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Advanced Card Systems Holdings Limited

龍傑智能卡控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2086)

**(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE RIGHTS SHARE FOR EVERY EIGHT EXISTING SHARES
HELD ON THE RECORD DATE
AND
(2) CLOSURE OF REGISTER OF MEMBERS**

Financial adviser to the Company



Underwriter



* For identification purposes only

PROPOSED RIGHTS ISSUE

The Company proposes to raise approximately HK\$40.5 million, before expenses, by way of a rights issue of 35,507,210 Rights Shares on the basis of one Rights Share for every eight existing Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$1.14 per Rights Share payable in full on acceptance.

The net proceeds from the Rights Issue after deducting expenses are estimated to be approximately HK\$38.5 million, which are intended to be applied as to (i) approximately HK\$22.0 million for development of Java cards and related payment applications, banking POS terminals and new products for the AFC and ITS markets; and (ii) approximately HK\$16.5 million for general working capital purposes.

The Rights Shares will be fully underwritten by the Underwriter, other than those that will be provisionally allotted and taken up by the Undertaking Covenantors pursuant to the Irrevocable Undertakings.

To qualify for the Rights Issue, the Shareholders must be registered as members of the Company at the close of business on the Record Date and not be Non-Qualifying Shareholders. In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer of Shares (with relevant share certificates) with the Share Registrar by 4:30 p.m. on Monday, 17 October 2016 so as to enable them to be registered as members of the Company on the Record Date. The Company will send the Issue Documents to the Qualifying Shareholders and, to the extent permitted under the relevant laws and regulations and reasonably practicable, the Prospectus, for information purposes only, to the Non-Qualifying Shareholders on the Despatch Date.

The Company will apply to the Listing Committee of the Stock Exchange for the grant of the approval for the listing of, and permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms.

IRREVOCABLE UNDERTAKINGS

As at the date of this announcement, (i) Ms. Tsui, an executive Director, the chairman of the Board and the controlling Shareholder, held 113,612,122 Shares; (ii) Mr. Wong Chi Ho, an executive Director, a co-chief executive officer of the Group and a son of Ms. Tsui, held 26,415,252 Shares; (iii) Mr. Wong Chi Kit, an executive Director, a co-chief executive officer of the Group and a son of Ms. Tsui, held 26,203,200 Shares; and (iv) Ms. Chan Angelica Sheung Ying, the wife of Mr. Wong Chi Kit, held 8,144,000 Shares, representing approximately 40.00%, 9.30%, 9.22% and 2.87% of the total issued Shares, respectively.

Pursuant to the respective Irrevocable Undertakings, each of the Undertaking Covenantors has provided an irrevocable and unconditional undertaking to the Company, among other things, (i) to subscribe for the Rights Shares provisionally allotted to him/her under the PAL; (ii) to lodge the relevant PAL together with remittance for the full amount payable on acceptance of subscription of such Rights Shares in accordance with the instructions for acceptance to be contained in the Issue Documents on or before the Acceptance Date; and (iii) not to transfer or otherwise dispose of the existing Shares held by them or acquire any Shares on or before the Record Date unless with the prior written consent of the Company.

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to subscribe or procure subscribers to subscribe for all the Underwritten Shares that are not taken up, subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfillment of the conditions contained therein.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 18 October 2016 to Thursday, 20 October 2016 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of any issued Shares will be registered during this period.

GENERAL

Since the Rights Issue would not increase either the total issued Shares or the market capitalisation of the Company by more than 50%, the Rights Issue is not required to be approved by the Shareholders in a general meeting under the Listing Rules.

The Issue Documents containing further details of the Rights Issue are expected to be despatched to the Qualifying Shareholders on or around Friday, 21 October 2016, and the Prospectus will be despatched to the Non-Qualifying Shareholders, for information purposes only, to the extent permitted under the relevant laws and regulations and reasonably practicable.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among other things, the Underwriting Agreement becoming unconditional and not being terminated (see the section headed “Underwriting arrangement for the Rights Issue – Termination of the Underwriting Agreement” below). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Friday, 14 October 2016. Dealings in the Rights Shares in nil-paid form are expected to take place from Tuesday, 25 October 2016 to Tuesday, 1 November 2016 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or the Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any person who is in any doubt about his/her position or any action to be taken is recommended to consult his/her own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

PROPOSED RIGHTS ISSUE

The Company proposes to raise approximately HK\$40.5 million, before expenses, by way of a rights issue of 35,507,210 Rights Shares on the basis of one Rights Share for every eight existing Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$1.14 per Rights Share payable in full on acceptance.

