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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

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.

This announcement, for which the directors of Advanced Card Systems Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange 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.

* *For identification purpose only*

HIGHLIGHTS

- ➢ Revenue of the Group for the year ended 31 December 2012 increased by 37% to HK$160.9 million from the year ended 31 December 2011.
- ➢ Gross profit of the Group for the year ended 31 December 2012 increased by 44% to HK$86.8 million from the year ended 31 December 2011.
- ➢ Net profit after income tax of the Group for the year ended 31 December 2012 increased by 230% to HK$16.9 million from HK$5.1 million in 2011.
- ➢ As at 31 December 2012, the current ratio was 1.90 while the gearing ratio was 0.18.
- ➢ The board of directors has recommended the payment of a final dividend of HK1.5 cents (2011: Nil) per share for the year ended 31 December 2012.

AUDITED CONSOLIDATED RESULTS

The board of directors (the "Board") of the Company are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 together with the comparative figures for the corresponding period in 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Notes	**2012** *HK$'000*	2011 *HK$'000*
Revenue	4	**160,855**	117,488
Cost of sales and services provided		**(74,009)**	(57,043)
Gross profit		**86,846**	60,445
Other income and gains	5	**269**	181
Selling and distribution costs		**(13,325)**	(10,710)
Research and development expenses		**(22,240)**	(18,808)
Administrative expenses		**(29,755)**	(23,545)
Finance costs	6	**(352)**	(349)
Profit before income tax	7	**21,443**	7,214
Income tax expense	8	**(4,569)**	(2,095)
Profit for the year, attributable to owners of the Company		**16,874**	5,119
Other comprehensive income			
Exchange gain on translation of financial statements of foreign operations		**251**	406
Remeasurement of defined benefit obligations		**(232)**	–
Other comprehensive income for the year		**19**	406
Total comprehensive income for the year, attributable to owners of the Company		**16,893**	5,525
Earnings per share for profit attributable to owners of the Company for the year	10		
– Basic (HK cents)		**5.954**	1.808
– Diluted (HK cents)		**5.948**	1.806

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Notes	**2012**	2011
		HK$'000	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment		**9,578**	9,719
Development costs		**29,311**	22,141
		38,889	31,860
Current assets			
Inventories		**34,766**	36,845
Trade and other receivables, prepayments and deposits paid	11	**19,948**	17,010
Held-to-maturity financial assets		**38**	36
Cash and cash equivalents		**34,223**	22,267
		88,975	76,158
Current liabilities			
Trade payables, accruals and deposits received	12	**29,075**	35,158
Bank borrowings, secured		**14,218**	8,285
Current tax liabilities		**3,465**	710
		46,758	44,153
Net current assets		**42,217**	32,005
Total assets less current liabilities		**81,106**	63,865
Non-current liabilities			
Deferred tax liabilities		**729**	900
Defined benefit obligations		**303**	–
		1,032	900
Net assets		**80,074**	62,965
EQUITY ATTRIBUTABLE TO COMPANY'S OWNERS			
Share capital		**28,406**	28,316
Reserves		**51,668**	34,649
Total equity		**80,074**	62,965

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

	Attributable to owners of the Company						
	Share capital *HK$'000*	Share premium* *HK$'000*	Merger reserve* *HK$'000*	Translation reserve* *HK$'000*	Retained profits* *HK$'000*	Proposed dividend* *HK$'000*	Total *HK$'000*
Balance as at 1 January 2011	28,316	17,829	4,496	229	6,570	–	57,440
Profit for the year	–	–	–	–	5,119	–	5,119
Other comprehensive income							
– Exchange gain on translation of financial statements of foreign operations	–	–	–	406	–	–	406
Total comprehensive income for the year	–	–	–	406	5,119	–	5,525
Balance as at 31 December 2011 and 1 January 2012	28,316	17,829	4,496	635	11,689	–	62,965
Issue of shares upon exercise of share options	90	126	–	–	–	–	216
Transactions with owners	90	126	–	–	–	–	216
Profit for the year	–	–	–	–	16,874	–	16,874
Other comprehensive income							
– Exchange gain on translation of financial statements of foreign operations	–	–	–	251	–	–	251
– Remeasurement of defined benefit obligations	–	–	–	–	(232)	–	(232)
	–	–	–	251	(232)	–	19
Total comprehensive income for the year	–	–	–	251	16,642	–	16,893
2012 final dividend proposed (note 9)	–	–	–	–	(4,261)	4,261	–
Balance as at 31 December 2012	**28,406**	**17,955**	**4,496**	**886**	**24,070**	**4,261**	**80,074**

* These reserve accounts comprise the consolidated reserves of HK$51,668,000 (2011: HK$34,649,000) in the consolidated statement of financial position as at 31 December 2012.

