



AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

PROPOSED SPIN-OFF AND SEPARATE LISTING ON GEM OF ELM HOLDINGS LIMITED POSSIBLE MAJOR TRANSACTION CONNECTED TRANSACTIONS ONGOING CONNECTED TRANSACTIONS AND ADOPTIONS OF THE PRE-IPO SHARE OPTION PLAN AND THE SHARE OPTION SCHEME

The Board wishes to announce that ASL is considering to spin-off ELM Group and apply for a separate listing of ELM Shares on GEM. The Special General Meeting will be convened to approve (i) the Proposed Spin-off; (ii) the adoptions of the Pre-IPO Share Option Plan and the Share Option Scheme; (iii) the entering into of the Share Swap Agreement; and (iv) the Ongoing Connected Transactions.

Proposed Spin-off and separate listing of ELM Shares on GEM

The Proposed Spin-off is subject to the relevant requirements under Practice Note 15 to the Listing Rules. Depending on the expected market capitalisation of ELM upon listing of ELM Shares, the Proposed Spin-off may constitute a major transaction for ASL under Chapter 14 of the Listing Rules and will be subject to the Shareholders' approval for the purpose of paragraph 3(e)(i) of Practice Note 15 to the Listing Rules.

Connected transactions

The Reorganisation

As part of the Reorganisation, the Share Swap Agreement was entered into between ASL, ELM and Mr. Lam on 15th June, 2001 pursuant to which ELM has conditionally agreed to acquire from ASL the 77% equity interests and Mr. Lam the 23% equity interests in ELM Technologies at a consideration being satisfied by ELM issuing such number of ELM Shares as shall represent 77% and 23% of its issued share capital immediately before the completion of the Share Offer and the Employees Shares Sale to ASL and Mr. Lam respectively. Given that Mr. Lam is a connected person of ASL by virtue of his directorship and shareholdings in ELM Technologies, the entering into of the Share Swap Agreement constitutes a connected transaction for ASL under Chapter 14 of the Listing Rules and is therefore conditional upon, among other things, the approval of the Independent Shareholders.

Moreover, as part of the Reorganisation, the Business Transfer Agreement was entered into between ASL HK and ELM Technologies on 15th June, 2001 pursuant to which ASL HK has conditionally agreed to dispose of certain eBusiness operations to ELM Technologies at a consideration of approximately HK\$2.5 million in cash. The entering into of the Business Transfer Agreement constitutes a connected transaction for ASL under Chapter 14 of the Listing Rules and the relevant details of the Business Transfer Agreement will be included in the next published annual report and accounts of ASL pursuant to Rule 14.25(1) of the Listing Rules.

Employees Shares Sale

In recognition of the efforts and contribution of certain employees of ASL Group, ELM Group and CSA Group in the development of ELM Group's business, ASL will sell to them such aggregate number of ELM Shares as shall represent 10% of the issued share capital of ELM immediately before the completion of the Share Offer at a total consideration of HK\$1,000,000. The ELM Shares to be sold by ASL under the Employees Shares Sale will be subject to a lock-up period of 2 years commencing from the listing date of ELM Shares on GEM.

Ongoing Connected Transactions

ASL Group has conducted certain transactions in its ordinary course of business with its eBusiness division. Such transactions are expected to continue following the separate listing of ELM Shares on GEM and will constitute connected transactions for ASL under Chapter 14 of the Listing Rules. An application will be made to the Stock Exchange for a waiver from strict compliance with Rules 14.25 and 14.26 of the Listing Rules in this respect.

Pre-IPO Share Option Plan and Share Option Scheme

ELM also intends to adopt the Share Option Scheme that allows for the granting of options to the executive directors and full time employees of ELM Group to subscribe for ELM Shares after the listing of ELM Shares on GEM. In addition, ELM will also adopt the Pre-IPO Share Option Plan under which the executive directors and full time employees of ELM Group may, prior to the listing of ELM Shares on GEM, be granted options to subscribe for ELM Shares. Under Chapter 17 of the Listing Rules, the adoptions of the Pre-IPO Share Option Plan and the Share Option Scheme shall be subject to the approval of the Shareholders at the Special General Meeting with persons to whom or for the benefit of whom securities may be issued under the Pre-IPO Share Option Plan and the Share Option Scheme abstaining from voting.