Issue Statistics

Basis of the Rights Issue	: one Rights Share for every eight existing Shares held on the Record Date and payable in full on acceptance
Subscription Price	: HK\$1.14 per Rights Share
Number of the Shares in issue as at the date of this announcement	: 284,057,682 Shares
Number of the Rights Shares	: 35,507,210 Rights Shares
Aggregate nominal value of the Rights Shares to be issued	: HK\$3,550,721
Fund to be raised before expenses	: approximately HK\$40.5 million
Underwriter	: Quam Securities Company Limited

As at the date of this announcement, the Company has no outstanding convertible securities, warrants, options, derivatives or other securities convertible into or exchangeable for any Shares. The Company has no intention to issue or grant any convertible securities, warrants and/or options on or before the Record Date.

Assuming no new Shares are allotted and issued on or before the Record Date, the 35,507,210 Rights Shares represent approximately 12.50% of the total number of Shares in issue as at the date of this announcement and approximately 11.11% of the Shares in issue as enlarged by the Rights Issue.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. The Company will send the Issue Documents to the Qualifying Shareholders. The Company will not extend the Rights Issue to the Non-Qualifying Shareholders (if any). The Company will, to the extent permitted under the relevant laws and regulations and reasonably practicable, send the Prospectus, but without the related PALs and EAFs, to the Non-Qualifying Shareholders (if any) for information purposes only.

To qualify for the Rights Issue, the Shareholders must be registered as members of the Company at the close of business on the Record Date and not be Non-Qualifying Shareholders.

In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer of Shares (with relevant share certificates) with the Share Registrar by 4:30 p.m. on Monday, 17 October 2016 so as to enable them to be registered as members of the Company on the Record Date.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled under the PALs should note that their shareholdings in the Company will be diluted.

Overseas Shareholders

Overseas Shareholders registered on the Company's register of members at the close of business on the Record Date may not be eligible to take part in the Rights Issue. The Issue Documents will not be registered or filed under the applicable securities laws or equivalent legislation of any jurisdiction other than Hong Kong.

The Directors will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders pursuant to Rule 13.36(2)(a) of the Listing Rules. If, after making such enquiries, the Directors are of the opinion that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account of either the legal restrictions under the laws of the relevant jurisdictions or any requirements of the relevant regulatory bodies or stock exchanges in such jurisdictions, the Rights Issue will not be extended to such Overseas Shareholders who will become Non-Qualifying Shareholders. Further information in this connection will be set out in the Prospectus. The Company will, to the extent reasonably practicable and legally permitted and subject to the advice given in the legal opinions provided by the Company's legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, send copies of the Prospectus to the Non-Qualifying Shareholders for information purposes only, but will not send any PALs and EAFs to them.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before dealings in the nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. Any net proceeds of sale thereof, after deduction of expenses, will be distributed by the Company to the Non-Qualifying Shareholders, at their own risk, pro rata to their respective entitlements provided that if any of such persons would be entitled to a sum not exceeding

HK\$100, such sum will be retained by the Company for its own benefit. Any unsold nil-paid Rights Shares to which the Non-Qualifying Shareholders would otherwise have been entitled, together with any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by transferees of nil-paid Rights Shares, will be available for excess application by the Qualifying Shareholders under the EAFs.

Overseas Shareholders should note that they may or may not be entitled to participate in the Rights Issue subject to the results of the enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. The Company reserves the right to treat as invalid any acceptance of or application for the Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Subscription Price

The Subscription Price is HK\$1.14 per Rights Share, payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or application for excess Rights Shares, or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 26.0% to the closing price of HK\$1.54 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 27.4% to the average closing price of approximately HK\$1.57 per Share for the last five trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iii) a discount of approximately 26.9% to the average closing price of approximately HK\$1.56 per Share for the last ten trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iv) a discount of approximately 24.0% to the theoretical ex-rights price of approximately HK\$1.50 per Share, based on the closing price of HK\$1.54 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (v) a premium of approximately 200.0% over the unaudited consolidated net asset value attributable to equity holders of the Company per Share as at 30 June 2016 of approximately HK\$0.38.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to the market prices of the Shares under the prevailing market conditions and the amount of fund to be raised under the Rights Issue.

