of impairment loss of amounts due from customers for contract work	—	—	—	—	2,194
Sundry income	19	159	127	5	57
	<u>1,694</u>	<u>3,696</u>	<u>7,513</u>	<u>4,750</u>	<u>13,013</u>

**9. PROFIT/(LOSS) BEFORE INCOME TAX**

	Year ended 31 December,			Six months ended 30 June,	
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2011 HK\$'000	2012 HK\$'000
Profit/(Loss) before income tax is arrived at after charging/(crediting):					
Auditors' remuneration	28	204	647	215	294
Costs of inventories recognised as expenses	6,137	14,066	7,541	3,574	746
Depreciation and amortisation	5,476	6,508	9,013	4,028	5,488
Employee benefits expenses (note 10)	58,616	79,956	67,186	32,384	35,819
Exchange losses, net	—	7	6	5	—
(Gain)/Loss on disposal of property, plant and equipments and intangible assets	—	—	123	—	(3,235)
Impairment/(Reversal of impairment loss) on trade receivables and amounts due from customers for contract work, net	170	2,173	2,983	51	(2,194)
Operating lease rentals in respect of office premises	1,108	2,445	3,051	1,508	1,551
	<u>1,108</u>	<u>2,445</u>	<u>3,051</u>	<u>1,508</u>	<u>1,551</u>

**10. EMPLOYEE BENEFIT EXPENSES (including directors' emoluments)**

	Year ended 31 December,			Six months ended 30 June,	
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2011 HK\$'000	2012 HK\$'000
Salaries and other benefits	48,082	64,819	52,778	24,807	28,228
Retirement benefit scheme contribution	10,534	15,137	14,408	7,577	7,591
	<u>58,616</u>	<u>79,956</u>	<u>67,186</u>	<u>32,384</u>	<u>35,819</u>

**11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES**

None of MDCL's directors received any fees or emoluments in respect of their services rendered to MDCL Group during the Relevant Periods and the six months ended 30 June, 2011.

**Five highest paid individuals**

The remuneration of the five highest paid individuals in MDCL Group during the Relevant Periods and the six months ended 30 June, 2011 are as follows:

	Year ended 31 December,			Six months ended 30 June,	
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2011 HK\$'000	2012 HK\$'000
Salaries and other benefits	1,580	2,121	2,312	845	1,752
Retirement benefit scheme contribution	244	222	373	171	251
	<u>1,824</u>	<u>2,343</u>	<u>2,685</u>	<u>1,016</u>	<u>2,003</u>

Their remunerations were within the following bands:

	No. of individuals				
	Year ended 31 December,			Six months ended 30 June,	
	2009	2010	2011	2011	2012
Nil to HK\$1,000,000	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

## 12. INCOME TAX EXPENSE

No provision for PRC Corporate Income Tax has been provided as MDCL's PRC subsidiary was approved as Software Enterprise, and according to relevant tax circulars issued by the PRC tax authorities, it was exempted from Corporate Income Tax for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing from the first year of profitable operation after offsetting tax losses brought forward. No provision for Hong Kong Profits Tax has been provided as MDCL did not earn any income subject to Hong Kong Profits Tax.

Reconciliation between tax expense and accounting profit/(loss) at applicable tax rate:

	Year ended 31 December,			Six months ended 30 June,	
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2011 HK\$'000	2012 HK\$'000
Profit/(Loss) before income tax	(2,217)	6,729	22,230	(2,659)	966
Tax at Hong Kong profits tax rate of 16.5%	(366)	1,110	3,668	(439)	159
Effect of different tax rates of overseas operations	(184)	561	1,891	(226)	82
Non-deductible expenses	262	1,411	2,102	—	—
Non-taxable income	(372)	(606)	(1,093)	(478)	(667)
Utilisation of tax losses previously not recognised	—	—	(5,419)	—	—
Tax losses not recognised	2,500	721	—	1,143	426
Others	(1,840)	(3,197)	(1,149)	—	—
Income tax expense	—	—	—	—	—

As at the balance sheet date, unrecognised deferred tax assets arise from tax losses is as follows:

	As at 31 December,			As at 30 June,
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000
	4,835	5,756	478	898

Under the current tax legislation, these tax losses can be carried forward for five years since the year the loss is incurred. All tax losses are subject to the agreement from the relevant tax bureau.

## 13. PROPERTY, PLANT AND EQUIPMENT — MDCL GROUP

	<b>Office and computer equipment HK\$'000</b>	<b>Leasehold improvements HK\$'000</b>	<b>Total HK\$'000</b>
<b>As at 1 January, 2009</b>			
Cost	2,064	—	2,064
Accumulated depreciation	(426)	—	(426)
Net book amount	<u>1,638</u>	<u>—</u>	<u>1,638</u>
<b>Year ended 31 December, 2009</b>			
Opening net book amount	1,638	—	1,638
Additions	303	—	303
Depreciation	(504)	—	(504)
Exchange realignment	1	—	1
Closing net book amount	<u>1,438</u>	<u>—</u>	<u>1,438</u>
<b>As at 31 December, 2009 and 1 January, 2010</b>			
Cost	2,369	—	2,369
Accumulated depreciation	(931)	—	(931)
Net book amount	<u>1,438</u>	<u>—</u>	<u>1,438</u>
<b>Year ended 31 December, 2010</b>			
Opening net book amount	1,438	—	1,438
Additions	1,199	1,620	2,819
Depreciation	(677)	(231)	(908)
Exchange realignment	67	30	97
Closing net book amount	<u>2,027</u>	<u>1,419</u>	<u>3,446</u>
<b>As at 31 December, 2010 and 1 January, 2011</b>			
Cost	3,685	1,656	5,341
Accumulated depreciation	(1,658)	(237)	(1,895)
Net book amount	<u>2,027</u>	<u>1,419</u>	<u>3,446</u>