Despatch of circular and notice of the Special General Meeting

A circular containing, among other things, (i) further details of the Proposed Spin-off, the connected transactions contemplated under the Reorganisation, the waiver in respect of the Ongoing Connected Transactions, the Employees Shares Sale, the Pre-IPO Share Option Plan and the Share Option Scheme; (ii) a letter of advice from the independent financial advisers appointed to advise the Independent Board Committee on, among other things, the Proposed Spin-off, the terms of the Share Swap Agreement and the Ongoing Connected Transactions; (iii) the recommendations of the Independent Board Committee thereon; and (iv) a notice of the Special General Meeting, will be despatched to the Shareholders as soon as practicable.

Shareholders should note that the Proposed Spin-off and the listing of ELM Shares on GEM are conditional upon various approvals being obtained, including those described in this announcement and the approval from the GEM Listing Committee. Shareholders and potential investors are therefore urged to exercise caution when dealing in the Shares.

The Board wishes to announce that ASL is considering to spin-off ELM Group and apply for a separate listing of ELM Shares on GEM. Application for the listing of ELM Shares on GEM has not yet been made to the Stock Exchange on the date of this announcement. The Directors intend to submit such application as soon as practicable following the Special General Meeting.

PROPOSED SPIN-OFF AND SEPARATE LISTING OF ELM SHARES ON GEM

The Proposed Spin-off

The Proposed Spin-off is subject to the relevant requirements under Practice Note 15 to the Listing Rules. Depending on the expected market capitalisation of ELM upon listing of ELM Shares, the Proposed Spin-off may constitute a major transaction for ASL under Chapter 14 of the Listing Rules. Accordingly, the Board wishes to seek the Shareholders'

approval of the Proposed Spin-off for the purpose of paragraph 3(e)(i) of Practice Note 15 to the Listing Rules. ELM's expected market capitalisation upon listing will be based on, among other things, the offer price of ELM Shares under the Share Offer which has yet to be determined.

ASL is required under Practice Note 15 to the Listing Rules to provide the Shareholders with an assured entitlement to ELM Shares. The Directors confirmed that assured entitlement to ELM Shares will be made to the Shareholders but the form (either by way of distribution in specie of ELM Shares by ASL or by way of preferential application under the Share Offer) and the percentage of ELM Shares allocated for the purpose of such assured entitlement are yet to be determined. Further announcement in respect of the assured entitlement of the Shareholders will be made as and when appropriate.

The Proposed Spin-off, if made, will be conditional upon, among other things:

- (i) the requisite resolutions to approve the Proposed Spin-off, the entering into of the Share Swap Agreement and the Ongoing Connected Transactions being passed at the Special General Meeting;
- (ii) the GEM Listing Committee granting, or agreeing to grant, the listing of, and permission to deal in, the ELM Shares in issue and to be issued in connection with the Proposed Spin-off, including any additional ELM Shares which may fall to be issued pursuant to the exercise of any over-allotment option that may be granted in connection with the Share Offer or pursuant to the Pre-IPO Share Option Plan and the Share Option Scheme; and
- (iii) the obligations of the underwriters under the underwriting agreement to be entered into in respect of the Share Offer becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

The Proposed Spin-off will not proceed if the above conditions are not satisfied.

Businesses of ASL Group and ELM Group

ASL Group has been providing total information technology solutions to its clients and established itself, as an integral entity, to be one of the leading and largest system integrators and information technology service and solution providers in Hong Kong.

To capitalise on the growing acceptance of Internet as a medium for information exchange and business transactions, ASL Group has been placing increasing emphasis and developing its own expertise on the provision of eBusiness solutions through ELM Technologies and its eBusiness division.