The Directors (including the independent non-executive Directors) consider that the discount of the Subscription Price to the prevailing market prices of the Shares will encourage the Qualifying Shareholders to participate in the Rights Issue and accordingly maintain their pro rata shareholdings in the Company and participate in the future growth of the Group.

After taking into account the reasons for the Rights Issue as stated in the section headed “Reasons for the Rights Issue and use of proceeds” below, the Directors (including the independent non-executive Directors) consider that the terms of the Rights Issue, including the Subscription Price and the rate of commission to be paid to the Underwriter, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Fractional entitlement to the Rights Shares

The Company will not provisionally allot fractions of the Rights Shares in nil-paid form to the Qualifying Shareholders. All fractions of the Rights Shares will be aggregated (and rounded down to the nearest whole number) and all nil-paid Rights Shares arising from such aggregation will be sold in the market for the benefit of the Company if a premium (net of expenses) can be achieved. Any unsold aggregate of fractions of the Rights Shares will be made available for excess application by the Qualifying Shareholders under the EAFs.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully-paid, will rank *pari passu* in all respects with the then existing Shares in issue on the date of allotment of the Rights Shares. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements to the Rights Shares of the Non-Qualifying Shareholders had they been Qualifying Shareholders, any unsold Rights Shares created by adding together fractions of the Rights Shares and any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares.

Application for excess Rights Shares can be made only by the Qualifying Shareholders and only by completing and signing an EAF (in accordance with the instructions printed thereon) and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Share Registrar by not later than 4:00 p.m. on Friday, 4 November 2016. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis and as far as practicable on the following principles:

- (i) no preference will be given to applications for topping up odd-lot holdings to whole-lot holdings as the giving of such preference may potentially be abused by certain investors by splitting their nil-paid Rights Shares and thereby receiving more Rights Shares than they would receive if such preference is not given, which is an unintended and undesirable result; and

- (ii) subject to the availability of excess Rights Shares, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess Rights Shares on a pro rata basis based on the number of excess Rights Shares applied for by them.

In applying the principles in (i) and (ii) above, reference will only be made to the number of excess Rights Shares being applied for. No reference will be made to the Rights Shares comprised in applications by PALs or the existing number of Shares held by the Qualifying Shareholders.

Investors with their Shares held by a nominee company (or which are held with CCASS) should note that the Directors will regard the nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company at the close of business on the Record Date. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Investors with their Shares held by a nominee company (or which are held with CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

Investors whose Shares are held by their nominee(s) (or which are held with CCASS) and who would like to have their names registered on the register of members of the Company, must lodge all necessary documents with the Share Registrar, by 4:30 p.m. on Monday, 17 October 2016. The register of members of the Company will be closed from Tuesday, 18 October 2016 to Thursday, 20 October 2016 (both days inclusive).

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares and refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted by ordinary mail to the Qualifying Shareholders and unsuccessful applicants who have validly accepted and applied for (where appropriate), and paid for the Rights Shares on Monday, 14 November 2016 at their own risk. Each Shareholder will receive one share certificate for all allotted Rights Shares.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the new Shares arising from the Rights Issue, the Company has appointed, Computershare Hong Kong Investor Services Limited, as an agent to provide matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the new Shares to make up a full board lot, or to dispose of their holding of odd lots of the new Shares during the period from Tuesday, 15 November 2016 to Tuesday, 6 December 2016. Shareholders who wish to take advantage of this service should contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or at telephone number (852) 2862 8555 during office hours (i.e. 9:00 a.m. to 6:00 p.m.) of such period. Shareholders should note that successful matching of the sale and purchase of odd lots of the new Shares is not guaranteed. Shareholders who are in doubt about this service are recommended to consult their professional advisers.

Application for the listing and permission to deal in the Rights Shares

The Company will apply to the Listing Committee of the Stock Exchange for the grant of the approval for the listing of, and permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms. The nil-paid and fully-paid Rights Shares are expected to have the same board lot size as the Shares, i.e. 8,000 Shares in one board lot. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Subject to the granting of the approval for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty and any other applicable fees and charges in Hong Kong.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 18 October 2016 to Thursday, 20 October 2016 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of any issued Shares will be registered during this period.