NOTES

1. GENERAL INFORMATION

Advanced Card Systems Holdings Limited (the "Company") was incorporated in Cayman Islands on 13 April 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Its registered office is located at Ugland House, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies and its principal place of business is located at Units 2010–2013, 20th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Hong Kong. The Company's shares are listed on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in the development, sales and distribution of smart card products, software and hardware and the provision of smart card related services. The Company and its subsidiaries are referred to as the "Group" hereinafter. The Group's operations are based in the People's Republic of China (the "PRC"), including Hong Kong. There were no significant changes in the nature of the Group's principal activities during the year.

The financial statements have been prepared in Hong Kong dollars ("HK$"), being the functional and presentation currency of the Company. All financial information presented in HK$ has been rounded to the nearest thousands, unless otherwise stated.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The financial statements for the year ended 31 December 2012 were approved for issue by the board of directors on 19 March 2013.

2. ADOPTION OF NEW OR AMENDED HKFRSs

2.1 New or amended HKFRSs effective for annual period beginning on or after 1 January 2012

In the current year, the Group has applied the 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 2012. The adoption of the new HKFRSs that are effective for the year had no material impact on the Group's financial statements.

2.2 New or amended HKFRSs that have been issued but are not yet effective

At the date of authorisation of this announcement, certain new or amended HKFRSs have been issued but are not yet effective. Except for HKAS 19 (2011) Employee Benefits, these new or amended HKFRSs have not been adopted early by the Group for the year ended 31 December 2012. The directors of the Company anticipate that these pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on early adoption of HKAS 19 (2011) and new or amended HKFRSs that have not been adopted early by the Group but expected to have impact on the Group's accounting policies is provided below. Other new or amended HKFRSs have been issued but are not yet effective and not adopted in advance are not expected to have a material impact on the Group's financial statements.

HKAS 19 (2011) – Employee Benefits

During the year, the Group has early adopted HKAS 19 (2011), which is effective for annual periods beginning on or after 1 January 2013, with early adoption permitted.

Since this is the first year in which the Group had funded defined benefit plans for qualifying employee of its subsidiaries, the early adoption of HKAS 19 (2011) had no impact on net assets as at 31 December 2011 or 1 January 2011.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments are effective for annual periods beginning on or after 1 July 2012 and require entities to group together the items of other comprehensive income that may be reclassified to profit or loss in the future (e.g. exchange difference on translation of financial statements of foreign operations) by presenting them separately from those that would never be reclassified to profit or loss (e.g. remeasurement of defined benefit obligations). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments also change the title "Statement of comprehensive income" to "Statement of profit or loss and other comprehensive income". However, entities are still allowed to use the old title. The amendments will be applied retrospectively.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. HKFRS 9 will be effective for annual periods beginning on or after 1 January 2015.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 is effective for annual periods beginning on or after 1 January 2013 and introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns.

HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduce the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them.

The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agent of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 will be applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 is effective for annual periods beginning on or after 1 January 2013. It integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

The directors are currently assessing the possible impact of the above pronouncements that have not been adopted early by the Group but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

3. SEGMENT INFORMATION

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

	2012 ***HK$'000***	2011 *HK$'000*
Revenue from external customers and reportable segment revenue	**160,855**	117,488
Reportable segment profit	**22,470**	8,207
Unallocated corporate expenses	**(1,027)**	(993)
Consolidated profit before income tax	**21,443**	7,214
Reportable segment assets	**127,699**	107,953
Unallocated corporate assets	**165**	65
Consolidated assets	**127,864**	108,018
Reportable segment liabilities	**43,339**	43,167
Current tax liabilities	**3,465**	710
Deferred tax liabilities	**729**	900
Unallocated corporate liabilities	**257**	276
Consolidated liabilities	**47,790**	45,053
Other segment information		
Interest income	**(68)**	(15)
Interest expense	**352**	349
Depreciation and amortisation of non-financial assets	**8,518**	5,740
Research and development expenses	**22,240**	18,808
Impairment losses on trade receivables	**239**	–
Write-down of inventories	**731**	425
Additions to non-current assets	**15,511**	15,395

