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*An Open Letter to the Board of Directors of Actions Semiconductor Co., Ltd.*

May 25, 2016

Mr. Hsiang-Wei Lee  
Mr. Chin-Hsin Chen  
Mr. Jun Tse Huang  
Mr. Yu-Hsin Lin  
Mr. Nan-Horng Yeh  
Actions Semiconductor Co., Ltd.  
No. 1 Ke Ji Si Road  
Technology Innovation Coast of Hi-Tech Zone  
Zhuhai, Guangdong, 519085  
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To the Board of Directors of Actions Semiconductor:

As shareholders of Actions Semiconductor for more than eight years, we write once again to encourage you to fulfill your fiduciary duties of acting in the Company's and its shareholders' best interests. While this concept may be elusive to a board of directors in Taipei which has enjoyed the historical benefits of conflicted corporate transactions among affiliated parties, it is a requirement under the laws of the United States, the Cayman Islands and, in fact, Taiwan, where a Breach of Trust carries criminal penalties.

Since our meeting with Chairman David Lee and our offer to take the Company private in 2010, followed by the Board's rejection of this proposal, Accretive Capital Partners has advocated a sale of Actions Semiconductor. The Board's longstanding response has been that it "will continue to consider various potential paths to increasing shareholder value." Unfortunately, while the Board may have been considering various paths to value creation during the past six years, your actions and inactions have resulted in precisely the opposite outcome.


We are now at a critical juncture, as there is no event as impactful to establishing shareholder value as the sale of the business. In light of the May 19, 2016 offer letter from Mr. Hsuan-Wen Chen and his affiliates, the ("Consortium"), I write to convey our expectation that the Special Committee make a counter offer to the Consortium that reflects the intrinsic value of this substantial company and for no less than \$4.00 per share. Furthermore, we expect the Company to engage a qualified and credible investment banker to conduct a formal auction process—which is the proper way to sell a business, consistent with the Board's fiduciary responsibilities. You have announced that legal counsel was engaged on May 23, 2016, and we applaud your efforts to seek professional advice and guidance relating to a sale of the Company; the next and

most important step, however, is to engage a strong and established investment banker to help sell the business.

Recent M&A activity in the semiconductor industry has been record breaking: In 2015, more than \$120 billion changed hands in global semiconductor transactions, and KPMG's Global Semiconductor Outlook 2016 reports that 59% of respondents expect an increase in worldwide semiconductor M&A for 2016.<sup>1,2</sup> Moreover, the Chinese government has earmarked as much as \$150 billion in public and private funds for its 10-year goal of producing 70% of the chips consumed by Chinese companies.<sup>3,4</sup> These factors have produced an extraordinary market for sellers of semiconductor companies and have resulted in remarkably high valuations, such as Montage's sale to PDSTI for 3.7 times revenue and CSR's sale to Qualcomm for 3.0 times revenue. As such, this is a spectacular environment for a sale of Actions Semiconductor, and it will be a tragedy if the Board squanders it.


At \$2.00 per share, the Consortium's offer is woefully inadequate and significantly undervalues the Company by even the most conservative metrics. On December 31, 2015, Actions Semiconductor held \$103.9 million, or \$2.35 in per share net cash alone. In other words, the cash held by the Company is already worth 18% more than the Consortium's offer.

Of course, cash is not the only asset sought in this offer. The value of the operating business, generating \$49 million in revenue, together with \$28 million of other tangible non-operating assets (such as the premium building in the Zhangjiang Hi-Tech Park), equates to additional value of \$77 million at a conservative valuation multiple of 1 times existing revenue. The total value of the company, therefore, approximates \$181 million or \$4.00 per share, as follows:



<b>Conservative Value of Actions Semiconductor Co., Ltd.</b>		
Net Cash, Time Deposits & Equivalents	\$103.9	\$2.35
Other Tangible Non-Operating Assets (Premium Building in Zhangjiang Hi-Tech Park)	28.0	0.63
Value of Operations at 1x Existing Sales	49.1	1.11
<b>Conservative Value</b>	<b>\$181.0</b>	<b>\$4.09</b>

Sources: Actions Semiconductor Form 20-F filed April 28, 2016.  
 Note: Share count of 44,304,155 and Existing Sales (or Trailing Twelve Months Sales) of \$49.1m are as of most recent quarter (Q4 2015); Figures have been rounded for formatting purposes.



As you consider the Company's intrinsic value, we also wish to remind you of the recent Dutch auction tender offers completed on October 2, 2015 and September 26, 2014, which closed for \$2.30 and \$2.50 per share, respectively. By comparison, the Consortium's offer is a full 20% below the price at which the company repurchased its own shares just 20 months ago. The tender offers were to purchase a minority share of the equity and, therefore, include no control premium expected in an offer to buy out the entire Company. Moreover, the combined tender offers and subsequent share repurchases reduced the total outstanding shares of the Company by 36%, warranting a higher per share price for the enterprise today. Said another way, a per share offer today would have bought only 64% of the Company in 2014, and the \$2.50 per share offer in 2014 would equate to a \$3.12 per share offer today, based on the reduced share count.

In our eight-year effort to create value for all shareholders, Accretive Capital Partners has worked hard to provide support and advice to management and the Board of Actions Semiconductor. While we are pleased that an offer for the Company has been made, we believe the Consortium's current offer is insufficient, and we strongly urge the Board and Special Committee to engage a qualified investment banker to provide advice on a counter offer in preparation for a formal auction process. We remind you, once again, that you have a fiduciary duty to act in the best interests of the Company and its shareholders, and we impress upon you the importance of your careful direction during this watershed event.

ACCRETIVE CAPITAL MANAGEMENT, LLC

Regards,

Richard E. Fearon, Jr.  
Managing Partner

**About Accretive Capital Partners:**

Accretive Capital Partners is an investment firm focused on value investing in micro-cap public companies where active partnership with management may help to build and unlock shareholder value.

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<sup>1</sup> <http://www.wsj.com/>

<sup>2</sup> <http://www.kpmg.com/>

<sup>3</sup> <https://www.sec.gov/>

<sup>4</sup> <http://www.economist.com/>