	<b>Office and computer equipment HK\$'000</b>	<b>Leasehold improvements HK\$'000</b>	<b>Total HK\$'000</b>
<b>Year ended 31 December, 2011</b>			
Opening net book amount	2,027	1,419	3,446
Additions	392	608	1,000
Disposal	(216)	—	(216)
Depreciation	(839)	(589)	(1,428)
Exchange realignment	73	63	136
	<u>1,437</u>	<u>1,501</u>	<u>2,938</u>
Closing net book amount	1,437	1,501	2,938
<b>As at 31 December, 2011 and 1 January, 2012</b>			
Cost	3,420	2,348	5,768
Accumulated depreciation	(1,983)	(847)	(2,830)
	<u>1,437</u>	<u>1,501</u>	<u>2,938</u>
Net book amount	1,437	1,501	2,938
<b>Six months ended 30 June, 2012</b>			
Opening net book amount	1,437	1,501	2,938
Additions	334	1,619	1,953
Disposal	(31)	—	(31)
Depreciation	(315)	(671)	(986)
Exchange realignment	(10)	(17)	(27)
	<u>1,415</u>	<u>2,432</u>	<u>3,847</u>
Closing net book amount	1,415	2,432	3,847
<b>As at 30 June, 2012</b>			
Cost	3,523	3,940	7,463
Accumulated depreciation	(2,108)	(1,508)	(3,616)
	<u>1,415</u>	<u>2,432</u>	<u>3,847</u>
Net book amount	<u>1,415</u>	<u>2,432</u>	<u>3,847</u>

## 14. INTANGIBLE ASSETS — MDCL GROUP

	Development costs HK\$'000	Software Technology HK\$'000	Total HK\$'000
<b>As at 1 January, 2009</b>			
Cost	—	27,491	27,491
Accumulated amortisation	—	(5,284)	(5,284)
Net book amount	—	22,207	22,207
<b>Year ended 31 December, 2009</b>			
Opening net book amount	—	22,207	22,207
Additions	—	15	15
Amortisation	—	(4,972)	(4,972)
Exchange realignment	—	21	21
Closing net book amount	—	17,271	17,271
<b>As at 31 December, 2009 and 1 January, 2010</b>			
Cost	—	27,539	27,539
Accumulated amortisation	—	(10,268)	(10,268)
Net book amount	—	17,271	17,271
Opening net book amount	—	17,271	17,271
Additions	6,657	6	6,663
Amortisation	—	(5,600)	(5,600)
Exchange realignment	150	530	680
Closing net book amount	6,807	12,207	19,014
<b>As at 31 December, 2010 and 1 January, 2011</b>			
Cost	6,807	28,580	35,387
Accumulated amortisation	—	(16,373)	(16,373)
Net book amount	6,807	12,207	19,014

	<b>Development costs HK\$'000</b>	<b>Software Technology HK\$'000</b>	<b>Total HK\$'000</b>
Opening net book amount	6,807	12,207	19,014
Additions	19,052	—	19,052
Amortisation	—	(7,585)	(7,585)
Reclassification	(22,429)	22,429	—
Exchange realignment	227	816	1,043
	<u>3,657</u>	<u>27,867</u>	<u>31,524</u>
<b>As at 31 December, 2011 and 1 January, 2012</b>			
Cost	3,657	52,678	56,335
Accumulated amortisation	—	(24,811)	(24,811)
Net book amount	<u>3,657</u>	<u>27,867</u>	<u>31,524</u>
<b>Six months ended 30 June, 2012</b>			
Opening net book amount	3,657	27,867	31,524
Additions	9,764	—	9,764
Disposal	(7,015)	(18,289)	(25,304)
Amortisation	—	(4,502)	(4,502)
Reclassification	(508)	508	—
Exchange realignment	(41)	(112)	(153)
	<u>5,857</u>	<u>5,472</u>	<u>11,329</u>
<b>As at 30 June, 2012</b>			
Cost	5,857	13,391	19,248
Accumulated amortisation	—	(7,919)	(7,919)
Net book amount	<u>5,857</u>	<u>5,472</u>	<u>11,329</u>

## 15. INVESTMENT IN SUBSIDIARIES — MDCL

	<b>As at 31 December,</b>			<b>As at</b>
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>30 June,</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>2012</b>
				<b>HK\$'000</b>
Unlisted share, at costs	<u>7,800</u>	<u>7,800</u>	<u>7,800</u>	<u>7,800</u>

Name of subsidiary	Country of incorporation and operation	Nominal value of paid up capital	Percentage of nominal value of paid up capital held by MDCL	Principal activities
Mocha Software (Tianjin) Co., Ltd.	The PRC	US\$1,000,000	100% directly	Provision of IT software solutions
Mocha Software (Beijing) Co., Ltd.	The PRC	RMB2,001,000	99.99% indirectly	Inactive

#### 16. INVENTORIES — MDCL GROUP

	As at 31 December,			As at
	2009	2010	2011	30 June,
	HK\$'000	HK\$'000	HK\$'000	2012
				HK\$'000
Goods held for resale	35	22	75	65
Goods pending for customers' acceptance	3,980	329	35	35
	<u>4,015</u>	<u>351</u>	<u>110</u>	<u>100</u>

## 17. FINANCIAL INSTRUMENTS BY CATEGORY — MDCL GROUP AND MDCL

The accounting policies for financial instruments have been applied to the line items below:

	As at 31 December,			As at
	2009	2010	2011	30 June,
	HK\$'000	HK\$'000	HK\$'000	2012
				HK\$'000
<b>MDCL Group</b>				
<i>Loans and receivables</i>				
Trade receivables	3,790	8,086	23,102	18,192
Amounts due from customers for contract work	—	34,271	29,953	38,591
Other receivables and deposits	1,370	4,610	23,110	48,958
Cash and bank balances	3,377	7,948	17,530	7,984
	<u>8,537</u>	<u>54,915</u>	<u>93,695</u>	<u>113,725</u>
<b>MDCL Group</b>				
<i>Financial liabilities at amortised cost</i>				
Trade payables	109	1,852	724	658
Other payables	3,938	45,731	89,750	92,315
	<u>4,047</u>	<u>47,583</u>	<u>90,474</u>	<u>92,973</u>
<b>MDCL</b>				
<i>Loans and receivables</i>				
Cash and bank balances	—	—	44	44
<b>MDCL</b>				
<i>Financial liabilities at amortised cost</i>				
Other payables	123	—	53	53

