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: 8210)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2010

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

* *For identification only*

HIGHLIGHTS

- Revenue of the Group for the six months ended 30 June 2010 increased by 14% to HK$43.4 million from the first half year of 2009.

- Gross profit of the Group for the six months ended 30 June 2010 increased by 11% to HK$23.6 million from the first half year of 2009.

- Net profit after income tax of the Group for the six months ended 30 June 2010 decreased by 47% to HK$1.9 million from the first half year of 2009.

- As at 30 June 2010, the cash at banks and on hand of the Group amounted to HK$11.2 million and there was no borrowing from banks.

UNAUDITED CONSOLIDATED RESULTS

The board of directors (the "Board") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months and six months ended 30 June 2010 together with the comparative unaudited figures for the corresponding periods in 2009.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2010

		Three months ended 30 June		Six months ended 30 June	
	Notes	**2010**	2009	**2010**	2009
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	3	**20,189**	22,834	**43,423**	38,256
Cost of sales		**(9,007)**	(10,761)	**(19,829)**	(16,962)
Gross profit		**11,182**	12,073	**23,594**	21,294
Other income		**68**	23	**156**	30
Administrative expenses		**(4,664)**	(3,731)	**(9,569)**	(7,645)
Research and development expenses		**(3,244)**	(2,962)	**(6,535)**	(5,765)
Selling and distribution costs		**(2,543)**	(1,556)	**(5,128)**	(3,352)
Finance costs	4	**(78)**	(66)	**(160)**	(144)
Profit before income tax	5	**721**	3,781	**2,358**	4,418
Income tax expense	6	**(102)**	(699)	**(504)**	(929)
Profit for the period		**619**	3,082	**1,854**	3,489
Other comprehensive income					
Exchange (loss)/gain on translation of financial statements of foreign operations		**(10)**	41	**(16)**	42
Other comprehensive income		**(10)**	41	**(16)**	42
Total comprehensive income for the period		**609**	3,123	**1,838**	3,531
Earnings per share for profit attributable to the owners of the Company during the period	8				
Basic		**HK0.219 cents**	HK1.094 cents	**HK0.656 cents**	HK1.238 cents
Diluted		**HK0.218 cents**	HK1.090 cents	**HK0.654 cents**	HK1.234 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	**Unaudited 30 June 2010 *HK$'000***	Audited 31 December 2009 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment		**6,537**	5,620
Development costs		**12,227**	9,945
		18,764	15,565
Current assets			
Inventories		**25,442**	17,882
Trade and other receivables, deposits paid and prepayments	9	**12,213**	19,481
Held-to-maturity financial assets		**34**	20
Cash and cash equivalents		**11,242**	23,810
		48,931	61,193
Current liabilities			
Trade payables, deposits received and accruals	10	**11,860**	19,462
Provision for taxation		**637**	827
		12,497	20,289
Net current assets		**36,434**	40,904
Total assets less current liabilities		**55,198**	56,469
Non-current liabilities			
Deferred tax liabilities		**564**	564
Net assets		**54,634**	55,905
EQUITY			
Share capital		**28,260**	28,260
Reserves	11	**26,374**	27,645
Total equity		**54,634**	55,905

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Unaudited Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Net cash used in operating activities	**(3,676)**	(2,618)
Net cash used in investing activities	**(5,607)**	(2,161)
Net cash used in financing activities	**(3,269)**	(2,399)
Net decrease in cash and cash equivalents	**(12,552)**	(7,178)
Cash and cash equivalents at 1 January	**23,810**	22,724
Effect of foreign exchange rates changes	**(16)**	42
Cash and cash equivalents at 30 June	**11,242**	15,588