In preparation for the Proposed Spin-off, the Reorganisation is proposed to be implemented following which ELM will be the holding company of ELM Technologies and certain eBusiness operations of ASL Group will be acquired by ELM Group. In addition, ASL has agreed to sell to certain employees of ASL Group, ELM Group and CSA Group such aggregate number of ELM Shares as shall represent 10% of the issued share capital of ELM immediately before the completion of the Share Offer. Immediately after the completion of the Reorganisation and the Employees Shares Sale but excluding any new ELM Shares to be issued pursuant to the Share Offer or pursuant to the exercise of any over-allotment option that may be granted in connection with the Share Offer or pursuant to the Pre-IPO Share Option Plan and the Share Option Scheme, ELM will be owned as to 67% by ASL and 23% by Mr. Lam. Details of the transactions contemplated under the Reorganisation are more fully described under the section headed "Connected Transactions" below.

Following the Proposed Spin-off, ASL Group will be principally engaged in hardware-oriented information technology services and solutions including traditional systems integration, supply of computers and associated products and the provision of engineering, outsourcing services, software and networking services. ELM Group will be principally engaged in the provision of total eBusiness solutions to its clients including the implementation of application solutions, network infrastructure configuration and Internet security solutions. The Directors believe that there will be a clear delineation of business and defined business focus for each of ASL Group and ELM Group following the separate listing of ELM Shares on GEM.

Reasons for and benefits of the Proposed Spin-off

The Directors consider that the Proposed Spin-off will be beneficial to both ASL Group and ELM Group for the following reasons:

1. it allows ELM Group to position itself as an independent listed group with the ability to access the debt and equity capital markets to fund further developments for its future growth without relying on ASL Group's financial support;
2. the separate listing of ELM will enable future funds raised by ASL Group to be focused and expanded on the development of the business of ASL Group;
3. the separate listing of ELM will increase the operational and financial transparency of both ASL Group and ELM Group which, in turn, will strengthen support from business partners, banks and financial institutions as well as the long-term competitiveness of ASL Group and ELM Group; and
4. ASL Group will continue to be able to benefit from any future growth of ELM Group after the Proposed Spin-off.

Financial information of ASL Group

A summary of the unaudited proforma results and net tangible asset value of ASL Group for the three preceding accounting periods, prepared on the basis as if ELM Group had not been part of ASL Group, are set out below:

	Year ended 31st December, 1998 HK\$'000	15 months ended 31st March, 2000 HK\$'000	Year ended 31st March, 2001 HK\$'000
Turnover	583,032	1,042,060	1,203,125
Operating profit before exceptional item	45,472	59,061	69,564
Exceptional item	(4,218)	—	—
Operating profit after exceptional item	41,254	59,061	69,564
Profit attributable to the Shareholders	40,313	64,371	70,248

	As at 31st December, 1998 HK\$'000	As at 31st March, 2000 HK\$'000	As at 31st March, 2001 HK\$'000
Net tangible asset value	224,168	279,133	330,894

CONNECTED TRANSACTIONS

The Reorganisation

ELM was recently established as a wholly-owned subsidiary of ASL to acquire certain eBusiness operations of ASL Group including ASL's 77% equity interests in ELM Technologies.

As part of the Reorganisation, the Share Swap Agreement was entered into between ASL, ELM and Mr. Lam on 15th June, 2001 pursuant to which ELM has conditionally agreed to acquire from ASL the 77% equity interests and Mr. Lam the 23% equity interests in ELM Technologies at a consideration being satisfied by ELM issuing such number of ELM Shares as shall represent 77% and 23% of its issued share capital immediately before the completion of the Share Offer and the Employees Shares Sale to ASL and Mr. Lam respectively. Given that Mr. Lam is a connected person of ASL by virtue of his directorship and shareholdings in ELM Technologies, the entering into of the Share Swap Agreement constitutes a connected transaction for ASL under Chapter 14 of the Listing Rules and is therefore conditional upon, among other things, the approval of the Independent Shareholders.