## 18. TRADE RECEIVABLES — MDCL GROUP

	As at 31 December,			As at
	2009	2010	2011	30 June,
	HK\$'000	HK\$'000	HK\$'000	2012
				HK\$'000
Trade receivable	3,990	8,086	23,102	18,192
Less: provision for impairment	(200)	—	—	—
	<u>3,790</u>	<u>8,086</u>	<u>23,102</u>	<u>18,192</u>

MDCL Group has granted credit to substantially all of its customers for 0 to 30 days and has credit control procedures to minimise credit risk. Overdue balances are reviewed regularly by senior management.

An ageing analysis of trade receivables as at balance sheet date, based on ageing from payment due date is as follows:

	As at 31 December,			As at
	2009	2010	2011	30 June,
	HK\$'000	HK\$'000	HK\$'000	2012
Not yet past due	—	—	—	—
Past due but not impaired	3,790	8,086	23,102	18,192
	<u>3,790</u>	<u>8,086</u>	<u>23,102</u>	<u>18,192</u>

As at the balance sheet date, trade receivables that were past due but not impaired relate to a number of independent customers for whom there is no recent history of default.

Movements in trade receivables that were past due and impaired is as follows:

	As at 31 December,			As at
	2009	2010	2011	30 June,
	HK\$'000	HK\$'000	HK\$'000	2012
Balance at beginning of the period/year	30	200	—	—
Provision for impairment loss	170	—	—	—
Reversal of impairment loss	—	(200)	—	—
Exchange realignment	—	—	—	—
	<u>200</u>	<u>—</u>	<u>—</u>	<u>—</u>

The individually impaired receivables mainly relate to several customers, which are in default of payment. As at the balance sheet date, MDCL Group does not hold any collateral as security from these customers.

## 19. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

As at the balance sheet date, the balance represented contract costs incurred plus recognised profits less recognised losses and progress billings.

**20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS — MDCL GROUP**

	As at 31 December,			As at
	2009	2010	2011	30 June,
	HK\$'000	HK\$'000	HK\$'000	2012
				HK\$'000
Other receivables and deposits paid	1,370	1,175	1,946	1,508
Prepayments	715	767	561	340
Amount due from ultimate holding company	—	3,435	20,869	47,450
Amount due from a fellow subsidiary	—	—	295	—
	<u>2,085</u>	<u>5,377</u>	<u>23,671</u>	<u>49,298</u>

The amount due from ultimate holding company included balances of trade receivables of HK\$19,078,000 (2011: HK\$20,869,000, 2010: HK\$3,435,000, 2009: HK\$Nil) which is subject to the credit terms as set out in Note 18, the remaining balances is unsecured, interest free and repayable on demand.

The amount due from a fellow subsidiary included balances of trade receivables of HK\$Nil (2011: HK\$295,000, 2010: HK\$Nil, 2009: HK\$Nil) which is subject to the credit terms as set out in Note 18, the remaining balances is unsecured, interest free and repayable on demand.

**21. CASH AND BANK BALANCES — MDCL GROUP AND MDCL**

	As at 31 December,			As at
	2009	2010	2011	30 June,
	HK\$'000	HK\$'000	HK\$'000	2012
				HK\$'000
<b>MDCL Group</b>				
Cash and cash equivalents	3,377	7,948	17,501	7,955
Restricted bank deposits	—	—	29	29
	<u>3,377</u>	<u>7,948</u>	<u>17,530</u>	<u>7,984</u>
<b>MDCL</b>				
Cash and cash equivalents	—	—	44	44

**22. SHARE CAPITAL**

	Number of shares	HK\$'000
<b>Authorised:</b>		
Ordinary shares of US\$1 each		
As at 1 January 2009, 31 December 2009, 31 December 2010, 31 December 2011 and 30 June 2012	1,000,000	7,800
	<u>1,000,000</u>	<u>7,800</u>
<b>Issued and fully paid:</b>		
Ordinary shares of US\$1 each		
As at 1 January 2009, 31 December 2009, 31 December 2010, 31 December 2011 and 30 June 2012	300,000	2,340
	<u>300,000</u>	<u>2,340</u>

**23. ACCUMULATED LOSSES — MDCL**

	As at 31 December,			As at
	2009	2010	2011	30 June,
	HK\$'000	HK\$'000	HK\$'000	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of the period/year	(74)	(123)	—	(9)
Profit/(Loss) for the period/year	(49)	123	(9)	—
	<u>(123)</u>	<u>—</u>	<u>(9)</u>	<u>(9)</u>

In the opinion of MDCL's directors, as at the balance sheet date MDCL do not have any reserves available for distribution to its equity holders.

**24. TRADE PAYABLES — MDCL GROUP**

An ageing analysis of the trade payables as at the balance sheet date, based on payment due date, is as follows:

	As at 31 December,			As at
	2009	2010	2011	30 June,
	HK\$'000	HK\$'000	HK\$'000	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 to 365 days	109	1,852	724	658
	<u>109</u>	<u>1,852</u>	<u>724</u>	<u>658</u>

**25. OTHER PAYABLES AND ACCRUALS — MDCL GROUP AND MDCL**

	As at 31 December,			As at
	2009	2010	2011	30 June,
	HK\$'000	HK\$'000	HK\$'000	2012
				HK\$'000
<b>MDCL Group</b>				
Other payables and accruals	13,007	11,470	15,238	11,734
Amount due to immediate holding company	260	78	—	—
Amount due to a fellow subsidiary	—	39,977	81,460	86,198
	<u>13,267</u>	<u>51,525</u>	<u>96,698</u>	<u>97,932</u>
<b>MDCL</b>				
Other payables and accruals	40	—	—	—
Amount due to immediate holding company	83	—	—	—
Amount due to a subsidiary	—	—	53	53
	<u>123</u>	<u>—</u>	<u>53</u>	<u>53</u>

The amount due to immediate holding company, amount due to a fellow subsidiary and amount due to a subsidiary are unsecured, interest free and repayable on demand.