Geographical location of customers is based on the location at which the customers are resided. Geographical location of non-current assets is based on the physical location of the assets, in the case of plant and equipment, and the location of the operation to which they are allocated, in the case of development costs. The Group's revenue from external customers and non-current assets is divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC, including Hong Kong and Macau (domicile)[#]	**18,096**	17,894	**36,692**	31,430
Foreign countries				
– United States	**40,638**	9,607	**7**	–
– Italy	**23,882**	23,181	**–**	–
– Other countries	**78,239**	66,806	**2,190**	430
	142,759	99,594	**2,197**	430
	160,855	117,488	**38,889**	31,860

[#] The Company is an investment holding company incorporated in Cayman Islands where the Group does not have any activities. The Group has the majority of its operations in the PRC, including Hong Kong, and therefore, PRC is considered as the Group's country of domicile for the purpose of disclosures as required by HKFRS 8 "Operating Segments".

The Group's customer base is diversified and includes only the following customers with whom transactions have exceeded 10% of the Group's revenues. During each of the years ended 31 December 2012 and 2011, revenue derived from these customers, including sales to entities which are known to the Group to be under common control, are as follows:

	2012	2011
	HK$'000	*HK$'000*
Customer A	**34,052**	5,358
Customer B*	**23,876**	23,118
Customer C*	**1,306**	1,822

* Customers B & C are known to the Group to be under common control

4. REVENUE

Revenue, which is also the Group's turnover, represents:

	2012	2011
	HK$'000	*HK$'000*
Sale of smart card products, software and hardware	**157,663**	115,853
Smart card related services	**3,192**	1,635
	160,855	117,488

5. OTHER INCOME AND GAINS

	2012	2011
	HK$'000	*HK$'000*
Interest income on:		
– Held-to-maturity financial assets	**–**	1
– Bank deposits	**68**	14
Interest income on financial assets not at fair value through profit or loss	**68**	15
Sundry income	**201**	166
	269	181

Included above is income from listed investment of Nil (2011: HK$1,000).

6. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest charges on bank borrowings, repayable on demand or wholly within five years	**352**	349

7. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging/(crediting):

	2012	2011
	HK$'000	*HK$'000*
Amortisation of development costs*	**3,967**	2,271
Auditors' remuneration		
– Audit services	**408**	342
– Non-audit services	**–**	20
	408	362
Cost of inventories recognised as expense, including:	**72,596**	55,501
– Write-down of inventories	**731**	425
Depreciation of plant and equipment	**4,551**	3,469
Impairment losses on trade receivables	**239**	–
Minimum lease payments under operating leases for land and buildings	**3,585**	3,049
Less: Amount capitalised into development costs	**(148)**	(124)
Amount recognised in profit or loss	**3,437**	2,925
Net foreign exchange loss	**1,211**	660
Net loss on disposals of plant and equipment	**1**	8

* Included in research and development expenses in profit or loss

8. INCOME TAX EXPENSE

	2012	2011
	HK$'000	*HK$'000*
Current tax		
Hong Kong profits tax		
– Provision for current year	**4,740**	1,801
– Over-provision in respect of prior years	**(8)**	–
	4,732	1,801
Philippines Income Tax		
– Provision for current year	**141**	138
– Over-provision in respect of prior years	**(133)**	(103)
	8	35
	4,740	1,836
Deferred tax	**(171)**	259
	4,569	2,095

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the year.

Philippines Income Tax has been provided at 30% on the estimated taxable income or 2% on gross income incurred for the year, whichever is higher, in accordance with the National Internal Revenue Code of the Republic of the Philippines.

No provision for income tax in other locations including PRC and Canada has been made as no assessable profits arose from the operations in these locations or the related subsidiaries had unused tax losses brought forward to offset against the current year's assessable profits (2011: Nil).

