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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: 8210)

DISCLOSEABLE TRANSACTION ACQUISITIONS OF BUSINESS ASSETS AND 10% EQUITY INTEREST IN ZIGONG YANDOU SMARTCARD FROM SHENZHEN DAMING WUZHOU CITY SMART CARD TECHNOLOGY COMPANY LIMITED AND THE SALE LOAN

BUSINESS ASSETS ACQUISITION

On 16 June 2014 (after trading hours), ACS Shenzhen (as purchaser), an indirect wholly-owned subsidiary of the Company, entered into the Business Assets Purchase Agreement with Daming Wuzhou (as vendor) and Daming Shareholders, pursuant to which ACS Shenzhen has agreed to purchase and Daming Wuzhou has agreed to sell, the Business Assets at the consideration of RMB4,000,000 (equivalent to approximately HK\$4,960,000).

EQUITY INTEREST ACQUISITION

On 16 June 2014 (after trading hours), ACS Shenzhen (as purchaser) and Daming Wuzhou (as vendor) entered into the Equity Interest Purchase Agreement, pursuant to which ACS Shenzhen has agreed to purchase, and Daming Wuzhou has agreed to sell, the Equity Interest, representing 10% equity interest in Zigong Yandou Smartcard at a consideration of RMB1,000,000 (equivalent to approximately HK\$1,240,000).

ASSIGNMENT OF LOAN

On 16 June 2014 (after trading hours), ACS Shenzhen (as assignee), Mr. Zhu (as assignor) and Daming Wuzhou (as debtor) entered into the Loan Transfer Agreement, pursuant to which Mr. Zhu has agreed to assign to ACS Shenzhen the Sale Loan at a consideration of RMB1,300,000 (equivalent to approximately HK\$1,612,000).

* For identification purpose only

THE GUARANTEE AGREEMENT

On 16 June 2014 (after trading hours), ACS Shenzhen, Mr. Wong and Daming Shareholders entered into the Guarantee Agreement in respect of the performance of some of the obligations of ACS Shenzhen and Daming Shareholders under the Agreements.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in relation to all the transactions as contemplated under the Agreements exceed(s) 5% but below 25%, the Acquisitions constitute a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under the GEM Listing Rules.

THE BUSINESS ASSETS PURCHASE AGREEMENT

On 16 June 2014 (after trading hours), ACS Shenzhen (as purchaser), an indirect wholly-owned subsidiary of the Company, entered into the Business Assets Purchase Agreement with Daming Wuzhou (as vendor) and Daming Shareholders, pursuant to which ACS Shenzhen has agreed to purchase and Daming Wuzhou has agreed to sell, the Business Assets at a consideration of RMB4,000,000 (equivalent to approximately HK\$4,960,000).

Date: 16 June 2014

Parties:

- (i) ACS Shenzhen;**
- (ii) Daming Wuzhou; and**
- (iii) Daming Shareholders.**

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Daming Wuzhou, Daming Shareholders and their respective ultimate beneficial owners, is a third party independent of the Company and its connected persons.

MAJOR TERMS OF THE BUSINESS ASSETS PURCHASE AGREEMENT

Business Assets to be acquired

The Business Assets comprise all the assets of Daming Wuzhou which were owned by Daming Wuzhou for the Business as at 1 April 2014, including:

- (i) all the fixed assets, including the computers, and molding and production equipment;
- (ii) all the current assets, including the bank deposits, cash, accounts receivable, inventories, and prepaid accounts;
- (iii) all the intangible assets, including the patents, technology, software source code and trademark rights; and
- (iv) all the resources relating to the Employees, customers, suppliers and Business.

Daming Wuzhou warrants that the aggregate net value of the assets listed in items (i) and (ii) above shall not be less than RMB5,000,000 (equivalent to approximately HK\$6,200,000), otherwise ACS Shenzhen has the right to terminate the transactions contemplated under the Business Assets Purchase Agreement or has the right to choose to acquire some of the Business Assets only.

Pursuant to the Business Assets Purchase Agreement, Wuzhou Holdings shall authorize ACS Shenzhen to use a trademark registered under the name of Wuzhou Holdings within the scope of the existing Business of Daming Wuzhou as at the date of the Business Assets Purchase Agreement. The authorization to ACS Shenzhen for the use of such trademark rights shall be effective for two years from the date of the Business Assets Purchase Agreement.

Consideration

The consideration for the Business Assets Acquisition is RMB4,000,000 (equivalent to approximately HK\$4,960,000).