Moreover, as part of the Reorganisation, the Business Transfer Agreement was entered into between ASL HK and ELM Technologies on 15th June, 2001 pursuant to which ASL HK has conditionally agreed to dispose of certain eBusiness operations to ELM Technologies at a consideration of approximately HK\$2.5 million. Such consideration shall be satisfied by cash upon completion and was determined with reference to the book values of (i) equipment in connection with certain eBusiness operations of ASL Group of approximately HK\$0.5 million; and (ii) the capitalised development costs in connection with the development of certain eBusiness operations of ASL Group of approximately HK\$2 million as at 31st March, 2001. The Directors consider that the Business Transfer Agreement was entered into on normal commercial terms.

The Business Transfer Agreement is conditional upon:

- (i) all approvals (if any) required to be obtained by ASL under the Listing Rules or otherwise by the Stock Exchange for the transactions contemplated under the Business Transfer Agreement having been obtained; and
- (ii) the completion of the Share Offer.

The entering into of the Business Transfer Agreement constitutes a connected transaction for ASL under Chapter 14 of the Listing Rules and the relevant details of the Business Transfer Agreement will be included in the next published annual report and accounts of ASL pursuant to Rule 14.25(1) of the Listing Rules.

Employees Shares Sale

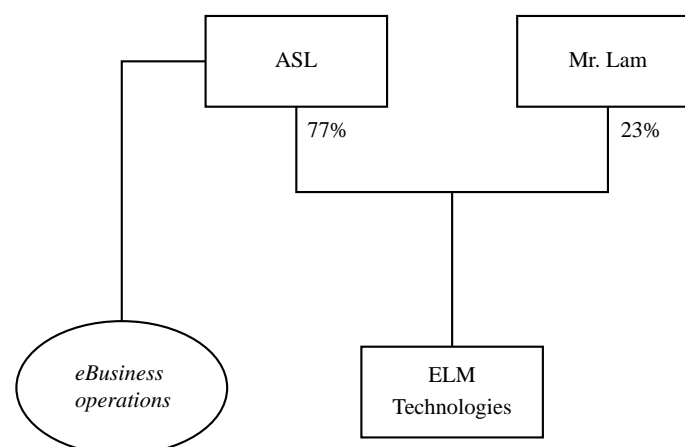
In recognition of the efforts and contribution of certain employees of ASL Group, ELM Group and CSA Group in the development of ELM Group's business, ASL will sell to them such aggregate number of ELM Shares as shall represent approximately 10% of the issued share capital of ELM immediately before the completion of the Share Offer at a total consideration of HK\$1,000,000. The consideration for the Employees Share Sale was determined with reference to the unaudited consolidated net asset value of ELM Group as at 31st March, 2001. The ELM Shares to be sold by ASL under the Employees Shares Sale will be subject to a lock-up period of 2 years commencing from the listing date of ELM Shares on GEM.

The employees of ASL Group, ELM Group and CSA Group to whom ELM Shares will be sold under the Employees Shares Sale are independent third parties not connected with the Directors, chief executive or substantial shareholders of ASL or any of its subsidiaries or any of their respective associates.

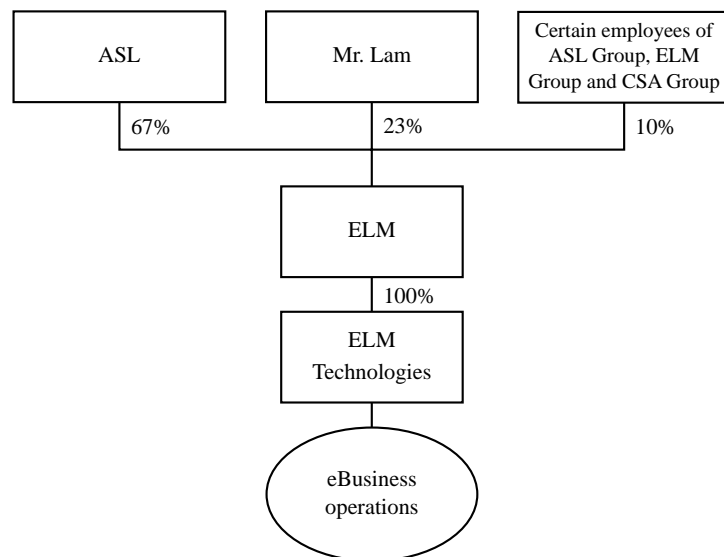
The Employees Shares Sale is conditional upon, among other things, the completion of the Share Offer.