UNDERWRITING ARRANGEMENT FOR THE RIGHTS ISSUE

Date	:	23 September 2016 (after trading hours)
Underwriter	:	Quam Securities Company Limited
Number of the Underwritten Shares	:	a maximum of 13,710,389 Rights Shares (having taken into account the Irrevocable Undertakings and assuming no new Shares being allotted and issued and there being no repurchase of Shares by the Company on or before the Record Date)
Underwriter's commission	:	4% of the aggregate Subscription Price in respect of 13,710,389 Underwritten Shares

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

The underwriting commission was determined after arm's length negotiations between the Company and the Underwriter by reference to the size of the Rights Issue, the prevailing market conditions and the commission payable in other similar transactions in the market. The Directors (including the independent non-executive Directors) consider that the terms of the Underwriting Agreement (including the underwriting commission) are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue and the Underwriting Agreement

The Rights Issue and the Underwriting Agreement are conditional upon the following:

- (i) the delivery to the Stock Exchange for authorisation and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Issue Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) not later than the Despatch Date and otherwise in compliance with the Listing Rules and the Companies (WUMP) Ordinance;
- (ii) the posting of the Issue Documents to the Qualifying Shareholders on the Despatch Date;
- (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms) by no later than the Despatch Date;
- (iv) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement; and
- (v) the Underwriting Agreement is not terminated in accordance with the terms of the Underwriting Agreement.

The conditions set out above are incapable of being waived (other than the condition set out in paragraph (iv) above which can be waived by the Underwriter). If all of the above conditions are not satisfied or, if applicable, waived by 5:00 p.m. (Hong Kong time) on Monday, 7 November 2016, the Latest Time for Termination, or such later date as the Underwriter may agree with the Company in writing, the Underwriting Agreement shall terminate and no party will have any claim against any other party for costs, damages, compensation or otherwise save for any surviving provisions and any rights or obligations which may have accrued under the Underwriting Agreement prior to such termination, and the Rights Issue will not proceed.

Termination of the Underwriting Agreement

The Underwriter may, by notice in writing to the Company served at any time prior to the Latest Time for Termination or such later time as the Company and the Underwriter may agree, terminate the Underwriting Agreement if, in the reasonable opinion of the Underwriter:

- (i) the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
 - (c) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
- (ii) any material and adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially and adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will materially and adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (iv) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of this announcement or the Issue Documents or other announcements in connection with the Rights Issue; or

- (v) the Prospectus or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter be material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it.

Upon the giving of such notice, all obligations of the Underwriter thereunder shall cease and determine and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter such fees as may then be agreed by the parties thereto. If the Underwriter exercises such right, the Rights Issue will not proceed.

Irrevocable Undertakings by the Undertaking Covenantors

As at the date of this announcement, (i) Ms. Tsui, an executive Director, the chairman of the Board and the controlling Shareholder, held 113,612,122 Shares; (ii) Mr. Wong Chi Ho, an executive Director, a co-chief executive officer of the Group and a son of Ms. Tsui, held 26,415,252 Shares; (iii) Mr. Wong Chi Kit, an executive Director, a co-chief executive officer of the Group and a son of Ms. Tsui, held 26,203,200 Shares; and (iv) Ms. Chan Angelica Sheung Ying, the wife of Mr. Wong Chi Kit, held 8,144,000 Shares, representing approximately 40.00%, 9.30%, 9.22% and 2.87% of the total issued Shares, respectively.

Pursuant to the respective Irrevocable Undertakings, each of the Undertaking Covenantors has provided an irrevocable and unconditional undertaking to the Company, among other things:

- (i) to subscribe for the Rights Shares provisionally allotted to him/her under the PAL;
- (ii) to lodge the relevant PAL together with remittance for the full amount payable on acceptance of subscription of such Rights Shares in accordance with the instructions for acceptance to be contained in the Issue Documents on or before the Acceptance Date; and
- (iii) not to transfer or otherwise dispose of the existing Shares held by them or acquire any Shares on or before the Record Date unless with the prior written consent of the Company.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The changes in the shareholding structure of the Company arising from the Rights Issue are as follows (assuming no new Shares being allotted and issued and there being no repurchase of Shares by the Company on or before the Record Date):