**26. OPERATING LEASE COMMITMENTS**

As at the balance sheet date, MDCL Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of certain of its office premises which fall due as follows:

	As at 31 December,			As at
	2009	2010	2011	30 June,
	HK\$'000	HK\$'000	HK\$'000	2012
				HK\$'000
Within one year	953	2,776	2,841	2,085
In the second to fifth year inclusive	1,214	3,382	730	—
	<u>2,167</u>	<u>6,158</u>	<u>3,571</u>	<u>2,085</u>

**27. MAJOR NON-CASH TRANSACTION**

During the six months ended 30 June 2012, MDCL Group disposed of intangible assets to its ultimate holding company at the consideration of HK\$28,556,000, such transaction was recorded through current account balance with the ultimate holding company without actual cash received.

**28. RELATED PARTY TRANSACTIONS**

Other than as disclosed elsewhere in the Financial Information, during the Relevant Periods and the six months ended 30 June, 2011, MDCL Group had the following significant transactions with its related parties.

	Year ended 31 December,			Six months ended 30 June,	
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2011 HK\$'000	2012 HK\$'000
				(unaudited)	
<b>Fellow subsidiaries</b>					
Revenue from sales of goods and service contracts	67,260	37,277	472	—	—
Purchase of goods	—	—	—	—	313
<b>Ultimate holding company</b>					
Disposal of intangible assets at the consideration of	—	—	—	—	28,556
Revenue from sales of goods and service contracts	—	3,457	32,264	8,743	13,863
	—	3,457	32,264	8,743	13,863

Sale of goods and services are transacted at normal commercial terms that are consistently applied to all customers.

- (a) MDCL Group's balances with related parties are set out in Note 20 and Note 25 respectively.
- (b) Key management compensations is disclosed in Note 10 and Note 11.

**C. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by MDCL and its subsidiaries in respect of any periods subsequent to 30 June, 2012.

Yours faithfully

**Grant Thornton Hong Kong Limited**

*Certified Public Accountants*

20th Floor, Sunning Plaza

10 Hysan Avenue

Causeway Bay

Hong Kong

Shaw Chi Kit

Practising Certificate No.: P04834

**MANAGEMENT DISCUSSION AND ANALYSIS OF MDCL GROUP****BUSINESS AND FINANCIAL REVIEW**

MDCL Group is principally engaged in the provision of IT software including the sale of Business Service Management (“BSM”) products, Business Process Management (“BPM”) technical services and research and development. For the year ended 31 December, 2009, 2010 and 2011, MDCL Group recorded revenue of approximately HK\$78.9 million, HK\$126.4 million and HK\$130.8 million, respectively and net profit/(loss) after taxation of HK\$(2.2) million, HK\$6.7 million and HK\$22.2 million, respectively. For the six months ended 30 June, 2012, net profit after taxation was approximately HK\$1.0 million. In 2010, MDCL Group recorded a net profit after recording a net loss in the previous year due to contribution from the sale of BSM and BPM products that generated a higher gross profit and net profit compared to 2009. In addition, the increased government subsidies also contributed to the improved financial performance in 2010.

The improvement in the performance of MDCL Group during 2011 was largely as a result of the transfer of its the BSM business unit (along with the related procurement and outsourcing businesses) to its parent Teamsun Group during the year. Following the transfer, MDCL Group has become a supplier of BSM products to Teamsun Group and enjoyed significant decrease in its selling expenses to the tune of approximately HK\$10.5 million. Upon Completion, the Group will comply, where applicable, with Chapter 14A of the Listing Rules in respect of the continuing connected transactions, arising from the supply of BSM products to Teamsun Group. Selling expenses of MDCL Group decreased during 2011 also as a result of the transfer of MDCL Group’s sales staff to Teamsun Group. During the 2011 financial year, MDCL Group received increased government subsidies of approximately HK\$7.3 million, compared to HK\$3.5 million in the previous year. During the 2011 financial year, MDCL recorded capitalised research and development expenses of approximately HK\$19.1 million.

The bulk of the profits are generally generated during the final quarter of the financial year. Although the net profit for the six months ended 30 June, 2012 is significantly lower than the net profit for the year ended 31 December, 2011, it represents a significant improvement compared to the six months ended 30 June, 2011 which recorded a net loss of approximately HK\$2.7 million.

Going forward, MDCL Group adopts an expansion strategy to further broaden its clientele to range from telecommunication companies to local government bodies in the PRC and other corporations overseas. It is intended that MDCL Group will further explore diversification of its business to platform management and software production. In particular, it is planned that MDCL’s existing software will be developed and converted into various modules to provide increased flexibility to customers, allowing users to access the modules from different platforms or systems.

**LIQUIDITY AND FINANCIAL RESOURCES**

The operation of MDCL Group is generally financed by internal generated funds and loans from Teamsun Group.

Save for the Shareholder’s Loan, MDCL Group did not have any external borrowings as at 31 December, 2009, 2010, 2011 and 30 June, 2012. As at 31 October, 2012, MDCL Group owed an unaudited net shareholder’s loan due to Teamsun Group of approximately RMB50.6 million (equivalent to approximately HK\$62.2 million).

As at 30 June, 2012, the current ratio of MDCL Group (calculated as the ratio, in percentage terms, of current assets to current liabilities) was approximately 113%. Such ratios were approximately 39%, 76% and 93% as at 31 December, 2009, 2010 and 2011, respectively.