The consideration shall be paid by ACS Shenzhen in the following manner:

- (i) RMB1,500,000 (equivalent to approximately HK\$1,860,000) shall be payable to Daming Shareholders within 180 days from the date of the Business Assets Purchase Agreement;
- (ii) the cumulative amounts paid to Daming Shareholders shall be RMB3,000,000 (equivalent to approximately HK\$3,720,000) within 270 days from the date of the Business Assets Purchase Agreement; and
- (iii) the cumulative amounts paid to Daming Shareholders shall be RMB4,000,000 (equivalent to approximately HK\$4,960,000) within 360 days from the date of the Business Assets Purchase Agreement.

The consideration for the Business Assets Acquisition was arrived at after arm's length negotiations between ACS Shenzhen, Daming Wuzhou and Daming Shareholders and are on normal commercial terms, with reference to ACS Shenzhen's valuation of the tangible assets in the Business Assets based on various factors including, but not limited to, the book value of such tangible assets, and such other considerations as arising during the normal course of arm's length negotiations. The consideration for the Business Assets Acquisition will be funded by the Group's internal resources.

Performance Period

Daming Wuzhou shall maintain its normal business operation and shall duly deliver all the Business Assets to ACS Shenzhen during the Performance Period. ACS Shenzhen shall be entitled to extend the Performance Period from 18 months commencing from the Transition Date to 24 months if ACS Shenzhen has not yet received all the Business Assets at the end of the aforesaid 18-month period.

During the Performance Period, for the purpose of effective delivery of the books and accounts and the transfer of clientele and information and resources related to the existing and potential clients of Daming Wuzhou, ACS Shenzhen shall be entitled to assign its staffs to work at Daming Wuzhou so that ACS Shenzhen can take over the Business Assets, and Daming Wuzhou shall provide ACS Shenzhen with Daming Wuzhou's official seal, financial seal, organisation code certificate, account books and business licence, within 5 days after the full payment of the consideration for the Sale Loan in the amount of RMB1,300,000 (equivalent to approximately HK\$1,612,000) by ACS Shenzhen to Mr. Zhu.

ACS Shenzhen shall also take up the obligation of Daming Wuzhou to repay the debts and liabilities owing by Daming Wuzhou to third parties up to the limit of RMB1,035,593.13 (equivalent to approximately HK\$1,284,135.48).

Compensation for breach of the Business Assets Purchase Agreement

If ACS Shenzhen's payment of the consideration has been overdue for more than 60 days, the Business Assets Acquisition shall be deemed to be completed and Daming Wuzhou shall be entitled to demand ACS Shenzhen and its legal representative to pay for all the consideration for the Business Assets in full (deducting the amount that ACS Shenzhen has already paid under the Business Assets Agreement) within 5 Business Days thereafter.

THE EQUITY INTEREST PURCHASE AGREEMENT

On 16 June 2014 (after trading hours), ACS Shenzhen (as purchaser) and Daming Wuzhou (as vendor) entered into the Equity Interest Purchase Agreement, pursuant to which ACS Shenzhen has agreed to purchase, and Daming Wuzhou has agreed to sell, the Equity Interest (being 10% equity interest in Zigong Yandou Smartcard) at a consideration of RMB1,000,000 (equivalent to approximately HK\$1,240,000).

Date: 16 June 2014

Parties:

- (i) ACS Shenzhen; and
- (ii) Daming Wuzhou.

Interests to be acquired

The Equity Interest which represents 10% equity interest in Zigong Yandou Smartcard.

Consideration

The consideration for the Equity Interest Acquisition is RMB1,000,000 (equivalent to approximately HK1,240,000). The consideration shall be paid by ACS Shenzhen in the following manner:

- (i) a deposit of RMB300,000 (equivalent to approximately HK372,000) (the “**Deposit**”) shall be payable to Daming Wuzhou in cash on the Transition Date; and
- (ii) the remaining balance of RMB700,000 (equivalent to approximately HK868,000) shall be payable to Daming Wuzhou in cash within 10 Business Days from the date of completion of registration process of the industrial and commercial amendment to the shareholding of Zigong Yandou Smartcard in the PRC (upon issue of the new business license of Zigong Yandou Smartcard) (the “**Registration**”).