9. DIVIDENDS

Dividends attributable to the year:

	2012	2011
	HK$'000	*HK$'000*
Proposed final dividend of HK1.5 cents (2011: Nil) per ordinary share	**4,261**	–

The final dividend proposed after the reporting date has not been recognised as a liability at the reporting date, but reflected as an appropriation of retained profits for the year ended 31 December 2012.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK$16,874,000 (2011: HK$5,119,000) and weighted average of 283,411,000 (2011: 283,161,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on profit attributable to owners of the Company of HK$16,874,000 (2011: HK$5,119,000) and the weighted average of 283,680,000 (2011: 283,427,000) ordinary shares outstanding during the year, 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 is calculated based on the weighted average of 283,411,000 (2011: 283,161,000) ordinary shares in issue during the year as used in the calculation of basic earnings per share plus the weighted average of 269,000 (2011: 266,000) ordinary shares deemed to be issued at no consideration as if all the Company's outstanding share options had been exercised.

11. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS PAID

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**15,770**	14,241
Less: Provision for impairment losses	**(239)**	–
Trade receivables – net	**15,531**	14,241
Other receivables	**1,956**	777
Prepayments	**1,347**	804
Deposits paid	**1,114**	1,188
	19,948	17,010

Customers are generally granted credit terms of 7 to 100 (2011: 14 to 100) days. Based on invoice date, ageing analysis of the Group's trade receivables (net of provision for impairment losses) is as follows:

	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**10,363**	9,944
31 – 60 days	**2,908**	2,332
61 – 90 days	**625**	677
91 – 365 days	**438**	1,133
Over 365 days	**1,197**	155
	15,531	14,241

At each reporting date, the Group reviewed receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2012, the Group determined trade receivables of HK$239,000 (2011: Nil) as individually impaired. Based on this assessment, impairment losses of HK$239,000 (2011: Nil) are recognised for the year ended 31 December 2012. The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments or have been past due for more than one year and have not responded to repayment demands. Movements in the Group's provision for impairment losses of trade receivables are as follows:

	2012	2011
	HK$'000	*HK$'000*
At 1 January	**–**	–
Impairment losses recognised	**239**	–
At 31 December	**239**	–

12. TRADE PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**9,730**	9,518
Accruals	**6,797**	5,420
Deposits received	**12,548**	20,220
	29,075	35,158

Based on the invoice dates, ageing analysis of the Group's trade payables is as follows:

	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**5,596**	4,340
31 – 60 days	**3,072**	4,517
61 – 90 days	**883**	503
91 – 365 days	**142**	112
Over 365 days	**37**	46
	9,730	9,518

13. COMPARATIVE FIGURES

The Group previously classified bank charges as finance costs. Depending on its nature, bank charges of HK$449,000 for the year ended 31 December 2011 were now reclassified into selling and distributions costs, research and development expenses and administrative expenses in the consolidated statement of comprehensive income for a fairer presentation of the results of the period. The reclassification also led to a decrease of equivalent amount in net cash generated from operating activities and net cash used in financing activities of the Group.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Goup's results for the year ended 31 December 2012 have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Company's consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

DIVIDEND

The board of directors (the "Board") has recommended the payment of a final dividend of HK1.5 cents (2011: Nil) per share, totalling of HK$4.3 million, for the year ended 31 December 2012. Subject to approval by the shareholders at the forthcoming annual general meeting on 21 May 2013, the final dividend will be paid on 4 June 2013 to shareholders whose names appear on the register of members of the Company on 28 May 2013.

The declaration, payment and amount of future dividend will be decided by the Board and will depend upon, among other things, the Group's results of operations, capital requirements, cash flows, general financial condition, and such other factors as the Board may consider important.

CLOSURE OF REGISTER OF MEMBERS

(i) Entitlement to Attend and Vote at the 2013 Annual General Meeting

The register of members will be closed from Thursday, 16 May 2013 to Tuesday, 21 May 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attendance of annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 15 May 2013.

(ii) Entitlement to the Proposed Final Dividend

The register of members will be closed from Monday, 27 May 2013 to Tuesday, 28 May 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 24 May 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's sales revenue for the year ended 31 December 2012 increased by 37% compared to the previous year. The sales revenue is grouped into four regions as shown below:

	2012	2011	Change
	HK$'000	*HK$'000*	
Europe	**57,801**	43,756	+32%
The Americas	**47,212**	13,727	+244%
Asia Pacific	**43,480**	47,896	–9%
Middle East and Africa	**12,362**	12,109	+2%
	160,855	117,488	+37%

The Group's 2012 sales revenues increased in all regions except Asia Pacific. The perceived decrease was due to the corresponding large figure of 2011, when sizable orders were delivered to Japan and Taiwan. In fact, the Group's 2012 sales revenue in Asia Pacific was historically the second highest ever achieved in the region, behind only to 2011's figure.