As at 30 June, 2012, cash and cash equivalents of MDCL Group totalled to approximately HK\$8.0 million. As at 31 December, 2009, 2010 and 2011, cash and cash equivalents of MDCL Group amounted to approximately HK\$3.4 million, HK\$7.9 million and HK\$17.5 million, respectively.

#### **MATERIAL INVESTMENT, ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES**

During the period from 1 January, 2009 to 30 June, 2012, no material investment, acquisition or disposal of subsidiaries and associates was made by MDCL Group.

#### **NUMBERS AND REMUNERATION OF EMPLOYEES**

As at 31 December, 2009, 2010 and 2011 and 30 June, 2012, MDCL Group had 672, 765, 654, and 653 employees, respectively. In general, all employees are remunerated based on the performance and in line with industry practice.

#### **PLEDGE OF ASSETS**

As at 30 June 2012, MDCL Group's restricted bank balances were pledged to secure performance bonds of the MDCL Group of approximately HK\$29,000 (31 December 2009: HK\$Nil, 31 December 2010: HK\$Nil, 31 December 2011: HK\$29,000).

#### **CAPITAL COMMITMENT**

As at 31 December, 2009, 2010 and 2011 and 30 June, 2012, MDCL Group did not have any significant capital commitments.

#### **EXPOSURE TO FOREIGN EXCHANGE**

MDCL Group conducts its business in the PRC and settles all its transactions in RMB. In light of the above, it is considered that MDCL Group's exposure to foreign exchange risk is insignificant.

#### **FINANCIAL INSTRUMENTS FOR HEDGING**

For the three years ended 31 December 2009, 2010 and 2011 and for the six months ended 30 June, 2012, MDCL Group was not involved in any hedging transactions, nor entered into any hedging instruments.

#### **CONTINGENT LIABILITIES**

As at 30 June 2012, bank deposits held as security for performance bonds amounted to approximately HK\$29,000 (31 December 2009: HK\$Nil, 31 December 2010: HK\$Nil, 31 December 2011: HK\$29,000). At 30 June 2012, performance bonds of HK\$29,000 (31 December 2009: HK\$Nil, 31 December 2010: HK\$Nil, 31 December 2011: HK\$29,000) have been issued by MDCL Group to customers as security of contracts.

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP****Introduction**

The unaudited pro forma financial information of Automated Systems Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) and MDCL-Frontline Solutions Limited (“MDCL”) and its subsidiaries (together with the Group, hereinafter referred to as the “Enlarged Group”) (the “Unaudited Pro Forma Financial Information”) has been prepared to illustrate the effect of the proposed acquisition of the entire issued share capital of MDCL (the “Acquisition”).

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared in accordance with paragraph 4.29 of the Rules Governing Listing of Securities and The Stock Exchange of Hong Kong Limited for the purpose of illustrating the effect of the Acquisition as if the Acquisition had been completed on 30 June, 2012.

The Unaudited Pro Forma Financial Information of the Enlarged Group is prepared based on the unaudited condensed consolidated balance sheet of the Group as at 30 June, 2012, which has been extracted from the published interim report of the Group for the six months ended 30 June, 2012 and the audited consolidated balance sheet of MDCL as at 30 June, 2012 as set out in Appendix IIA of this circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition and (ii) factually supportable as if the Acquisition had been completed on 30 June 2012.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the historical financial information of the Group as mentioned in Appendix I of this circular, historical financial information of MDCL as set out in Appendix IIA of this circular and other financial information included elsewhere in this circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed on 30 June, 2012 or any future date.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

**Unaudited Pro Forma Consolidated Balance Sheet**

	<b>Unaudited condensed consolidated balance sheet of the Group as at 30 June, 2012 HK\$'000 (note 1)</b>	<b>Audited consolidated balance sheet of MDCL as at 30 June, 2012 HK\$'000 (note 2)</b>	<b>Combined total HK\$'000</b>	<b>Pro forma adjustments HK\$'000 (note 3)</b>	<b>Unaudited pro forma consolidated balance sheet of the Enlarged Group as at 30 June, 2012 HK\$'000</b>
<b>Non-current assets</b>					
Property, plant and equipment	171,180	3,847	175,027	—	175,027
Investment properties	28,700	—	28,700	—	28,700
Intangible assets	11,528	11,329	22,857	—	22,857
Goodwill	34,682	—	34,682	—	34,682
Interests in associates	546	—	546	—	546
Finance lease receivables	28,602	—	28,602	—	28,602
Trade receivables	1,823	—	1,823	—	1,823
Long-term bank deposit	12	—	12	—	12
Restricted bank deposits	50	—	50	—	50
Deferred income tax assets	1,399	—	1,399	—	1,399
	<u>278,522</u>	<u>15,176</u>	<u>293,698</u>	<u>—</u>	<u>293,698</u>
<b>Current assets</b>					
Inventories	99,378	100	99,478	—	99,478
Trade receivables	166,967	18,192	185,159	—	185,159
Finance lease receivables	17,109	—	17,109	—	17,109
Other receivables, deposits and prepayments	38,487	49,298	87,785	—	87,785
Amounts due from customers for contract work	200,626	38,591	239,217	—	239,217
Tax recoverable	583	—	583	—	583
Restricted bank deposits	4,356	29	4,385	—	4,385
Short-term bank deposits	144	—	144	—	144
Cash and cash equivalents	144,704	7,955	152,659	(150,000)	2,659
	<u>672,354</u>	<u>114,165</u>	<u>786,519</u>	<u>(150,000)</u>	<u>636,519</u>
<b>Total assets</b>	<u><u>950,876</u></u>	<u><u>129,341</u></u>	<u><u>1,080,217</u></u>	<u><u>(150,000)</u></u>	<u><u>930,217</u></u>
<b>Equity attributable to equity holders of the Company</b>					
Share capital	31,140	2,340	33,480	(2,340)	31,140
Share premium	104,947	5,460	110,407	(5,460)	104,947
Reserves	377,254	20,610	397,864	(149,962)	247,902
	<u>513,341</u>	<u>28,410</u>	<u>541,751</u>	<u>(157,762)</u>	<u>383,989</u>
Non-controlling interest	—	1	1	—	1
<b>Total equity</b>	<u><u>513,341</u></u>	<u><u>28,411</u></u>	<u><u>541,752</u></u>	<u><u>(157,762)</u></u>	<u><u>383,990</u></u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