The consideration for the Equity Interest Acquisition was determined after arm’s length negotiations between ACS Shenzhen and Daming Wuzhou with reference to, among other things, (i) the geographical span and size of the business operations carried out by Zigong Yandou Smartcard; (ii) the advantage of Zigong Yandou Smartcard’s intellectual property rights which may allow the Group to compete more effectively in the field of development of smart card products, technology and services in the PRC; and (iii) the readiness of the revenue generating capacity of Zigong Yandou Smartcard. The consideration for the Equity Interest Acquisition will be funded by the Group’s internal resources.

Compensation for breach of the Equity Interest Purchase Agreement

Daming Wuzhou shall refund the Deposit to ACS Shenzhen, and ACS Shenzhen shall be entitled to the right to terminate the Equity Interest Purchase Agreement if Daming Wuzhou fails to complete the Registration within 90 days from the date of the Equity Interest Purchase Agreement.

THE LOAN TRANSFER AGREEMENT

On 16 June 2014 (after trading hours), ACS Shenzhen (as assignee), Mr. Zhu (as assignor) and Daming Wuzhou (as debtor) entered into the Loan Transfer Agreement, pursuant to which Mr. Zhu has agreed to assign to ACS Shenzhen the Sale Loan at the consideration of RMB1,300,000 (equivalent to approximately HK\$1,612,000).

Date: 16 June 2014

Parties:

- (i) ACS Shenzhen;**
- (ii) Mr. Zhu; and**
- (iii) Daming Wuzhou.**

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Zhu is a third party independent of the Company and its connected persons.

Interests to be transferred

The Sale Loan is a non-interest bearing loan in the amount of RMB1,800,000 (equivalent to approximately HK\$2,232,000) owing by Daming Wuzhou to Mr. Zhu.

Consideration

The consideration for the Assignment of Loan is RMB1,300,000 (equivalent to approximately HK\$1,612,000). ACS Shenzhen shall make a lump-sum payment of RMB1,300,000 (equivalent to approximately HK\$1,612,000) to Mr. Zhu on the Transition Date.

The consideration for the Assignment of Loan was determined after arm's length negotiations between ACS Shenzhen, Mr. Zhu and Daming Wuzhou with reference to, among other things, the recoverability of the Sale Loan. The consideration for the Assignment of Loan will be funded by the Group's internal resources.

Compensation for breach of the Loan Transfer Agreement

If Mr. Zhu breaches the Loan Transfer Agreement, he shall immediately return any payment made by ACS Shenzhen together with the sum of RMB130,000 (equivalent to approximately HK\$161,200) (equivalent to 10% of the total consideration for the Assignment of Loan) as compensation.

THE GUARANTEE AGREEMENT

On 16 June 2014 (after trading hours), ACS Shenzhen, Mr. Wong and Daming Shareholders entered into the Guarantee Agreement in respect of the performance of some of the obligations of ACS Shenzhen and Daming Shareholders under the Agreements.

The terms of the Guarantee Agreement include, among other things,

- (a) during the Performance Period, if there are any economic, legal, labour or tax disputes of Daming Wuzhou and debts incurred by Daming Wuzhou (the “**Liabilities**”) due to ACS Shenzhen’s receipt of the Business Assets, Mr. Wong shall be jointly liable for the Liabilities in the event of non-fulfillment of ACS Shenzhen of its obligations with respect to the Liabilities;
- (b) in the event that ACS Shenzhen has suffered any losses that are caused by Daming Shareholders’ failure to provide Daming Wuzhou’s business license, organisation code certificate, company seals (including Daming Wuzhou’s official seal and financial seal), account books and other materials in a timely and complete manner, Daming Shareholders shall be jointly liable for ACS Shenzhen’s losses; and
- (c) if any of Daming Shareholders intend to transfer their equity interest in Daming Wuzhou to other persons, they should immediately notify ACS Shenzhen or Mr. Wong and seek their prior written approval. Otherwise Daming Shareholders shall be jointly liable for all the losses of ACS Shenzhen caused by Daming Shareholders’ transfer of their equity interest.

The terms of the Guarantee Agreement were arrived at after arm’s length negotiations between ACS Shenzhen, Mr. Wong and Daming Shareholders.

INFORMATION ON THE COMPANY, DAMING WUZHOU, DAMING SHAREHOLDERS AND ZIGONG YANDOU SMARTCARD

Information of the Company

The principal activity of the Company is investment holding. The Group is principally engaged in development, sale and distribution of smart card products, software and hardware and the provision of smart card related services in the PRC, and development and supply of online enterprise management solutions in Hong Kong and the Republic of the Philippines.