The Group experienced growths in the other three regions, especially the Americas where the large increase was attributed to the strong sales of Automatic Fare Collection ("AFC") solutions and terminals.

The Group's 2012 gross profit increased by 44% compared to the previous year (2012: HK$86,846k; 2011: HK$60,445k). The Group's 2012 gross profit margin increased to 54% (2011: 51%). The increased gross profit was mainly attributed to the sales of more sophisticated smart card terminals which generally have higher gross profit margins.

The Group's 2012 total expenses increased by 23% compared to the previous year (2012: HK$65,672k; 2011: HK$53,412k). This increase can be attributed to the increased headcount (31 December 2012 headcount: 271; 31 December 2011 headcount: 248) as well as increased selling and distribution costs and administrative expenses owing to increased activities in sales and marketing as well as services to customers.

The Group's 2012 profit for the year increased by 230% compared to the previous year (2012: HK$16,874k; 2011: HK$5,119k). The increase can be attributed to sizable increases in sales revenue and gross profit and controlled total expenses, made possible by our product portfolio of more sophisticated products with a higher gross profit margin, as well as a more productive staff force assisted by an improved internal IT, communication and automation system. Additionally, previous trainings and accumulated experience have also added to the staff members' increased productivity.

BUSINESS REVIEW

The Group is starting to enjoy the benefits of previously invested time and resources, seeing obvious improvements in two areas: more productive staff force and expanded technology expertise.

The Group's staff force is becoming more productive for a number of reasons:

The internally developed software system serves as an online collaboration platform that aids staff members with their daily tasks, such as task delegation, project management, knowledge sharing as well as customer relationship management. The dedicated development team has continued to streamline existing features of the software, as well as constantly providing new, useful features.

Staff members attend internal training sessions that are held throughout the year, as well as various outside training courses on a wide range of topics.

On top of and partly due to the Group's higher productivity, the Group has been able to provide more sophisticated products. The following are some products officially launched in 2012:

ACR100I SIMFlash II PC-Linked Reader with Mass Storage: Combining smart card reader, memory storage and contactless card capabilities in a single device, ACR100 SIMFlash II supports a wide array of applications, from e-Government, e-Banking and e-Payment, to GSM Management, VoIP, Loyalty Programs and Network Security.

ACR33U-A1 SmartDuo: Featuring an ingenious design for two full-sized smart cards and three SAM (Security Access Module) cards, the SmartDuo provides a quick, secure and cost effective way to implement various smart card applications.

ACOS5-64 and CryptoMate64: Combining smart card and cryptographic functions, the ACOS5-64 and CryptoMate64 support advanced security features such as Smart Card Public Key Infrastructure ("PKI") and Digital Signature.

ACR89 Handheld Smart Card Reader: Featuring an LCD display, PIN-pad, dual smart card slots, 3 SAM card slots, as well as optional thermal printer and contactless card support, the ACR89 Handheld Smart Card Reader serves a wide range of on-the-field applications.

Android™ OS support: Supported by our new Android library, ACS smart card readers can now work with Android devices with Android OS 3.1 (Honeycomb) or higher versions. These readers include the ACR38, ACR122U, ACR122T, ACR83, and APG8201 series of ACS products.

Android™ is a trademark of Google Inc.

ACR123 Contactless Payment Terminal: Compatible with major contactless payment programs through its EMV certification (EMV Levels 1 and 2), the ACR123 also supports different contactless cards technologies including ISO 14443, Mifare, MasterCard PayPass, and Visa PayWave.

ACR1281S-C1 DualBoost II Serial Interface Reader: With a Serial RS-232 interface, this version of the ACR1281 DualBoost II dual interface reader series has been introduced to accommodate more devices, such as POS terminals, vending machines, and so forth, which have different serial ports. The device is used with a PC primarily for payment applications.