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2010

	Share capital *HK$'000*	Share premium *HK$'000*	Merger reserve *HK$'000*	Translation reserve *HK$'000*	(Accumulated losses)/ Retained profits *HK$'000*	Proposed dividend *HK$'000*	Total *HK$'000*
Balance at 1 January 2009	28,180	20,952	4,496	13	(10,083)	2,254	45,812
2008 dividends approved	—	—	—	—	—	(2,254)	(2,254)
Transactions with owners	28,180	20,952	4,496	13	(10,083)	—	43,558
Profit for the period	—	—	—	—	3,489	—	3,489
Other comprehensive income - Exchange gain on translation of financial statements of foreign operations	—	—	—	42	—	—	42
Total comprehensive income for the period	—	—	—	42	3,489	—	3,531
Balance at 30 June 2009	28,180	20,952	4,496	55	(6,594)	—	47,089
Balance at 1 January 2010	28,260	17,835	4,496	69	2,136	3,109	55,905
2009 dividends approved	—	—	—	—	—	(3,109)	(3,109)
Transaction with owners	28,260	17,835	4,496	69	2,136	—	52,796
Profit for the period	—	—	—	—	1,854	—	1,854
Other comprehensive income - Exchange loss on translation of financial statements of foreign operations	—	—	—	(16)	—	—	(16)
Total comprehensive income for the period	—	—	—	(16)	1,854	—	1,838
Balance at 30 June 2010	**28,260**	**17,835***	**4,496***	**53***	**3,990***	**—***	**54,634**

* The aggregate amount of the above balances of HK$26,374,000 represented the reserves in the consolidated statement of financial position.

NOTES ON THE INTERIM FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The interim financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The preparation of the interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The accounting policies adopted in the 2009 annual financial statements have been consistently applied to these financial statements except that in the current period, the Group has applied for the first time certain new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2010. The adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

The interim financial statements are unaudited but have been reviewed by the audit committee of the Company. The financial statements for the six months ended 30 June 2010 were approved for issue by the board of directors on 6 August 2010.

2 SEGMENT INFORMATION

The executive directors have identified the development, sale and distribution of smart card products, software and hardware and provision of smart card related services as the only business component in the internal reporting to the executive directors for their decisions about resources allocation and review of performance.

	Six months ended 30 June 2010 *HK$'000*
Revenue	
From external customers	43,423
Reportable segment revenue	**43,423**
Bank interest expenses	22
Bank interest income	(8)
Depreciation and amortisation of non-financial assets	2,401
Loss on disposals of plant and equipment	1
Research and development expenses	6,535
Provision for inventories	25

	Six months ended 30 June 2009 *HK$'000*
Revenue	
From external customers	38,256
Reportable segment revenue	38,256
Bank interest expenses	19
Bank interest income	(7)
Depreciation and amortisation of non-financial assets	1,917
Loss on disposals of plant and equipment	6
Research and development expenses	5,765
Provision for inventories	285

The totals presented for the Group's operating segment reconcile to the Group's key financial figures as presented in the financial statements as follows:

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Reportable segment profit	**2,974**	5,035
Finance costs	**(160)**	(144)
Unallocated corporate expenses	**(456)**	(473)
Profit before income tax	**2,358**	4,418

	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
Reportable segment assets	**67,621**	76,556
Other corporate assets	**74**	202
Group assets	**67,695**	76,758
Reportable segment liabilities	**11,784**	19,205
Deferred tax liabilities	**564**	564
Other corporate liabilities	**713**	1,084
Group liabilities	**13,061**	20,853

The Group's revenues from external customers are divided into the following geographical areas:

	Revenue from external customers Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Middle East and Africa	**3,387**	3,836
The Americas	**7,600**	6,619
Asia Pacific	**14,248**	10,145
Europe	**18,188**	17,656
Total	**43,423**	38,256

The geographical location of customers is based on the location at which the services were provided or the goods delivered.

Over 90% of the total assets and liabilities of the Group at the respective reporting dates were physically located and substantially employed in People's Republic of China (the "PRC") and Hong Kong. Accordingly, no geographical segmental analysis of the Group's non-current assets is presented.

