

## Distinctive Innovation Makes Glamorous Success

--An Exclusive Interview with **Mr. Denny Wong Yiu Chu,**  
Chairman and CEO from ACS

■ Report: Alice Yan

*ACS, Asia Pacific's No. 1 supplier of PC-linked smart card readers, has been developing state-of-the-art technologies in smart card readers and cards and capturing market shares in the world at the right time, thus getting into the first tiered group of global suppliers in the smart card industry. Denny Wong Yiu Chu, Chairman and CEO of ACS, whose management skills and insight into the market, have given the company an unparalleled advantage over its competitors by having created a team of dedicated and motivated staff members. ACS has certainly found the right direction for its continuing advancement in the smart card industry.*



### FACTS

Fourteen years on, ACS continues to grow from being good to great. Please share with us your unique business management experience and tell us what's happened in this industry that impressed you most?

#### Mr. Denny Wong:

There are several things we have emphasized since the establishment of the company. Firstly, we place great emphasis on building technologies in the smart card and reader areas. Secondly, we constantly attempt to attract, retain and develop our staff members. Thirdly, we treasure the long term relationships with customers and other business partners. In the last 14 years since we founded our company in 1995, we witnessed the successes and failures of the business of many companies in the smart card industry. In the PC-linked reader business, we saw more failures than successes with the pioneering suppliers in the world market. Many companies closed or were acquired. The market did not rise as fast as these pioneers had anticipated; only very few companies survived. ACS itself lost money in the initial years of business. In order to sell as many readers as possible, we endeavoured to sell to many countries in the world. In the long process, we kept enhancing our technologies in the smart card reader area and kept strengthening our relationship with customers all over the world. By now, we have much expanded our product portfolio and these old customers are the first target customers for our new products.

### FACTS

As one of the leading international companies at the forefront of the smart card revolution, ACS develops a wide range of high quality products and distributes them to over 100 countries

worldwide. What's your idea & tactics in exploring the global market? What's ACS advantage?

#### Mr. Denny Wong:

Most of the major competitors of ACS have a domestic market of considerable size and of great importance to them. With a population of less than 8 million people, Hong Kong is not a large market to ACS. Similarly, ACS is at a disadvantage when compared to mainland Chinese companies when bidding for government projects in China. At the same time, the big countries (such as USA, Germany, China and Japan) usually have their national standards. ACS first built products according to the international industry standards as much as possible (e.g. the EMV standard, the PCSC standard and the Master CAP standard). We started to capture business in East Europe, Africa, Latin America, some other European





countries and those Asian countries that do not set their own national standards. After making some successes in these markets and with more resources, we began to penetrate into the market of the big countries one by one. We have qualified our products against various Chinese standards and are beginning to receive interesting orders. We also had some products certified against the FIPS (Federal Information Processing Standard) standard primarily for the United States market. We built a sophisticated reader for the German national health card project and are in the process of getting the reader qualified.

Our advantage is that customers know that ACS is easy to work with. Most companies that deal with us like us because we live to our commitment and we are reasonable to others. We do not aim to be liked by everybody but our annual customer surveys do show that the vast majority of our customers are fully satisfied.

**Talking about achieving both environmental protection and economic development in China, ACS mentioned that the spirit of science can be combined with Confucian thoughts. How to make both of them synchronized in the process of development?**

**Mr. Denny Wong:**

Our vision statement reads: "Combine scientific spirit and Confucius thoughts to build a sustainable electronic and IT business that is green in order to achieve the dual purposes of business growth and environmental protection." Such a vision guides us in our business.

We apply Confucius thoughts when we deal with people such as our customers, our suppliers, our contractors and even our competitors. We keep promise and we are reasonable to others. I should explain a bit about the meaning of "being reasonable". When we deal with our business partners, something may happen beyond what either party anticipates. No contract will be good enough to deal with all unexpected situations. We want to work

with business partners with mutual trust and enter into simple business contracts with them. In the event that a contract turns out to be in our favour and less fair to our partner, we would not take advantage of our partner. Additionally, we respect and develop our employees. We realize that we are in a business reliant on knowledge workers. Their voice must be listened to. Employees with insufficient relevant experience should be trained, guided and provided with a lot of opportunities to learn, rather than be instructed. The above statements of practice are all in line with Confucius thoughts.

It will not be too convincing to say that Confucius thoughts are sufficient tools to help us build an IT company. Scientific spirit is important, too. We treasure simplicity in our business processes. We attempt to use intuition to understand otherwise a complex concept. We aim to do things systematically and aim for consistency in product quality. We aim to be objective in our viewpoint or in making a judgment. We question authorities and we have the courage to challenge industry leaders in certain market segments. This is our scientific spirit.

Some scientists reckon that the amount of damage human beings brought to the earth in the last 50 years were more than the total amount of damage done by human beings previously. People talked a lot about the peril of global warming. Once people can use renewable energy, global warming can possibly be reversed. However, the damage owing to deforestation could be more serious as ancient forests once destroyed cannot be re-established. Not only Chinese medicines but western world

medicines find their ingredients in ancient forests in things like herbs, trees, other plants and other creatures. The diminishing of forests poses great threat to the survival not only of the wild animals but also of human beings owing to the lack of ingredients to create new medicines to cope with new diseases.