	Immediately after completion of the Rights Issue					
	As at the date of this announcement		Assuming no acceptance by the Qualifying Shareholders other than the Undertaking Covenantors		Assuming full acceptance by the Qualifying Shareholders	
	Number of Shares	%	Number of Shares (Note 5)	%	Number of Shares (Note 5)	%
Ms. Tsui (Note 1)	113,612,122	40.00%	127,813,637	40.00%	127,813,637	40.00%
Mr. Wong Chi Ho (Note 2)	26,415,252	9.30%	29,717,158	9.30%	29,717,158	9.30%
Mr. Wong Chi Kit (Note 2)	26,203,200	9.22%	29,478,600	9.22%	29,478,600	9.22%
Ms. Chan Angelica Sheung Ying (Note 3)	8,144,000	2.87%	9,162,000	2.87%	9,162,000	2.87%
	174,374,574	61.39%	196,171,395	61.39%	196,171,395	61.39%
Mr. Lo Kar Chun, SBS, JP (Note 4)	400,000	0.14%	400,000	0.13%	450,000	0.14%
Underwriter	–	–	13,710,389	4.29%	–	–
Other public Shareholders	109,283,108	38.47%	109,283,108	34.19%	122,943,497	38.47%
Total	<u>284,057,682</u>	<u>100.00%</u>	<u>319,564,892</u>	<u>100.00%</u>	<u>319,564,892</u>	<u>100.00%</u>

Notes:

- Ms. Tsui is an executive Director, the chairman of the Board and the controlling Shareholder.
- Each of Mr. Wong Chi Ho and Mr. Wong Chi Kit is an executive Director, a co-chief executive officer of the Group and a son of Ms. Tsui.
- Ms. Chan Angelica Sheung Ying is the wife of Mr. Wong Chi Kit.
- Mr. Lo Kar Chun, SBS, JP is an independent non-executive Director.
- The number of Shares is subject to rounding adjustment in order to eliminate any fractional Shares.

Shareholders and public investors should note that the above changes in shareholding structure of the Company are for illustration purpose only and the actual change in the shareholding structure of the Company upon completion of the Rights Issue is subject to various factors including, among other things, the results of acceptance of the Rights Issue.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in the development, sales and distribution of smart card products, both hardware and software, and provision of smart card related services. The Group's principal business activities are currently classified into four different product and service lines, namely (i) readers; (ii) terminals; (iii) card operating systems; and (iv) solutions business including (a) AFC solutions; and (b) ITS solutions.

Based on the unaudited results of the Group for the six months ended 30 June 2016 as set out in the Company's interim report, the Group recorded a loss attributable to the Shareholders of approximately HK\$19.9 million, as compared to a profit attributable to the Shareholders of approximately HK\$9.4 million for the corresponding period in 2015, primarily attributable to the decrease in revenue and gross profit as a result of the global economy downturn which affected many customers in the smart card industries. Given such business environment, the Group has been exploring new markets and projects in order to diversify its income sources and maintain a sustainable growth in the long term. While the Group has established a foothold in the AFC and ITS markets and will continue to develop new products and take on new projects in these markets, Java cards (i.e. EMV bank cards) and payment terminals will be the new growth drivers of the Group in the future, as disclosed in the annual report of the Company for the year ended 31 December 2015. The development of these new products requires substantial capital expenditure.

In anticipation of further demand from the payment and financial services markets, the Group is developing a smart card operating system, namely the ACOSJ series, which is powered by Java and can be applied for EMV bank card payments. The ACOSJ series are due to receive its China PBOC certification and worldwide recognised Visa and MasterCard certifications. Worldwide shipments of EMV bank cards in 2015 grew by 34% to US\$2.06 billion in 2015. This represents an opportunity for the Group to penetrate the EMV bank card market through development of EMV bank cards like the ACOSJ series.

Apart from selling non-banking POS terminals which are used for applications other than bank cards payment, the Group aims to enter the banking POS terminal market, given the potential market growth and the industry trend of migrating towards EMV and contactless technologies. As disclosed in the annual report of the Company for the year ended 31 December 2015, the banking POS terminal market experienced a growth of 32% in terms of total shipment in 2014, according to The Nilson Report in 2015. To take advantage of such potential growth, the Group is working towards launching an all-in-one banking POS terminal designed for payments using bank-issued cards.

The proposed Rights Issue is intended to raise funds of approximately HK\$40.5 million (before expenses). The net proceeds from the Rights Issue after deducting expenses are estimated to be approximately HK\$38.5 million. The Company intends to apply the net proceeds from the Rights Issue for the following purposes:

- (i) as to approximately HK\$22.0 million for development of Java cards and related payment applications, banking POS terminals and new products for the AFC and ITS markets, including purchase of raw materials, payment of engineers' remuneration, payments to certification bodies for application for industry standard certification, related product testing expenses and sales and marketing expenses; and
- (ii) as to approximately HK\$16.5 million for general working capital purposes.