3 REVENUE

Revenue from the Group's principal activities recognised during the period is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sale of smart card products, software and hardware	**20,075**	22,546	**43,272**	36,479
Smart card related services	**114**	288	**151**	1,777
	20,189	22,834	**43,423**	38,256

4 FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest charges on bank loans – wholly repayable within five years	**8**	6	**22**	19
Bank charges	**70**	60	**138**	125
	78	66	**160**	144

5 PROFIT BEFORE INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit before income tax is arrived at after charging/(crediting):				
Amortisation of development costs	**524**	497	**1,076**	979
Depreciation	**699**	501	**1,325**	938
Net foreign exchange loss/(gain)	**372**	(177)	**1,253**	37

6 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the period.

Overseas tax refers to the Minimum Corporate Income Tax ("MCIT") in the Philippines. MCIT has been provided at 2% (2009: 2%) on gross income incurred in the Philippines during the period. No provision for overseas tax in other locations including the PRC, Canada and Germany has been made as no assessable profits arose from the operations in these locations (2009: Nil).

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current tax				
– Hong Kong	**71**	675	**439**	877
– Overseas	**31**	24	**65**	52
	102	699	**504**	929

7 DIVIDENDS

A dividend of HK1.1 cents per share amounting to approximately HK$3,109,000 for the year ended 31 December 2009 had been approved by the shareholders at the annual general meeting and was subsequently paid on 18 May 2010.

The Company had not declared any dividends for the three months and six months ended 30 June 2010 (2009: Nil).

8 EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and six months ended 30 June 2010 respectively is based on the profit attributable to owners of the Company of HK$619,000 (2009: HK$3,082,000) and HK$1,854,000 (2009: HK$3,489,000) and the weighted average 282,600,000 (2009: 281,800,000) and 282,600,000 (2009: 281,800,000) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the three months and six months ended 30 June 2010 respectively is based on the profit attributable to owners of the Company of HK$619,000 (2009: HK$3,082,000) and HK$1,854,000 (2009: HK$3,489,000) and the weighted average 283,579,000 (2009: 282,882,000) and 283,502,000 (2009: 282,850,000) ordinary shares outstanding during the period, after adjusting for the effects of all dilutive potential ordinary shares.

The weighted average number of ordinary shares used in the calculation of diluted earnings per share for the three months and six months ended 30 June 2010 respectively is calculated based on the weighted average 282,600,000 (2009: 281,800,000) and 282,600,000 (2009: 281,800,000) ordinary shares in issue during the period as used in the calculation of basic earnings per share plus the weighted average 979,000 (2009: 1,082,000) and 902,000 (2009: 1,050,000) ordinary shares deemed to be issued at no consideration as if all the Company's share options had been exercised.

9 TRADE AND OTHER RECEIVABLES, DEPOSITS PAID AND PREPAYMENTS

	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
Trade receivables – net	**9,139**	17,096
Other receivables, deposits paid and prepayments	**3,074**	2,385
	12,213	19,481

Customers are generally granted credit terms of 30 to 60 days. Based on invoice dates, ageing analysis of trade receivables is as follows:

	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
0 - 30 days	**5,360**	8,911
31 - 60 days	**2,201**	3,808
61 - 90 days	**59**	3,169
Over 90 days	**1,519**	1,208
	9,139	17,096

10 TRADE PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
Trade payables	**8,159**	13,123
Deposits received and accruals	**3,701**	6,339
	11,860	19,462

The Group was generally granted by its suppliers credit periods of 30 to 60 days. Based on invoice dates, ageing analysis of trade payables is as follows:

	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
0 - 30 days	**4,764**	4,957
31 - 60 days	**1,892**	5,717
61 - 90 days	**1,133**	1,533
Over 90 days	**370**	916
	8,159	13,123

11 RESERVES

The amount of the Group's reserves and the movements therein for the current and prior periods are presented in the consolidated statement of changes in equity on page 6 of the financial statements.

