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## ACS—Elevating in Spirit & Innovation, Well Prepared & Raring to Go

--Interview with Mr. Kawing Tsui, GM of ACS China



**At present, ACS distributes the products to over 100 countries worldwide. As the sales leader in China, how do you view your products in the Chinese market? Compared with the other countries, what's the superiority and weakness of the region that you are in charge? How do you coordinate it? Any unique experience to share with us?**

### **Kawing Tsui:**

In China, the market demand of smart cards and smart card readers is huge. As China's chip production capacity is increasing and the smart card specification is being standardized, the smart card applications will be widely and quickly spread in different industries in China's 11th Five-Year Plan, including finance (e-purse and e-banking), public transportation, corporate ID, national ID, e-health, retirement, taxation and other public sectors. Among the above markets, the largest one is the

smart-card-based Chinese National ID, due to the high population and steady economic growth.

Apart from the motivation by the Chinese government, the growth of smart card industry is facilitated by the market force. The most powerful one is the international and national standards. According to the Frost & Sullivan report on the EMV (Europay MasterCard and Visa) standard, many Asia-Pacific countries are planning to migrate their bankcards from magnetic to smart card



technology. Being one of the biggest financial markets in the world, China has almost done the EMV migration. Furthermore, the recent international events held in China, such as the Beijing 2008 Olympic Games and the Expo 2010 Shanghai China, also contribute to the increased market demand on smart cards and readers.

To be successful in the world market, ACS focuses on our product quality and has got most of the international certifications for our products, e.g. CCID, Microsoft PC/SC, EMV, VCCI and MIC. Since we are very serious in controlling our product quality, it is our honour to receive the Frost and Sullivan's 2009 Best Practices Awards "Product Quality Leadership Award for Smart Card Readers". Also, ACS's readers are in high compatibility and that is why they are highly recognized in the market. They are able to work in different operating systems as well as to support most of the smart cards in the market. Likewise, to obtain a certain market share in China, it is not feasible to depend only on competitive pricing. Following domestic standards, keeping high quality products and respecting the IP (Intellectual Property) will be the key of success.

Comparing with the mature markets in the Western countries, the smart card applications in China are being

adopted less comprehensively. However, the growing speed is amazing. With the support from the Chinese government, the smart card application is now widely used in corporate, bank, school, telecommunications, transportation, public sectors, manufacturing, taxation and security. Besides, applications can be found in other industries, such as medical, catering, hospitality, entertainment, scientific research, tourism, military, construction, etc. The continual growth of the Chinese economy, the rapid development of the mobile payment market, the popularity of the Internet and the increasing use of electronic tags have all contributed to the development of the smart card industry.

The smart card industry in China is now becoming more progressive. With many players coming into the scene, ACS can stand out from the competition by keeping innovating and devising strategic marketing plans. We should also share our business cases and our successful experiences in the global smart card industry. This would not only enable us to bring new elements into the domestic market, but also allow us to lead the market by leveraging on current trends.



As we know, ACS has a unique market vision with smart card and reader to see the new business opportunities in the national healthcare, public transportation, government ID, network security and the other fields, and believe this trend will last, Please talk about what's the basis is ACS's confidence built on? How does ACS make it?

**Kawing Tsui:**

**Advanced smart card & reader technologies**

The severe competition in the domestic market generates the excess supply. Indeed, the entry barrier is low since the specification of common products like GSM card and EMV card is already well-defined. As long as the capital is sufficient, it is not difficult to enter this industry. What ACS's advantage to outweigh the others is our advanced

knowledge and technical know-how on the smart card and reader technologies.

**Long-term relationship with customers and other business partners**

Founded in 1995, ACS witnessed the successes and failures of many companies in the smart card industry

during the past 15 years. In the PC-linked reader business, we saw more failures than successes in the world market. Many companies closed or were acquired. The market did not rise as fast as these pioneers had anticipated. At the end, only very few companies could survive. ACS in fact lost money in the initial years of business. In order to maintain and extend our business, we positioned ourselves in the world market. In the long process, we kept enhancing our technologies and strengthening our relationship with customers all over the world. By now, we much expanded our product portfolio and these old customers will be the first target customers for our new products.

**Absorbing talented people**

The most important is that ACS has an excellent team of work force. ACS continues to absorb a number of talented people that is crucial to the survival and development of a technological company. Since listed in the Hong Kong

Stock Market in 2003, ACS has been enrolling many more people. Our headcount has grown from less than 30 people in 2003 to more than 200 people as of now. The newly joined employees come from smart card or related industry, who have rich experience and outstanding performance. We also appreciate the energetic young people, like the local and overseas university graduates. ACS will spend resources on them and provide on-the-job training to them. Some of them are even taking up the middle management in the company.

Being a high technological company, ACS faces challenges at every single moment. As the digital world and market demand is changing rapidly, the success depends much on planning and implementing the right corporate strategy by the right people. As a result, attracting, retaining and developing the talented people will be an important tactic for our company's long-term development.



Not long before, ACS nominated in 2010 Asia's "SESAME" smart card innovation award, which identified ACS's efforts in product innovation. Please talk about how to embody the innovative concept of ACS in the actual operation?

**Kawing Tsui:**

Awarded the "2009 Hong Kong Awards for Industries: Machinery and Machine Tools Design Certificate of Merit", eH880 Secure Smart Card Terminal was recently selected to be the finalist in the 2010 Asian SESAMES Award by CARTES in Asia. It is very encouraging news to us. eH880 is a secure and feature-rich smart card terminal primarily dedicated to the global electronic healthcare market. This innovative device is capable of facilitating secure mutual authentication, between a doctor's and a patient's card, for instance; displaying detailed multi-layered information from one or both cards, based on embedded access rights; and facilitating transactions through both private and public network infrastructures.