The Rights Issue will increase the capital base of the Group and strengthen the financial position of the Group in the face of the global economy downturn. Furthermore, the Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro rata shareholding interests in the Company and to continue to participate in the future developments of the Group, in particular the growth potential in Java cards and payment terminals. Accordingly, the Directors are of the view that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

EQUITY FUND-RAISING EXERCISE OF THE COMPANY DURING THE PAST TWELVE MONTHS

The Company did not conduct any rights issue, open offer or other equity fund raising exercise in the twelve months immediately preceding the date of this announcement.

EXPECTED TIMETABLE FOR THE RIGHTS ISSUE

The expected timetable for the Rights Issue set out below is indicative only and it has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled.

All time and dates in this announcement are reference to Hong Kong local time and dates. Dates or deadlines specified in this announcement for events in the timetable below are indicative only and may be extended or varied. Any consequential changes to the anticipated timetable will be announced as and when appropriate.

Last day of dealings in the Shares on a cum-rights basis	Thursday, 13 October 2016
Commencement of dealings in the Shares on an ex-rights basis	Friday, 14 October 2016
Latest time for lodging transfers of Shares to be entitled for the Rights Issue	4:30 p.m. on Monday, 17 October 2016
Register of members closes for determining entitlements under the Rights Issue (both days inclusive)	Tuesday, 18 October 2016 to Thursday, 20 October 2016
Record Date	Thursday, 20 October 2016

Register of members re-opens	Friday, 21 October 2016
Despatch of the Issue Documents	Friday, 21 October 2016
First day for dealings in nil-paid Rights Shares	9:00 a.m. on Tuesday, 25 October 2016
Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Thursday, 27 October 2016
Last day for dealings in nil-paid Rights Shares	4:00 p.m. on Tuesday, 1 November 2016
Latest time for acceptance of, and payments for, the Rights Shares and application and payment for excess Rights Shares	4:00 p.m. on Friday, 4 November 2016
Latest time for the termination of the Underwriting Agreement	5:00 p.m. on Monday, 7 November 2016
Announcement of results of the Rights Issue to be published on the respective websites of the Stock Exchange and the Company	Friday, 11 November 2016
Share certificates for fully-paid Rights Shares expected to be posted	Monday, 14 November 2016
Refund cheques for wholly or partially unsuccessful excess applications to be posted	Monday, 14 November 2016
First day of dealings in fully-paid Rights Shares	9:00 a.m. on Tuesday, 15 November 2016
Provision of matching service for odd lots of Shares by the Share Registrar as an agent	Tuesday, 15 November 2016 to Tuesday, 6 December 2016

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND APPLICATION FOR EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Acceptance Date. Instead, the latest time for acceptance of and payment for the Rights Shares and for application for excess Rights Shares will be extended to 5:00 p.m. on the same business day;
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Acceptance Date. Instead, the latest time for acceptance of and payment for the Rights Shares and for application for excess Rights Shares will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Rights Shares and for application for excess Rights Shares does not take place on the Acceptance Date, the dates mentioned in the section headed “Expected timetable for the Rights Issue” above may be affected. The Company will notify the Shareholders by way of a separate announcement of any change to the expected timetable as soon as practicable.

GENERAL

Since the Rights Issue would not increase either the total issued Shares or the market capitalisation of the Company by more than 50%, the Rights Issue is not required to be approved by the Shareholders in a general meeting under the Listing Rules.

The Issue Documents containing further details of the Rights Issue are expected to be despatched to the Qualifying Shareholders on or around Friday, 21 October 2016, and the Prospectus will be despatched to the Non-Qualifying Shareholders, for information purposes only, to the extent permitted under the relevant laws and regulations and reasonably practicable.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among other things, the Underwriting Agreement becoming unconditional and not being terminated (see the section headed “Underwriting arrangement for the Rights Issue – Termination of the Underwriting Agreement” above). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Friday, 14 October 2016. Dealings in the Rights Shares in nil-paid form are expected to take place from Tuesday, 25 October 2016 to Tuesday, 1 November 2016 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or the Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any person who is in any doubt about his/her position or any action to be taken is recommended to consult his/her own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acceptance Date”	4:00 p.m. on Friday, 4 November 2016, the latest time for acceptance of, and payments for, the Rights Shares and application and payment for excess Rights Shares
“AFC”	automatic fare collection
“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practice, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time