Merger reserve of the Group represents reserve of the subsidiary that have been capitalised as a result of a share-for-share exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis should be read alongside with the unaudited consolidated financial results of the Group (hereafter referred to as "ACS" or the "Group") for the six month period ended 30 June 2010.

FINANCIAL REVIEW

The sales revenue increased by 14% in the first half year of 2010 to HK$43.4 million from the corresponding figure in the first half year of 2009 of HK$38.3 million. The gross profit increased by 11% to HK$23.6 million while the gross profit margin decreased slightly to 54.3% from 55.7%.

The expenses increased by 27% to HK$21.4 million in the current period comparing with the corresponding figure a year ago. One main reason of the increase was the expanded headcount which was 202 at 30 June 2010, 36.5% bigger than the figure of 148 at 30 June 2009. The continual increase of the work force was considered needed to cope with more and more emerging business opportunities. ACS has now stronger teams to develop products, to do marketing and sales work and to handle the logistics. Particularly, ACS emphasizes now more on strengthening its work force in purchasing, manufacturing through contractors and logistics. More sophisticated products are being launched to the market and such products require not only stronger research and development people but also manufacturing and quality assurance people to turn the prototypes of products into commercial products.

Another factor contributing to the increase in expenses was the exchange loss of HK$1,253 thousand in the current six months compared with HK$37 thousand in the first six months of 2009. The loss was owing to some sales with the price quoted in Euro. When such an order was received, the amount was stated in Euro but when the money from the sale was received, less Hong Kong dollar was obtained owing to the drop in Euro rate with the result of loss. When the currency rate is quite stable, hedging may not be used owing to the cost of hedging. However, the abrupt change of Euro rate versus Hong Kong dollar rate was highly unprecedented. In the second quarter of the year, ACS began to hedge against currency loss for the sales in Euro. The loss in the second quarter was less.

	Six months ended 30 June		
	2010	2009	Change
	HK$'000	*HK$'000*	
Revenue	**43,423**	38,256	+14%
Cost of sales	**(19,829)**	(16,962)	+17%
Gross profit	**23,594**	21,294	+11%
Other income	**156**	30	+420%
Expenses	**(21,392)**	(16,906)	+27%
Profit before income tax	**2,358**	4,418	-47%
Income tax expense	**(504)**	(929)	-46%
Profit for the period	**1,854**	3,489	-47%

The sales revenue by region indicates that Europe still accounted for the biggest sales in percentage (41.9%) while Asia Pacific was the second largest sales region (32.8%). The Chinese market became more and more important to ACS. ACS used to develop smart card and reader products to follow international standards. However, some big countries, such as China, Germany, Japan and USA have their own national standards. ACS started to develop products to follow national standards. Some products were qualified against the Chinese standards and so relative bigger orders were secured from China.

	Six months ended 30 June				Change in
	2010		2009		amount
	HK$'000	***% of total***	*HK$'000*	*% of total*	
Europe	**18,188**	**41.9%**	17,656	46.2%	+3%
Asia Pacific	**14,248**	**32.8%**	10,145	26.5%	+40%
The Americas	**7,600**	**17.5%**	6,619	17.3%	+15%
Middle East and Africa	**3,387**	**7.8%**	3,836	10.0%	-12%
	43,423	**100.0%**	38,256	100.0%	+14%

DIVIDEND

The Board does not declare an interim dividend in respect of the six months ended 30 June 2010. The declaration, payment, and amount of future dividends will be decided by the Board and will depend upon, among other things, ACS's results of operations, capital requirements, cash flows, general financial conditions, and such other factors as the Board may consider important.