ACS is discreet from product idea generation to design and development. On the one hand, we keep exploring and studying the new technologies. We





even went to Europe to work for the product certification. On the other hand, we keep on collecting information and some innovative ideas from the market which is applied into the eH880. This highly efficient tool can also host additional features like biometric fingerprint sensor, high speed WiFi access and bluetooth transmission which provide unmatched usability and compatibility within any current or future system. Most importantly, eH880 has an easily upgradeable firmware, which would enable the device to adapt to the changing needs of future security systems. eH880 is an extremely secure terminal, which supports tamper detection switch to protect against unauthorized intrusion, SAM slots and Secure PIN Entry (SPE) to entail secure entry of every PIN code into the device's PIN pad.

eH880 Secure Smart Card Terminal contributes to the world's eHealth revolution. Being the finalist in the first ever Asian Sesames Awards, the eH880 is well-proven to be a competitive product.

We have never deviated from our emphasis on developing state-of-the-art technologies for smart card readers and smart card operating systems. Our culture of keeping commitments and being reasonable to others has been unvarying. Ensuring product quality has always been one of our most fundamental goals and we have

taken the world to be our target market since day one of our business.

What we have changed in the past is the strategy in the choice of products to develop. There were three main stages:

■ We focused on developing one single type of product, the PC-linked reader for the world market and we followed the industry standards closely, such as the PC/SC, EMV and CCID standards. These readers are standard products and are thus required by a large number of customers from varying fields. For a particularly prominent project requiring a significant number of readers, the competition on price is usually keen.

■ In order to shorten a product's time-to-market, and thus to control the cost of development, we started to develop products based on the specifications of our customers. These specifications are usually proprietary, and in our experience, they allow our customers to meet their needs but usually do not generate much subsequent business for us. Nevertheless, we learned new technologies and built good relationships with our customers in the process.

■ We then re-emphasized on developing standard products again whilst still continuing to develop customized products.



In recent years, ACS appears frequently in important international exhibitions and conferences, Besides confirming the truth of enhancing its strength, Any commercial purposes and development ideas in these activities?

**Kawing Tsui:**

Targeting on the world market and selling its products to over 100 countries, one of the most important sales channels for ACS is to participate in the large-scale smart card exhibitions and conferences. ACS has been eager to exhibit in both domestic and international tradeshows. In China, we participated in Smart Card China in Beijing

and The 12th China Public Security Expo in Shenzhen. We also joined some overseas events, such as IC Card World in Japan, Cartes in Asia in Hong Kong and Cartes in France. In the exhibition, ACS not only explores some new markets, but also understands the market needs in a faster and more comprehensive way though direct

communication with the visitors. In the long run, this prepares ACS to further penetrate into the global market and build up ACS brand.

**Company principles and culture**

The usual concerns of a customer on a supplier are whether the supplier can deliver the products on time and in good quality. A customer acting as a distributor will have the concern that its own customers will go direct to the manufacturer and by-pass itself as a distributor. Our company culture certainly addresses all these issues.. Here are the statements:

**Keep our promise**

We deliver our commitments to our business partners and to one another in our company simply because we practice in our company how we should behave in our daily life.

**Be 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 trusts and enter into simple business contracts

with them. In the event that a contract turns out to be in our favor but not fair to our partner, we would not take advantage of our partner.

Our protection of the interests of our distributors is in line with our culture as we want to be more than fair to our business partners.

**Emphasize on quality**

Based on the annual customer satisfaction survey, feedbacks from customers regarding ACS products and services have been excellent. We are not satisfied, however. We realize that in order to gain the same level of trust from our customers on quality as our western counterparts, our products must be superior. Generally speaking, Asia has no advantage over Europe and USA in the image of quality it portrays.

**Respect and develop employees**

We are in a business reliant on knowledge workers. Their voices must be heard. Employees with insufficient relevant experience should be trained, guided and provided with a lot of opportunities to learn and develop, rather than be simply instructed.







Finally, please share the development plan of ACS in the Chinese market in 2010 and what's plan for next three years? Thank you for accepting our interview.

**Kawing Tsui:**

In the next three years, ACS will continue to provide high quality products and services so that our customers will be satisfied. Being a leader in the smart card industry, ACS has the technology, expertise and global resources to facilitate an easier adoption of smart card applications in different industries across the globe.

Recently, ACS put many resources on the China market, particularly in obtaining the Chinese standards for smart card related products. Besides specializing in smart card reader technology, ACS has been developing the smart card operating systems. For example, our ACOS10 smart card is certified with the People's Bank of China (PBOC) 2.0 EDEP standard whereas ACOS7 dual-interface smart card is certified with the Ministry of Construction (MoC) standard, a national "All-in-One Card" standard defined by the Chinese Government. Since we now target on the markets of finance, mobile payment and micro-payment of "All-in-One Card", we will make our products certified with more international and national standards. They will become more competitive and recognized in the industry; and finally will increase ACS's market share.

In addition, ACS values much on its human resources. In order to provide higher quality products and services, we keep enhancing our employees of research & development, sales & marketing and sales support. We hope to satisfy our customers' needs and help them develop their smart card applications.

In conclusion, our three year plan will be:

- To set up a long-term and effective system for training up our employees for the sustainable development of the company;
- To build up strategic partnerships with both current and potential partners so as to retain our current market share and at the same time to explore new markets;

- To have more of our products certified against the international and regional standards in order to increase their competitiveness and market recognition;
- To set up an after-sales service center so that we could build up a platform with our customers not only to ensure our after-sales service quality, but also to facilitate the knowledge exchange;
- To build up an efficient and effective production team to provide high quality products in a short lead time.

Achieving all the goals above, we strongly believe ACS will have a promising future and keep to be the top smart card and reader supplier in China. 