“Companies (WUMP) Ordinance”	The Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), including its amendments from time to time
“Company”	Advanced Card Systems Holdings Limited (stock code: 2086), a company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rules
“controlling Shareholder”	has the meaning ascribed thereto under the Listing Rules
“Despatch Date”	Friday, 21 October 2016, being the expected date of despatch of the Issue Documents (or such later date as may be agreed between the Company and the Underwriter)
“Directors”	the directors of the Company
“EAF(s)”	the excess application form(s) for application for excess Rights Shares proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“EMV”	a standard for interoperation of IC cards and IC card processing devices, for financial transactions. The name EMV comes from the initial letters of Europay, MasterCard and Visa, the three companies which originally cooperated to develop the standard
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Irrevocable Undertakings”	each of the irrevocable undertakings dated 23 September 2016 given by each of the Undertaking Covenantors
“Issue Documents”	the Prospectus, the PALs and the EAFs proposed to be despatched to the Qualifying Shareholders on the Despatch Date
“ITS”	intelligent transportation systems
“Last Trading Day”	Friday, 23 September 2016, being the last trading day for the Shares on the Stock Exchange before the release of this announcement
“Latest Time for Termination”	5:00 p.m. on Monday, 7 November 2016, being the latest time for the termination of the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Tsui”	Ms. Tsui Kam Ling, an executive Director, the chairman of the Board and the controlling Shareholder
“Non-Qualifying Shareholder(s)”	the Overseas Shareholder(s) in respect of whom the Directors, after making relevant enquiries, consider it necessary or expedient not to offer the Rights Shares to such Overseas Shareholder(s) on account of either the legal restrictions under the laws of the relevant jurisdiction(s) or any requirements of the relevant regulatory body(ies) or stock exchange(s) in such jurisdiction(s)
“Overseas Shareholder(s)”	the Shareholder(s) whose address(es) as shown in the register of members of the Company on the Record Date is (are) not situated in Hong Kong
“PAL(s)”	the provisional allotment letter(s) for the Rights Shares to be issued to the Qualifying Shareholders in respect of their entitlements under the Rights Issue
“PBOC”	The People’s Bank of China
“POS”	point-of-sale
“Prospectus”	the prospectus to be issued by the Company relating to the Rights Issue

“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date
“Record Date”	Thursday, 20 October 2016, being the date by reference to which entitlements of the Shareholders to participate in the Rights Issue will be determined (or such other date as the Underwriter may agree in writing with the Company)
“Rights Issue”	the proposed issue of the Rights Shares by the Company on the basis of one Rights Share for every eight existing Shares held on the Record Date to the Qualifying Shareholders at the Subscription Price, pursuant to the terms and conditions contained and more particularly described in the Issue Documents
“Rights Share(s)”	35,507,210 Shares to be allotted and issued under the Rights Issue
“Share Registrar”	Computershare Hong Kong Investor Services Limited, at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, the Company’s Hong Kong branch share registrar and transfer office
“Share(s)”	ordinary share(s) of HK\$0.10 each of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$1.14 per Rights Share
“Undertaking Covenantors”	Ms. Tsui, Mr. Wong Chi Ho, Mr. Wong Chi Kit and Ms. Chan Angelica Sheung Ying
“Underwriter”	Quam Securities Company Limited
“Underwriting Agreement”	the underwriting agreement dated 23 September 2016 entered into between the Company and the Underwriter in relation to the Rights Issue
“Underwritten Shares”	the 13,710,389 Rights Shares, i.e. the Rights Shares other than those for which the Undertaking Covenantors have undertaken to subscribe under the Irrevocable Undertakings

“U.S.”	the United States of America
“US\$”	United States dollar(s), the lawful currency of the U.S.
“%”	per cent.

By order of the Board
Advanced Card Systems Holdings Limited
TSUI Kam Ling
Chairman

Hong Kong, 23 September 2016

As at the date of this announcement, the Board comprises three executive Directors, namely Ms. Tsui Kam Ling, Mr. Wong Chi Ho and Mr. Wong Chi Kit, and three independent non-executive Directors, namely Ms. Kaung Cheng Xi Dawn, Mr. Lo Kar Chun, SBS, JP and Mr. Yim Kai Pung.