BUSINESS REVIEW

ACS's business is to develop smart card and reader technologies and automatic fare collection solutions. It sells its products and services to over 100 countries in the world. It emphasizes on product quality and received the 2009 Best Practices Award "Product Quality Leadership Award for Smart Card Readers" from Frost & Sullivan in 2009. It subcontracts the manufacturing of its products by third party factories while it has teams of engineers and quality assurance people stationing in these factories to ensure smooth production and quality standard.

Established in 1995, ACS entered in 2010 into its 15th year of doing smart card business. Since its inception, ACS has emphasized on building its core technologies. In the initial years, ACS focused on building card operating systems and PC-linked contact smart card readers using 8-bit micro-processors. Having built a range of technologies and developed a broad base of customers, it started to develop more sophisticated products such as contactless smart card readers, dual interface (contact and contactless) readers, flash drives integrated with smart card readers, smart card readers integrated with finger print sensors, dynamic password generators and terminals with pin-pads and displays. These products are used in a wide variety of applications particularly in nation-wide identity cards, health cards, home-banking and payment solutions.

On the card side, after developing the card operating systems for triple-DES encryption and for contact cards, ACS also started to develop more and more sophisticated card operating systems ("COS") supporting PKI (public key infrastructure) cards, contactless cards and dual interface (both contact and contactless) cards. It also developed some card operating systems used in security access modules ("SAM") which are small-sized cards (like a SIM card usually used in mobile phones) embedded in payment terminals to authenticate payment cards.

The automatic fare collection ("AFC") solutions offered by ACS deploys a good range of technologies including micro-processor cards with the COS developed by ACS, the encryption technologies, the payment terminals and the various types of software. It adopts the business model of co-operating with its partners all over the world in offering its AFC solutions.

There are two emerging applications important to ACS.

Banks are offering more and more services to the consumers, such as insurance, fund management, trading of marketable securities, etc. To avoid the need of banking customers to wait in queues at bank counters and to reduce the work of the banking staff, the banks want to provide services on the Internet. They want to enhance the security of online banking. Various tools can be used, such as smart cards to hold the identity of the user of banking services, a finger print sensor to identity the user, etc.

One security tool that became popular in several countries in Europe a few years ago is becoming popular in various regions in the world, particularly in Asia owing to Asia's vast population. MasterCard defined the standard of a "dynamic password generator" ("DPG") called "CAP" (chip authentication program) in order to enhance the security for home banking. A DPG once activated by the credit card using a smart card chip will generate a password which the card holder can enter into the computer in the process of identifying himself. Since such credit cards using chips are getting popular practically everywhere in the world, the demand of these DPG will take off in many countries in the world. ACS has developed and got certified by MasterCard, dynamic password generators at competitive costs and is getting interesting inquiries for these products.

Another application is micro-payment made at home. Contactless smart cards are very important as payment tools for public transportation, such as by buses and by trains. Loading money into the payment cards usually require accessibility of money loading stations to the card holders. In many cities in the world, such loading stations are not widely accessible. The PC-linked contactless card readers are increasingly being used at home for the transport card holders to load money on their cards. Also, these readers and the transport cards are being used for micro-payment, usually for purchasing items on the Internet, which itself is becoming more and more popular. When these readers are used as consumer products, the demand will increase significantly. ACS has a strong team of engineers to develop a range of contactless smart card readers for the world market.

PROSPECTS

ACS has built in the last 15 years a range of technologies in smart card operating systems, smart card readers and terminals and automatic fare collection solutions. It has acquired the reputation of offering quality products and services. Its customers are located in over 100 countries in the world. Always in the pipe-line are new products being launched. The existing customers of ACS are target customers of the more sophisticated products and solutions. The management of ACS believes that ACS is entering into a new era of higher growth rates in sales and in profitability because of its confidence to get bigger orders for its more sophisticated products and solutions.

LIQUIDITY AND FINANCIAL RESOURCES

At all times the Group maintains an adequate liquidity position. As at 30 June 2010, the Group's cash at banks and on hand amounted to HK$11.2 million (30 June 2009: HK$15.6 million).