Immediately after the completion of the Reorganisation and the Employees Shares Sale but excluding any new ELM Shares to be issued pursuant to the Share Offer or pursuant to the exercise of any over-allotment option that may be granted in connection with the Share Offer or pursuant to the Pre-IPO Share Option Plan and the Share Option Scheme, ELM will be owned as to 67% by ASL and 23% by Mr. Lam. Set out below are the simplified shareholding structures of ELM Group immediately before and after the completion of the Reorganisation and the Employees Shares Sale.

Immediately before completion of the Reorganisation and the Employees Shares Sale:



Immediately after completion of the Reorganisation and the Employees Shares Sale but excluding any new ELM Shares to be issued pursuant to the Share Offer or pursuant to the exercise of any over-allotment option that may be granted in connection with the Share Offer or pursuant to the Pre-IPO Share Option Plan and the Share Option Scheme:



Ongoing Connected Transactions

ASL Group has conducted certain transactions in its ordinary course of business with its eBusiness division. Such transactions are expected to continue following the separate listing of ELM Shares on GEM and will constitute connected transactions for ASL under Chapter 14 of the Listing Rules. An application will be made to the Stock Exchange for a waiver from strict compliance with Rules 14.25 and 14.26 of the Listing Rules in this respect. The details of these transactions are set out below:

1. Subcontracting services between ASL Group and ELM Group

ASL Subcontracting Transactions

From time to time, ASL Group has provided certain eBusiness products and services through its eBusiness division. Following the separate listing of ELM Shares on GEM, ASL Group will engage other companies as subcontractors to provide eBusiness products and services to supplement its systems integration and outsourcing services. Depending on the nature of the work required, ASL Group may subcontract such services to ELM Group. ASL has entered into an agreement dated 15th June, 2001 with ELM under which ELM agreed to provide or procure other members of ELM Group to provide eBusiness products and services to ASL Group during the continuance of the agreement based upon the usual terms and charges applicable to other independent third parties to whom similar or comparable services are offered by ELM Group. For year ended 31st March, 2001, the subcontracting services relating to the provision of eBusiness products and services rendered by the eBusiness division of ASL Group amounted to approximately HK\$11.5 million.

ELM Subcontracting Transactions

On the other hand, ELM Group will, from time to time, engage other companies as subcontractors to provide hardware engineering and maintenance work to supplement its eBusiness services. Depending on the nature of the work required, ELM Group may subcontract such work to ASL Group. ELM has entered into an agreement dated 15th June, 2001 with ASL under which ASL agreed to provide or procure its subsidiaries to provide hardware engineering and maintenance work to ELM Group during the continuance of the agreement at a consideration based upon the usual terms and charges applicable to other independent third parties to whom similar or comparable services are offered by ASL Group. For the year ended 31st March, 2001, the subcontracting services relating to hardware engineering and maintenance work provided by ASL Group to the eBusiness division of ASL Group amounted to approximately HK\$3.5 million.

The Directors estimated that the maximum aggregate annual amount of the ASL Subcontracting Transactions and the ELM Subcontracting Transactions will not exceed HK\$15 million and HK\$5 million respectively for each of the three financial years ending 31st March, 2004.

2. Sales and purchases of goods between ASL Group and ELM Group

ASL Sale Transactions

From time to time, ELM Group will purchase computer hardware and software products such as the SUN Products from the authorised dealers which include ASL Group. ASL has entered into an agreement dated 15th June, 2001 with ELM under which ASL will sell or procure its subsidiaries to sell to ELM Group the ASL Supplied Products from time to time required by ELM Group during the continuance of the agreement based upon the price offered by ASL Group to other independent third parties for similar products.