ACS Shenzhen is a wholly foreign-owned enterprise incorporated in the PRC and is an indirect wholly-owned subsidiary of the Company. ACS Shenzhen’s principal business activity is research and development of software and hardware in respect of electronic products and provision of the relevant technical support, and import, export and wholesale of smart cards and smart card systems, products and services.

Information of Daming Wuzhou

Daming Wuzhou is a company incorporated on 5 June 2002 in the PRC with limited liability and is principally engaged in development of smart card technology and security information products and related equipment, purchase and sale of electronic products, computer software and hardware development, computer information systems integration, import and export business and production of IC card reader machines.

It has a registered capital of RMB10,000,000 (equivalent to approximately HK\$12,400,000). It is owned as to 90% and 10% by Wuzhou Holdings and Li Li (李立) respectively as at the date of this announcement.

Information of Daming Shareholders

Li Li (李立) is one of Daming Shareholders and is a merchant, who held 10% equity interest in Daming Wuzhou as at the date of this announcement.

Wuzhou Holdings is also one of Daming Shareholders and a company incorporated in the PRC with limited liability and is principally engaged in, inter alia, investment holding and the development and sale of information technology, electrical and electronic systems and products, which held 90% equity interest in Daming Wuzhou as at the date of this announcement.

Information of Zigong Yandou Smartcard

Zigong Yandou Smartcard is a company incorporated in the PRC with limited liability and is principally engaged in computer services, development of smart cards and provision of smart card services and related advertisement in the PRC. It has a registered capital of RMB10,000,000 (approximately HK\$12,500,000) and is owned as to 10% by Daming Wuzhou and the rest of 90% by independent third parties.

FINANCIAL INFORMATION OF THE BUSINESS ASSETS

Set out below is the selected financial information of Daming Wuzhou which is based on its unaudited management accounts for the two years ended 31 December 2012 and 2013. As Daming Wuzhou has not provided standalone financial statements for the Business Assets, the Directors consider the financial information of Daming Wuzhou can largely reflect the value of the Business Assets.

	Year ended 31 December	
	(unaudited)	
	2012	2013
Net Profits/(loss) before taxation	RMB42,456 (equivalent to approx. HK\$52,645)	(RMB165,259) (equivalent to approx. (HK\$204,921))
Net Profits/(loss) after taxation	RMB32,100 (equivalent to approx. HK\$39,804)	(RMB165,259) (equivalent to approx. (HK\$204,921))
Net assets value	RMB231,273 (equivalent to approx. HK\$286,779)	RMB65,756 (equivalent to approx. HK\$81,537)

FINANCIAL INFORMATION OF ZIGONG YANDOU SMARTCARD

Based on the audited accounts of Zigong Yandou Smartcard, the net profits/(loss) before and after taxation, and the net assets value of Zigong Yandou Smartcard for the two financial years ended 31 December 2012 and 2013 are as follows:

	Year ended 31 December	
	(unaudited)	
	2012	2013
Net profits/(loss) before taxation	(RMB873,035) (equivalent to approx. HK\$1,082,563)	RMB602,121 (equivalent to approx. HK\$746,630)
Net profits/(loss) after taxation	(RMB873,035) (equivalent to approx. HK\$1,082,563)	RMB602,121 (equivalent to approx. HK\$746,630)
Net Assets value	RMB8,462,147 (equivalent to approx. HK\$10,493,062)	RMB9,064,268 (equivalent to approx. HK\$11,239,692)

REASONS FOR AND BENEFITS OF ENTERING INTO THE BUSINESS ASSETS PURCHASE AGREEMENT

The Business Assets Acquisition is the new business strategy of the Company in terms of expanding its principal business and expanding into high-margin project business. The Board is of the view that the acquisition of the Business Assets is in line with the Company's business strategy and this will open the door for more future business collaborations that will benefit the Company's existing principal business.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY INTEREST PURCHASE AGREEMENT

The Equity Interest Acquisition presents to the Group a good investment opportunity in the PRC. The Directors consider that the Equity Interest Acquisition will enable the Group to expand its presence and benefit the business development of the Group in the PRC. The terms of the Equity Interest Purchase Agreement were arrived at after arm's length negotiations between Daming Wuzhou and ACS Shenzhen.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LOAN TRANSFER AGREEMENT

ACS Shenzhen enters into the Loan Transfer Agreement with Mr. Zhu and Daming Wuzhou, as the Assignment of Loan is part of the Acquisitions as a whole for the purpose of reducing the amount of liabilities of Daming Wuzhou and for paying off the funding originally provided by Mr. Zhu to Daming Wuzhou for its acquisition of some of the Business Assets.