	Unaudited condensed consolidated balance sheet of the Group as at 30 June, 2012 <i>HK\$'000</i> <i>(note 1)</i>	Audited consolidated balance sheet of MDCL as at 30 June, 2012 <i>HK\$'000</i> <i>(note 2)</i>	Combined total <i>HK\$'000</i>	Pro forma adjustments <i>HK\$'000</i> <i>(note 3)</i>	Unaudited pro forma consolidated balance sheet of the Enlarged Group as at 30 June, 2012 <i>HK\$'000</i>
<b>Non-current liabilities</b>					
Trade payables	3,143	—	3,143	—	3,143
Contingent consideration payable	12,572	—	12,572	—	12,572
Deferred income tax liabilities	23,045	—	23,045	—	23,045
Promissory notes payable	—	—	—	70,000	70,000
	<u>38,760</u>	<u>—</u>	<u>38,760</u>	<u>70,000</u>	<u>108,760</u>
<b>Current liabilities</b>					
Trade payables	205,652	658	206,310	—	206,310
Other payables and accruals	47,688	97,932	145,620	(62,238)	83,382
Receipts in advance	137,792	2,340	140,132	—	140,132
Current income tax liabilities	7,643	—	7,643	—	7,643
	<u>398,775</u>	<u>100,930</u>	<u>499,705</u>	<u>(62,238)</u>	<u>437,467</u>
<b>Total liabilities</b>	<u>437,535</u>	<u>100,930</u>	<u>538,465</u>	<u>7,762</u>	<u>546,227</u>
<b>Total equity and liabilities</b>	<u>950,876</u>	<u>129,341</u>	<u>1,080,217</u>	<u>(150,000)</u>	<u>930,217</u>
<b>Net current assets</b>	<u>273,579</u>	<u>13,235</u>	<u>286,814</u>	<u>(87,762)</u>	<u>199,052</u>
<b>Total assets less current liabilities</b>	<u>552,101</u>	<u>28,411</u>	<u>580,512</u>	<u>(87,762)</u>	<u>492,750</u>

*Notes:*

- The financial information is extracted from the unaudited condensed consolidated balance sheet of the Group as at 30 June 2012 as set out in the Company's published interim report for the six months ended 30 June 2012.
- The financial information is extracted from the audited consolidated balance sheet of MDCL as at 30 June 2012 as set out in the accountants' report of MDCL in Appendix IIA to this circular.
- A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities that the acquirer receives in the acquisition are accounted for at the acquiree's carrying amount on the acquisition date. The difference between the nominal value of paid-up capital and the share premium acquired and the carrying amount of the consideration paid for the acquisition is recognised in merger reserve account. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquisition of entire issued capital of MDCL is considered as a business combination involving entities under common control because the Company and MDCL are ultimately controlled by the same party both before and after the acquisition, and that control is not transitory. As a result, the acquisition is to be accounted for using merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants. The assets and liabilities that the Group receives in the acquisition are accounted for at MDCL's carrying amount on the date of acquisition. The adjustment represents the difference between the nominal value of paid-up capital and share premium of MDCL acquired by the Group over the cost of acquisition of HK\$220,000,000 in the form of cash of HK\$150,000,000 (which includes the consideration for settlement of the Shareholder's Loan of HK\$62,238,000 as at 31 October 2012 as set out in the Acquisition Agreement and the Company's announcement dated 12 November 2012) and unsecured promissory notes of HK\$70,000,000 bearing 2% interest per annum and maturing on the expiring of the 30th month from the date of issuance, and such difference of HK\$149,962,000 is recognised in the Group's merger reserve account.

The nominal value of the 2% interest bearing unsecured promissory notes on the date of issuance is deemed to be its fair value.

**B. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

*The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants of the Company, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong.*



The Board of Directors  
Automated Systems Holdings Limited  
15th Floor, Topsail Plaza  
11 On Sum Street  
Shatin  
New Territories  
Hong Kong

5 December, 2012

Dear Sirs

We report on the unaudited pro forma financial information of Automated Systems Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), and MDCL-Frontline Solutions Limited (“MDCL”) and its subsidiaries (together with the Group, hereinafter referred to as the “Enlarged Group”) set out on pages 74 to 75 of the circular of the Company dated 5 December, 2012 (the “Circular”), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the proposed acquisition of the entire issued share capital of MDCL (the “Acquisition”) might have affected the financial information presented. The basis of preparation of the unaudited pro forma financial information is set out on pages 73 to 75 of the Circular.

**Respective responsibilities of the directors and the reporting accountants**

It is the responsibilities solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

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## APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited pro forma financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2012 had the Acquisition actually been completed on that date or any future dates.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully

### **Grant Thornton Hong Kong Limited**

*Certified Public Accountants*

20th Floor, Sunning Plaza

10 Hysan Avenue

Causeway Bay

Hong Kong

### **Shaw Chi Kit**

Practising Certificate No.: P04834

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company (the "Model Code") were as follows:

### (a) Shares

Name of company	Director	Personal interests	Family interests	Corporate interests	Other	Total	Approximate % of shareholding
The Company	Lai Yam Ting, Ready	3,949,621	—	—	—	3,949,621	1.27%
	Hui Wing Choy, Henry	974,000	—	—	—	974,000	0.31%
Automated Systems (H.K.) Limited	Lai Yam Ting, Ready	1,070,000 <sup>1</sup>	—	—	—	1,070,000	N/A <sup>2</sup>
Beijing Teamsun Technology Co., Ltd. ("Teamsun")	Hu Liankui	30,430,477	—	—	—	30,430,477	4.67%
	Wang Weihang	64,587,446	—	—	—	64,587,446	9.91%

### (b) Underlying Shares

Name of company	Director	Personal interests	Family interests	Corporate interests	Other	Total
The Company	Hui Wing Choy, Henry	2,609,000 <sup>3</sup>	—	—	—	2,609,000
	Leung Tat Kwong, Simon	1,020,000 <sup>3</sup>	—	—	—	1,020,000
	Lau Ming Chi, Edward	1,926,000 <sup>3</sup>	—	—	—	1,926,000

*Notes:*

- These shares were non-voting deferred shares.
- The issued shares of Automated Systems (H.K.) Limited comprised 55,350,000 non-voting deferred shares and 2 ordinary shares. The 2 ordinary shares were beneficially owned by the Company.
- Options to subscribe for Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which was required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interest, direct or indirect, in any asset which had been since 31 December 2011, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or lease to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group.