ELM Sale Transactions

On the other hand, ASL Group will, from time to time, purchase computer hardware and software products such as the IBM Products from the authorised dealers which include ELM Group. ELM has entered into an agreement dated 15th June, 2001 with ASL under which ELM will sell or procure its subsidiaries to sell to ASL Group the ELM Supplied Products from time to time required by ASL Group during the continuance of the agreement based upon the price offered by ELM Group to other independent third parties for similar products.

Due to the expected growth in technology markets and the expected increase in hardware sales and purchases as a result of the ASL Subcontracting Transactions and the ELM Subcontracting Transactions, the Directors projected that the maximum aggregate annual amount of the ASL Sale Transactions and the ELM Sale Transactions will not exceed HK\$3 million and HK\$7 million respectively for each of the three financial years ending 31st March, 2004.

The Directors have confirmed that the terms of the Ongoing Connected Transactions as described above are on normal commercial terms, negotiated on an arm's length basis, and are entered into in the ordinary and usual course of business of ASL Group and are fair and reasonable so far as the Shareholders are concerned.

The Ongoing Connected Transactions constitute connected transactions for ASL under Chapter 14 of the Listing Rules following the separate listing of ELM Shares on GEM and are subject to the approval of the Independent Shareholders at the Special General Meeting.

Given the ongoing nature of the Ongoing Connected Transactions, the Directors are of the view that it would not be practicable to make disclosure of or, if necessary, obtain Shareholders' approval on each and every occasion as they arise. An application will therefore be made to the Stock Exchange for a waiver from strict compliance with Rules 14.25 and 14.26 of the Listing Rules regarding the Ongoing Connected Transactions in respect of each and every occasion they arise during the three financial years ending 31st March, 2004 subject to the following conditions:

- (1) the Ongoing Connected Transactions shall be:
 - (i) entered into by ASL Group in the ordinary and usual course of its business;
 - (ii) conducted either (a) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities); or (b) (where there is no available comparison) on terms that are fair and reasonable so far as the Shareholders are concerned; and
 - (iii) entered into either (a) in accordance with the terms of the agreements governing the Ongoing Connected Transactions; or (b) (where there are no such agreements) on terms no less favourable than those available to or from independent third parties;
- (2) the aggregate annual values of the ASL Subcontracting Transactions, the ELM Subcontracting Transactions, the ASL Sale Transactions and the ELM Sale Transactions for each of the three financial years ending 31st March, 2004 shall not exceed HK\$15 million, HK\$5 million, HK\$3 million and HK\$7 million per annum respectively;
- (3) the independent non-executive Directors shall review the Ongoing Connected Transactions annually and confirm in the annual report of ASL for the financial years concerned that these were conducted in the manner as stated in paragraphs 1 and 2 above;
- (4) ASL's auditors shall review the Ongoing Connected Transactions annually and confirm in a letter to the Board (a copy of which shall be provided to the Listing Division of the Stock Exchange) stating whether:
 - (i) the Ongoing Connected Transactions have received approval of the Board;
 - (ii) the Ongoing Connected Transactions have been entered into on normal commercial terms, in accordance with the terms of the agreements governing the Ongoing Connected Transactions or, if there are no such agreements, on terms no less favourable than those available to or from independent third parties; and
 - (iii) the aggregate annual value of each of the ASL Subcontracting Transactions, the ELM Subcontracting Transactions, the ASL Sale Transactions and the ELM Sale Transactions for each of the relevant financial year has not exceeded its respective maximum amount as stated in paragraph 2 above.
- (5) details of the Ongoing Connected Transactions in each financial year shall be disclosed as required under Rule 14.25(1)(A) to (D) of the Listing Rules in the annual report of ASL for the financial year concerned together with a statement of the opinion of the independent non-executive Directors and the auditors of ASL referred to in paragraphs 3 and 4 above; and
- (6) ASL shall provide to the Stock Exchange an undertaking that, for so long as the Shares are listed on the Stock Exchange, it will provide ASL's auditors with full access to its records for the purpose of the auditors' review of the Ongoing Connected Transactions referred to in paragraph 4 above.