ACR1222U-J4 Web-To Reader: Emerged as one of the finalists out of 475 aspirants in the 2012 SESAMES Awards, which is part of the Cartes Exhibition and Conference in Paris, France, the ACR1222U-J4 Web-To Reader enables easy and instant mobile marketing by sending customized URLs of promotional materials, e.g. product leaflets and discount coupons, to phones embedded with Mobile FeliCa, a form of contactless technology widely adopted in Japan.

STRATEGIES

The vision statement of ACS is: ***"Combine scientific spirit and Confucius thoughts to build a sustainable electronic and information technology business to achieve the dual purposes of business growth and environmental protection."***

ACS has its headquarters in Hong Kong which is a city much exposed to the influence of the western and the eastern cultures. ACS is trying to combine the best of both cultures. Scientific spirit guides us to do things and Confucius thoughts help us deal with people. The management of ACS believes that the present smart card product business ACS is pursuing helps the environment rather than damages it. The smart cards and readers enhance the security of using the Internet by identifying and authenticating persons, and hence promote activities using the internet, and reduce the use of papers and the needs of face to face meetings.

The automatic fare collection solution business for public transport increases the percentage of people using public transport to satisfy their mobility needs. Public transportation consumes less energy compared with the private car to carry a passenger to travel a mile.

The protection of environment is becoming more important every day and a business can hardly be sustainable and long-termed if it damages the environment. Before getting into a new business line, ACS pays utmost emphasis on its sustainability. ACS constantly builds new technologies, introduces new products and expands its geographical coverage while ensuring that any new business will make use of our core competence.

PROSPECTS

For the past years, smart card operating systems and PC-linked smart card readers provided the Group a basis for penetration and growth in new and bigger markets. With almost 20 years of technical experience accumulated through meticulous research and development work in the technology sectors, the Group has been able to offer more sophisticated products and solutions. We are more protected from the competition by the higher barriers to entry of these markets, as the depth and breadth of technology required to provide these sophisticated products and solutions are much greater. The market of AFC system solutions is a natural extension and focus for the Group, as we may leverage a wide range of existing technologies and AFC will provide more opportunities for business growth.

We believe that with the strong foundation that we have built throughout the years, continual success in existing markets as well as initial success in new markets, we will experience accelerated and sustainable growth in the coming years.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At all times the Group maintains a healthy liquidity position. As at 31 December 2012, the Group's bank and cash balances amounted to HK$34.2 million (2011: HK$22.3 million). The Group keeps most of its cash in Hong Kong dollars ("HK$"), Euro dollars ("EURO"), United States dollars ("US$") and Renminbi ("RMB") in bank accounts. The bank borrowings of the Group amounted to HK$14.2 million (2011: HK$8.3 million). The bank borrowings are denominated in HK$, at floating rates and repayable within five years. The gearing ratio, being the total interest bearing debts over the total equity, at 31 December 2012 was 0.18 (2011: 0.13).

The Group's equity capital, bank borrowings, together with the profit generated from operations, has been applied to fund its working capital and other operational needs. The current ratio, being the ratio of current assets to current liabilities, was 1.90 (2011: 1.72). Net asset value as at the year end date was HK$80.1 million (2011: HK$63.0 million).

INVESTMENTS

During the year, the Group did not make any significant investments.

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 year ended 31 December 2012.

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$, the Group does not have significant exposure to risk resulting from changes in foreign currency exchange rates of US$ to HK$. In relation to the fluctuation on RMB against HK$, the Group considers that currency risk arising from RMB 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 31 December 2012, the Group did not pledge any of its material assets.

CONTINGENT LIABILITIES

As at 31 December 2012, the Company had outstanding corporate guarantee of HK$44 million (plus accrued interest thereon) to 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 31 December 2012, the Group had 271 full time employees. Staff costs recognised in profit or loss amounted to HK$38.5 million (2011: HK$33.0 million). Remuneration policies 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 year.

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

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

CORPORATE GOVERNANCE

During the year, the Company has applied the principles of the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the "Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules") of The Stock Exchange of Hong Kong Limited. The Company has complied with the code provisions of the Code except for the provision A.2 of the Code, which 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.

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 3 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. The audit committee met with the external auditor to review the Group's audited results for the year ended 31 December 2012.

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

Hong Kong, 19 March 2013

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.