### 3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and chief executives of the Company, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Number of ordinary shares of the Company held		Percentage of issued share capital %
	Direct interest	Deemed interest	
Hong Kong Teamsun	208,792,996	—	67.05
Teamsun	—	208,792,996 <sup>1</sup>	67.05

*Note:*

1. Teamsun was interested in the entire issued share capital of Hong Kong Teamsun and was therefore deemed to be interested in the 208,792,996 shares in which Hong Kong Teamsun was interested.

Save as mentioned above, as at the Latest Practicable Date, to the Directors' knowledge, there was no other person (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

#### 4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the following Directors were considered to have interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group, particulars of which are set out below:

Name of Director	Name of the entities which were considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entities which were considered to compete or likely to compete with the businesses of the Group	Nature of Director's interest in the entities
Hu Liankui	Teamsun	Information technology product service, application software development, value-added distribution and system integration	Chairman and director
	Beijing Huasun Mingtian Technology Co. Ltd.	Information technology related	Chairman
	Subsidiaries of Teamsun (excluding Hong Kong Teamsun)	Information technology related	Director
Wang Weihang	Teamsun	Information technology product service, application software development, value-added distribution and system integration	Vice chairman and president, director, and substantial shareholder
	Hong Kong Teamsun	Window company of Teamsun in Hong Kong and mainly provides administrative support to the clients of Teamsun in the PRC and Hong Kong	Sole director
	Subsidiaries of Teamsun (excluding Hong Kong Teamsun)	Information technology related	Director
Leung Tat Kwong, Simon	Pansky Technology Corporation Ltd. (a wholly owned subsidiary of Teamsun)	Information technology related	Director
	AsiaSoft Company Limited ("AsiaSoft") and its subsidiaries	Information technology related	Director and/or substantial shareholder

As the Board is independent from the board of directors of the aforesaid companies, and as none of the above Directors controls the Board, the Group is capable of carrying on its business independently of, and at arm's length from, the businesses of the aforesaid companies.

Save as disclosed above, each of the Directors confirmed that as at the Latest Practicable Date, he and his associates did not have any other interests in a business apart from the Group's business, which competed or was likely to compete, either directly or indirectly with the Group's business.

## 5. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

Save for the following contracts or arrangements in which some of the Directors were regarded as having a material interest due to their directorship, senior management position and/or shareholding in the counterparty as disclosed below, none of the Directors were materially interested in any contract or arrangement subsisting as at the Latest Practicable Date, and which was significant in relation to the business of the Group:

- (a) On 6 October, 2010, the Company and Teamsun entered into (i) the master supply agreement (the "Supply Agreement") in relation to the provision of certain referral services, the sale and purchase of certain products (including but not limited to computer hardware, software, peripherals and other similar or associated products) between the Group and Teamsun and its subsidiaries, and the provision or sharing of certain services for a term ending on 31 December, 2012, and (ii) the master distributor agreement (the "Distributor Agreement") in relation to the appointment of the Group as a distributor in respect of certain information technology enhanced products, parts and accessories manufactured or sold by Teamsun and its subsidiaries in territories outside the PRC for a term ending on 31 December, 2012. Further details of the Supply Agreement and the Distributor Agreement were set out in the Company's announcement dated 6 October 2010 and the Company's circular dated 8 October 2010. Mr. Hu Liankui and Mr. Wang Weihang, being Directors of the Company, were considered interested in the transactions under each of the Supply Agreement and the Distributor Agreement by virtue of their directorships and/or senior management positions in Teamsun.
- (b) During the period from 1 January, 2012 to 31 October, 2012, the Group engaged AsiaSoft Services Limited, a subsidiary of AsiaSoft Company Limited ("AsiaSoft"), for the provision of certain services (including software engineering outsourcing services, other IT related services and rental services), and an approximate total fee of HK\$6,539,850.30 was paid or payable by the Group for such services. Mr. Leung Tat Kwong, Simon, a Director of the Company, was considered interested in such transactions by virtue of his directorship and his disclosed shareholding in AsiaSoft.

## 6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that they were not aware of any material adverse change in the financial or trading position of the Group since 31 December, 2011, the date to which the latest audited financial statements of the Group were made up.

## 7. SERVICE CONTRACTS

Each of (i) Mr. Hui Wing Choy, Henry, (ii) Mr. Leung Tat Kwong, Simon and (iii) Mr. Lau Ming Chi, Edward, Directors of the Company, entered into a director service contract with the Company for a term of 3 years commencing on 1 December, 2011, 1 January, 2011 and 1 January, 2011 respectively, and the directorships of each of such Directors are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the bye-laws of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors had any existing or proposed service contracts with the Company (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

## 8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claim of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

## 9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) were entered into by the members of the Group within the two years immediately preceding the issue of this circular and are or may be material:

- (a) the Acquisition Agreement; and
- (b) the sale and purchase agreement dated 28 March, 2011 between ASL Security Solutions Limited, a wholly-owned subsidiary of the Company, as purchaser and Ching Wai Keung as vendor for the sale and purchase of the entire issued share capital of i-Sprint Innovations Pte Ltd and for the settlement of all outstanding and issued share options of i-Sprint Innovations Pte Ltd at the total consideration of S\$7.9 million (subject to adjustment) (details of which were set out in the Company's announcement dated 28 March, 2011), as supplemented and amended by the supplemental deed dated 30 October, 2012 between ASL Security Solutions Limited and Ching Wai Keung to S\$6.8 million (details of which were set out in the Company's announcement dated 8 November, 2012).