PRE-IPO SHARE OPTION PLAN AND SHARE OPTION SCHEME

ELM intends to adopt the Share Option Scheme that allows for the granting of options to subscribe for ELM Shares to the executive directors and full time employees of ELM Group after the listing of ELM Shares on GEM. In addition, ELM will also adopt the Pre-IPO Share Option Plan under which the executive directors and full time employees of ELM Group may, prior to the listing of ELM Shares on GEM, be granted options to subscribe for ELM Shares. Under Chapter 17 of the Listing Rules, the adoptions of the Pre-IPO Share Option Plan and the Share Option Scheme shall be subject to the approval of the Shareholders at the Special General Meeting with persons to whom or for the benefit of whom securities may be issued under the Pre-IPO Share Option Plan and the Share Option Scheme abstaining from voting. A summary of the major terms of the Pre-IPO Share Option Plan and the Share Option Scheme will be included in the circular to be despatched to the Shareholders.

The adoptions of the Pre-IPO Share Option Plan and the Share Option Scheme are conditional upon, among other things, the Shareholders' approval (with persons to whom or for the benefit of whom securities may be issued under the Pre-IPO Share Option Plan and the Share Option Scheme abstaining from voting) of the Pre-IPO Share Option Plan and the Share Option Scheme being obtained at the Special General Meeting.

The exercise of options to be granted under the Pre-IPO Share Option Plan and the grant of options under the Share Option Scheme are conditional upon the GEM Listing Committee granting the approval for the listing of, and permission to deal in, ELM Shares which may be issued pursuant to the exercise of the options to be granted under the Pre-IPO Share Option Plan and the Share Option Scheme.

DESPATCH OF CIRCULAR AND NOTICE OF THE SPECIAL GENERAL MEETING

A circular containing, among other things, (i) further details of the Proposed Spin-off, the connected transactions contemplated under the Reorganisation, the waiver in respect of the Ongoing Connected Transactions, the Employees Shares Sale, the Pre-IPO Share Option Plan and the Share Option Scheme; (ii) a letter of advice from the independent financial advisers appointed to advise the Independent Board Committee on, among other things, the Proposed Spin-off, the terms of the Share Swap Agreement and the Ongoing Connected Transactions; (iii) the recommendations of the Independent Board Committee thereon; and (iv) a notice of the Special General Meeting, will be despatched to the Shareholders as soon as practicable.

Shareholders should note that the Proposed Spin-off and the listing of ELM Shares on GEM are conditional upon various approvals being obtained, including those described in this announcement and the approval from the GEM Listing Committee. Shareholders and potential investors are therefore urged to exercise caution when dealing in the Shares.