The current ratio, being the ratio of current assets to current liabilities, was 3.9 (30 June 2009: 4.1). Net asset value as at 30 June 2010 was HK$54.6 million (30 June 2009: HK$47.1 million).

CAPITAL STRUCTURE

The Group's equity capital, together with the profit generated from operations, has been applied to fund its working capital and other operational needs. Usage of bank lines has been minimal. As at 30 June 2010, the Group did not have any borrowings and, accordingly, the gearing ratio, being the total interest bearing debts over the total equity, was zero (30 June 2009: zero). The Group keeps most of its cash in Hong Kong dollars ("HK$"), Euro, United States dollars ("US$") and Renminbi ("RMB") in bank accounts.

INVESTMENTS

During the first six months, the Group did not make any significant investment.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2010.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

The assets, liabilities and transactions of the Group are primarily denominated in HK$, Euro, US$ and RMB. As HK$ is pegged to US$, accordingly the Group does not have significant exposure to risk resulting from changes in the foreign currency exchange rates of US$. In relation to the fluctuation on RMB against HK$, the Group considers that exchange risk arising from those currencies does not have significant financial impact to the Group. When appropriate, hedging instruments including forward contracts would be used to manage the foreign exchange exposure on Euro.

PLEDGE OF ASSETS

As at 30 June 2010, the Group did not pledge any of its assets.

CONTINGENT LIABILITIES

As at 30 June 2010, the Company had outstanding corporate guarantee of HK$18 million (plus accrued interest thereon) to two banks in respect of banking facilities granted to its main subsidiary. Save as disclosed herein, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2010, the Group had 202 full time employees. Staff costs amounted to HK$12.1 million (corresponding period in 2009: HK$10.3 million). Remuneration polices and packages for the Group's employees are based on individual qualifications, performance, experience and conditions prevailing in the industry. In addition, various training sessions are offered to employees to enhance their product and market knowledge.

The Group has also adopted share option schemes under which the employees of the Group may be granted share options to subscribe for shares in the Company for the purposes of recognising their contributions to the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Based on the information available to the Company and within the knowledge and belief of the directors of the Company, none of the directors or the management shareholders of the Company (as defined under the GEM Listing Rules) have any interests in a business which competes or may compete with the business of the Group during the period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

The provision A.2 of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wong Yiu Chu, Denny was appointed as the chairman and chief executive officer of the Company. The roles of chairman and chief executive officer were not separated. The Board considers that this structure does not impair the balance of power and authority between the Board and the management of the Company. The Board also believes that his appointment being both the chairman and chief executive officer is beneficial to the business prospects of the Company. Save as disclosed above, the Company has met the code provisions set out in the Code throughout the six months ended 30 June 2010.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules governing dealings by directors in listed securities of the Company ("dealings rules") on terms no less exacting than the required standard of dealings as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiry of all directors of the Company, all directors of the Company confirm that they complied with such dealings rules throughout the six months ended 30 June 2010.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The audit committee comprises three independent non-executive directors namely, Mr. Yu Man Woon (being the chairman of the audit committee), Dr. Yip Chak Lam, Peter and Mr. Wong Yick Man, Francis and reports to the board of directors. The primary duties are to carry out the duties of reviewing and supervising the financial reporting process and internal control system of the Group. The audit committee has reviewed the Group's unaudited results for the six months ended 30 June 2010.

By order of the Board of
Advanced Card Systems Holdings Limited
WONG Yiu Chu, Denny
Chairman

Hong Kong, 6 August 2010

As at the date of this announcement, the Board comprises 3 executive directors, namely Mr. Wong Yiu Chu, Denny, Mr. Tan Keng Boon and Ms. Tsui Kam Ling, Alice; and 3 independent non-executive directors, Dr. Yip Chak Lam, Peter, Mr. Yu Man Woon and Mr. Wong Yick Man, Francis.

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the day of its posting.