**10. EXPERT AND CONSENT**

The following sets out the qualifications of the expert which has given an opinion or advice on the information contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Anglo Chinese Corporate Finance, Limited (“Anglo Chinese”)	a corporation licensed under the SFO for carrying out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Goldin Financial Limited	a corporation licensed under the SFO for carrying out Type 6 (advising on corporate finance) regulated activities under the SFO
Grant Thornton Hong Kong Limited	Certified Public Accountants

- (a) As at the Latest Practicable Date, Anglo Chinese, Golden Financial and Grant Thornton Hong Kong Limited had no interest, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (b) As at the Latest Practicable Date, Anglo Chinese, Golden Financial and Grant Thornton Hong Kong Limited had no interest, direct or indirect, in any assets which have been since 31 December 2011, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) Each of Anglo Chinese, Golden Financial and Grant Thornton Hong Kong Limited has given and has not withdrawn its written consent to the issue of this circular with its opinion, letter or report included in the form and context in which it is included.
- (d) The letter and recommendation given by the Golden Financial are given as of the date of this circular for incorporation therein.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at 15/F, Topsail Plaza, 11 On Sum Street, Shatin, Hong Kong during normal business hours up to and including the date of the SGM.

- (a) the memorandum of association and bye-laws of the Company;
- (b) the Acquisition Agreement;
- (c) the other material contract referred to in the paragraph headed “Material Contracts” in this appendix;
- (d) the annual reports of the Company for the year ended 31 March, 2010, nine months ended 31 December, 2010, and the year ended 31 December, 2011;
- (e) the interim report of the Company for the six months ended 30 June, 2012;

- (f) the letter from Independent Financial Adviser, the text of which is set out on pages 15 to 31 of this circular;
- (g) the report of Grant Thornton Hong Kong Limited dated 5 December, 2012 in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;
- (h) the accountant's report of Grant Thornton Hong Kong Limited dated 5 December, 2012 in respect of the audited financial information of the MDCL Group for the years ended 31 December 2009, 2010 and 2011 and for the six months ended 30 June 2012, the text of which is set out in Appendix IIA to this circular;
- (i) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 13 to 14 of this circular; and
- (j) this circular.

## 12. GENERAL

- (a) The company secretary of the Company is Mr. Lau Ming Chi, Edward, an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Lau also holds a Honours Diploma in Accountancy from Lingnan College (now known as Lingnan University).
- (b) The Company's Hong Kong branch registrar and transfer office is Tricor Tengis Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (d) The head office and principal place of business of the Company is at 15th Floor, Topsail Plaza, 11 On Sum Street, Shatin, New Territories, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

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## NOTICE OF SPECIAL GENERAL MEETING

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**AUTOMATED**

### **AUTOMATED SYSTEMS HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 771)**

### **NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** an special general meeting (“**SGM**”) of Automated Systems Holdings Limited (the “**Company**”) will be held at 15th Floor, Topsail Plaza, 11 On Sum Street, Shatin, New Territories, Hong Kong on 21 December, 2012 at 9:30 a.m. to consider and if thought fit, pass with or without amendments, the following resolution as ordinary resolution of the Company:

#### **ORDINARY RESOLUTION**

“**THAT:**

- (a) the conditional acquisition agreement (the “**Acquisition Agreement**”) dated 12 November 2012 entered into between ELM Technologies Holdings Limited, a wholly-owned subsidiary of the Company, as purchaser, and Teamsun Technology (HK) Limited as vendor, in relation to the acquisition of the entire issued share capital of MDCL-Frontline Solutions Limited at a consideration of HK\$220,000,000 and upon and subject to the terms and conditions therein contained (a copy of which has been produced to the meeting and marked “**A**” and initialed by the chairman of the meeting for identification purpose), as mentioned in the circular (the “**Circular**”) of the Company dated 5 December, 2012 (a copy of which has been produced to the meeting marked “**B**” and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder and in connection therewith be and are hereby approved, confirmed and ratified; and
- (b) the directors of the Company (the “**Directors**”) be and are hereby authorised, for an on behalf of the Company, to do all such acts and things, to sign, execute, seal (where required) and deliver all such documents and to take all such steps as the Directors in their discretion may consider necessary, appropriate, desirable or expedient to give effect to, to implement or in connection with or incidental to the Acquisition Agreement and any and all of the transactions contemplated thereunder (including but not limited to the Acquisition (as defined in the Circular)) and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of the Acquisition Agreement or such other documents as are, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole).”

By order of the Board  
**Automated Systems Holdings Limited**  
**Lau Ming Chi, Edward**  
*Company Secretary*

Hong Kong, 5 December, 2012

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## NOTICE OF SPECIAL GENERAL MEETING

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Notes:

1. The Register of Members will be closed from 19 December, 2012 to 21 December, 2012 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the entitlement to attend and vote at the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on 18 December, 2012.
2. All resolutions to be considered at the Meeting will be taken by poll. On voting by poll, every member of the Company present in person or by a duly authorised corporate representative or by proxy shall have one vote for every fully paid share of the Company of which such member is the holder.
3. A shareholder of the Company entitled to attend and vote at this meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him, and on a poll, votes may be given either personally or by a duly authorised representative or by proxy in accordance with the bye-laws of the Company. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend this meeting. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
4. Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.
5. A form of proxy for use at the Meeting is enclosed with the Circular. Whether or not you intend to attend the Meeting or any adjourned meeting in person, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the Meeting or any adjournment thereof.
6. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting at the Meeting or any adjournment thereof if he so wishes.