DEFINITIONS

“ASL”	Automated Systems Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board
“ASL Group”	ASL and its existing subsidiaries (including ELM Group) or, after the Proposed Spin-off, ASL and its then subsidiaries other than ELM Group
“ASL HK”	Automated Systems (HK) Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of ASL
“ASL Sale Transactions”	the sale of ASL Supplied Products by ASL Group to ELM Group from time to time
“ASL Subcontracting Transactions”	the provision of subcontracting eBusiness products and services by ELM Group to ASL Group from time to time
“ASL Supplied Products”	the computer hardware and software products to be supplied by ASL Group to ELM Group from time to time
“Board”	the board of Directors
“Business Transfer Agreement”	the conditional business transfer agreement dated 15th June, 2001 entered into between ASL HK and ELM Technologies pursuant to which ASL HK will dispose of certain eBusiness operations to ELM Technologies, a 77% owned subsidiary of ASL, at a consideration of approximately HK\$2.5 million
“CSA Group”	CSA Holdings Ltd., the immediate holding company of ASL, the securities of which are listed on the Singapore Exchange Limited, and its subsidiaries (excluding ASL Group and ELM Group)
“Director(s)”	director(s) of ASL (including independent non-executive directors of ASL)
“ELM”	ELM Holdings Limited, a company incorporated on 27th March, 2001 in the Cayman Islands with limited liability as a wholly owned subsidiary of ASL
“ELM Group”	ELM and its subsidiaries after implementation of the Reorganisation
“ELM Sale Transactions”	the sale of ELM Supplied Products by ELM Group to ASL Group from time to time
“ELM Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of ELM
“ELM Subcontracting Transactions”	the provision of subcontracting hardware engineering and maintenance work by ASL Group to ELM Group from time to time
“ELM Supplied Products”	the computer hardware and software products to be supplied by ELM Group to ASL Group from time to time
“ELM Technologies”	ELM Computer Technologies Limited, a company incorporated in Hong Kong with limited liability and the issued share capital of which is owned as to 77% by ASL and 23% by Mr. Lam immediately before the Reorganisation
“Employees Shares Sale”	the sale of such aggregate number of ELM Shares as shall represent 10% of the issued share capital of ELM immediately before the completion of the Share Offer by ASL to certain employees of ASL Group, ELM Group and CSA Group
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the council of the Stock Exchange with responsibility for GEM
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“IBM Products”	hardware products, servers and storage system and its related peripherals of International Business Machines Corporation or, where the context so requires, its affiliated companies or their associated trademarks
“Independent Board Committee”	the independent non-executive directors of ASL who have been appointed as an independent committee of the Board to advise the Shareholders on the Proposed Spin-off, the terms of the Share Swap Agreement and the Ongoing Connected Transactions
“Independent Shareholders”	Shareholders other than those of whom the interests in the Share Swap Agreement and the Ongoing Connected Transactions are not identical to other Shareholders
“Listing Committee”	the listing sub-committee of the council of the Stock Exchange with responsibility for Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock exchange operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) and the stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Mr. Lam”	Mr. Lam Kwong Sing, a director of ELM Technologies and is the beneficial owner of 23% of the issued share capital of ELM Technologies immediately before the Reorganisation
“Ongoing Connected Transactions”	the ASL Subcontracting Transactions, the ELM Subcontracting Transactions, the ASL Sale Transactions and the ELM Sale Transactions
“Pre-IPO Share Option Plan”	the share option plan proposed to be adopted conditionally by ELM to provide for the granting of options to the executive directors and full time employees of ELM Group before the listing of ELM Shares on GEM
“Proposed Spin-off”	the proposed spin-off of ELM Group from ASL Group and the separate listing of ELM Shares on GEM
“Reorganisation”	the corporate reorganisation of ELM Group in preparation for the Proposed Spin-off and separate listing of ELM Shares on GEM
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of ASL
“Shareholders”	holders of the Shares
“Share Offer”	the proposed offer to the public in Hong Kong and/or to professional, institutional and private investors of ELM Shares
“Share Option Scheme”	the share option scheme proposed to be adopted conditionally by ELM to provide for the granting of options to the executive directors and full time employees of ELM Group
“Share Swap Agreement”	the conditional share swap agreement dated 15th June, 2001 entered into between ASL, ELM and Mr. Lam pursuant to which ELM will acquire from ASL the 77% equity interests and Mr. Lam the 23% equity interests in ELM Technologies at a consideration being satisfied by ELM issuing such number of ELM Shares as shall represent 77% and 23% of its issued share capital immediately before the completion of the Share Offer and the Employees Shares Sale to ASL and Mr. Lam respectively
“Special General Meeting”	the special general meeting of ASL to be convened to approve, among other matters, the Proposed Spin-off, the adoptions of the Pre-IPO Share Option Plan and the Share Option Scheme, the entering into of the Share Swap Agreement and the Ongoing Connected Transactions, and any adjournment thereof
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SUN Products”	products of Sun Microsystems, Inc. or, where the context so requires, its affiliated companies or their associated trademarks
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board
Automated Systems Holdings Limited
Peter Kuo
Deputy Chairman and Managing Director

Hong Kong, 15th June, 2001