In view of the foregoing, the Directors consider that the terms of the Agreements are fair and reasonable and the Acquisitions are in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in relation to all the transactions as contemplated under the Agreements exceed(s) 5% but below 25%, the Acquisitions constitute a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“Acquisitions”	the Business Assets Acquisition, the Equity Interest Acquisition and the Assignment of Loan
“ACS Shenzhen”	ACS Technologies (Shenzhen) Limited (龍傑科技(深圳)有限公司), a wholly foreign-owned enterprise incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Agreements”	The Business Assets Purchase Agreement, the Equity Interest Purchase Agreement and the Loan Transfer Agreement
“Assignment of Loan”	the assignment of the rights and title to the Sale Loan from Mr. Zhu to ACS Shenzhen pursuant to the Loan Transfer Agreement

“Board”	the board of Directors
“Business”	the business of Daming Wuzhou
“Business Assets”	the assets of Daming Wuzhou in relation to the Business to be acquired by ACS Shenzhen as specified in the Business Assets Purchase Agreement
“Business Assets Acquisition”	the acquisition of the Business Assets under the Business Assets Purchase Agreement
“Business Assets Purchase Agreement”	the business assets purchase agreement dated 16 June 2014 entered into between ACS Shenzhen, Daming Wuzhou and Daming Shareholders in relation to the Business Assets Acquisition
“Business Day”	a day on which banks are generally open for business in Hong Kong and which is not a Saturday, a Sunday, a public holiday or a day on which typhoon signal no. 8 or a “black” rainstorm warning is hoisted in Hong Kong
“Company”	Advanced Card Systems Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Daming Shareholders”	the shareholders of Daming Wuzhou, namely Li Li (李立) and Wuzhou Holdings
“Daming Wuzhou”	Shenzhen Daming Wuzhou City Smart Card Technology Company Limited* (深圳市大明五洲城市一卡通科技有限公司), a company incorporated in the PRC with limited liability
“Director(s)”	the director(s) of the Company
“Employees”	the persons who are employed by Daming Wuzhou in its operation of the Business
“Equity Interest”	10% equity interest in Zigong Yandou Smartcard
“Equity Interest Acquisition”	the acquisition of the Equity Interest pursuant to the Equity Interest Purchase Agreement
“GEM”	the Growth Enterprise Market on the Stock Exchange

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guarantee Agreement”	the guarantee agreement dated 16 June 2014 entered into between ACS Shenzhen, Mr. Wong and Daming Shareholders in relation to the management and administration of Daming Wuzhou during the Performance Period
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Mr. Wong”	Wong Yiu Chu, Denny (黃耀柱), an executive Director and the chairman of the Company, who is also the legal representative of ACS Shenzhen as at the date of this announcement
“Mr. Zhu”	Zhu Qing Feng (朱慶峰), and a merchant and the owner of the Sale Loan
“Performance Period”	the period of 18 months (which may be extended to 24 months at the option of ACS Shenzhen) from the Transition Date
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	renminbi, the lawful currency of the PRC
“Sale Loan”	the aggregate amount of liabilities and debts owing or incurred by Daming Wuzhou to Mr. Zhu which as at the date of the Loan Transfer Agreement, amounted to RMB1,800,000 (equivalent to approximately HK\$2,232,000)
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HKD 0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules

“Transition Date”	the date on which ACS Shenzhen has received Daming Wuzhou’s official seal, financial seal, organisation code certificate, account books and business licence
“Wuzhou Holdings”	Shenzhen Daming Wuzhou Investment Holdings Company Limited* (深圳市大明五洲投資控股有限公司), a company incorporated in the PRC with limited liability
“Zigong Yandou Smartcard”	Zigong Yandou Smart Card Information Technology Company Limited* (自貢鹽都一卡通信息化有限責任公司), a company incorporated in the PRC with limited liability
“%”	per cent

The RMB amounts shown in this announcement have been translated into the Hong Kong dollars amounts at an exchange rate of RMB1=HK\$1.24 for illustration purpose only. Such exchange rate does not constitute a representation that any amount of RMB or Hong Kong dollars have been, could have been or may be converted at such rate.

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

Hong Kong, 16 June 2014

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, Mr. Yim Kai Pung, Mr. Wong Yick Man, Francis and Mr. Lo Kar Chun, Nicky, SBS, JP.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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