ACS itself is concerned with the sustainability of our environment. If we are in a business of selling bottled water, it is hard for us to claim that we are protecting the environment. Building and growing our type of IT business is not against our conscience. When the PC industry started to take off in the early 1980's, people had believed that the use of digital data would decrease paper consumption. This did not happen. Instead, paper consumption increased owing to the convenience of printing computer reports. However, the Internet revolution has reduced paper consumption. Many newspapers in hard copy have given way to online news. Even great names, like Readers Digest or Business Week, are becoming history. The increasing popularity of e-Commerce, such as online banking and online transactions, propelled





by enhanced digital security through the use of smart cards, also reduced the demand and consumption of paper. Furthermore, the need for commuting to banks or delivering physical documents will be reduced. ACS is contributing to the 'green' movement.

#### FACTS

At present, the global economy does not turn to be good, which might or might not have any effects on your services? Are you taking any precautionary steps? With the development of China economy, what's your view towards China?

#### Mr. Denny Wong:

If a company is in a business in which it has a dominating market share, an economic downturn

which affects the total market size of the business, may hit it. If we consider the whole smart card and reader industry as our market, our market shares are minimal. There are big rooms for us to grow. If we do not do well, we would rather blame ourselves than blame the economy. We took advantage of the economic downturn in the last 18 months and more than doubled our headcount from some 80 people to over 170 people in the period. We are still very small and so we are actively identifying and enrolling people. The best strategy for ACS to survive is to expand as we must reach better economies of scale in order to more efficient.

In year 1979, three years after the death of Chairman Mao Zedong, the Chinese government started to emphasize more on social harmony than on class struggle. It gave the Chinese citizens a little bit more freedom of doing business. It opened its doors mildly to foreigners. China began to grow economically. Then it opened up more and more. In the three decades, the rate of the Chinese economic expansion appeared to be unprecedented in human history. ACS itself witnessed the vitality of the Beijing city when our people were in Beijing offering a smart card based access control security system to the World Olympians Association during the 2008 Beijing Olympic Games.

With its vast population and continual economic growth, China will continue to be hungry for the world's energy and mineral resources. While quite many Chinese have become rich and hundreds of millions of Chinese people have been lifted from the poverty line (defined as having income of US\$1 per day) in the last three decades, some studies show that the Chinese people in average are not happier today than they were ten years ago. China can take advantage of its system of Socialism with Chinese elements and make a change of the

present situation. The Chinese government is now giving greater freedom of the people in their religious belief. Traditional Chinese teaching, particularly of Confucius thoughts, are more and more advocated. The school children are beginning to recite the Three-word Chant. Many temples to memorize Confucius and Guandi, the General known for his loyalty and gratefulness, were built all over China. The result hopefully will be that the Chinese people will cherish more other values on top of the value of materialistic enjoyment.

#### FACTS

Please share with us your opinion to the future trend of the smart card industry? And talk about ACS' s strategic plan for the next 3 years?

#### Mr. Denny Wong:

The smart card industry in total market size is about 2% of the size of the PC industry or of the semiconductor industry. The smart card industry attracted more players to get into it than it should have. Therefore, we witnessed many failures and consolidations in this industry. One advantage for a product development company like ACS to be in this industry is that the life cycle of a smart card product is usually long - much longer than, say, the product life cycle of a typical product in the PC or in the semiconductor industry. The markets of SIM cards, EMV cards, PCSC readers, contactless memory cards, one time password generators, etc. have each stayed in the industry for over a decade and many so-called new products seen in the market are just minor variations of the old products. In fact ACS had the experience of introducing products to the market several years before the market was ready to accept them. In the PC industry, we saw the so-called disruptive new technology

which replaced an old technology, e.g. the hard-disk replacing the magnetic core memory and the personal computer dwarfing the main-frame computer. I believe that there could be new standards, new applications and new products emerging but there will not be "disruptive" new technologies that will wipe out the use of smart cards in the next five or ten years.

ACS is known to be a supplier of smart card readers and to a lesser extent a supplier of smart cards. Since several years ago, we have been preparing to get into the business of offering one 'killer' application. ACS has chosen to offer solutions in Automatic Fare Collection (AFC).

ACS' s strategic plan in the next three years will be to continue to offer state-of-the-art smart cards and readers to the industry and provide good services to satisfy our customers. We will continue to have our products certified against the international industry standards. Furthermore, we will have more of them certified against regional standards, such as the European Common Criteria, the FIPS standard primarily for USA and the PBOC standard primarily for China.

We are now shipping our smart cards and readers to over 100 countries in the world. By the end of 2009, we will launch our AFC solutions. In building our AFC solutions, we are making good use of the smart card technologies and knowledge we acquired in the last decade such as the technologies and knowledge in smart card operating systems, in readers, in cryptography and in software. We will work closely with our business partners to explore their local markets with AFC solutions particularly for buses.

After all, playing a role in the public transportation industry is in line with our vision to build a green IT business as public transportation is a more environmentally friendly way for people to commute than private cars. 