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

May 27, 2014

Mr. Hsiang-Wei Lee
Chairman of the Board
Actions Semiconductor Co., Ltd.
No. 1 Ke Ji Si Road
Technology Innovation Coast of Hi-Tech Zone
Zhuhai, Guangdong, 519085
People's Republic of China

Dear Mr. Lee:

As you are aware, Accretive Capital Partners has been a significant and supportive shareholder of Actions Semiconductor for more than six years. Accretive is one of the largest owners of Actions stock, holding over 3 million ADS shares (or 18 million ordinary shares), and we have worked hard to be value-added partners to the company and our fellow shareholders. We have provided constructive advice during these years and have outlined logical steps to optimize the allocation of shareholder assets as the company grows its business. As careful custodians of capital, we are dedicated to allocating funds entrusted to us by our investors thoughtfully and rationally, and we strive to partner with companies that are equally committed to being strong stewards of capital. And when this commitment is not being fulfilled, as with Actions, we will take corrective measures.

For more than five years, Actions Semiconductor has generated consistent quarterly operating losses, and the stock has traded at a fraction of tangible book value (and, astonishingly, of net cash value). The company sits atop a $253 million cash hoard which is being allocated to risky, conflicted, and sub-optimal investments, providing returns well below those available via purchases of the company's own stock. During this time, the company's disproportionate investment in research and development has yet to produce $1 of value for $1 invested. Accordingly, and once again, Accretive Capital Partners strongly urges the Board of Directors of Actions Semiconductor to take the following steps on behalf of shareholders immediately:

- Initiate a Dutch auction tender offer for no less than *$100 million* to repurchase shares;
- *Retire* all repurchased shares so that shareholders realize the value of the tender offer;

- Correct the blatant *misuse of company assets*, resulting from direct conflicts of interest among the company's Board of Directors;

- Explore a *sale of the company*.

It has been more than five years since we first urged Actions to initiate a modified Dutch auction tender offer to accelerate stock repurchases, and our message remains consistent. As early as 2009, during the second quarter earnings conference call, we stated that "it would make a lot of sense, it seems, to consider other ways of repurchasing shares, such as a Dutch tender offer." We have reiterated the same recommendation to Actions on every subsequent quarterly earnings call—for twenty straight quarters during the past five years, yet our proposal has been ignored. In November 2011, we sent the attached letter to you and the Board of Directors and, six weeks later, received a response (also attached) saying that you and the Board had "determined not to proceed with a Dutch tender offer" but would "continue to consider various potential paths to increasing shareholder value." Following your response, we discovered that the high cost of a tender offer factored into the Board's decision; therefore, we made an exceptional effort to introduce you and management to an investment banker who would execute the entire transaction for less than $500,000. Yet, here we are, two-and-a-half years later, and the Board of Directors at Actions has taken no meaningful steps to increasing shareholder value.

Since 2007, the company has missed opportunity after opportunity to substantially improve shareholder value via tender offers for large blocks of stock—worth many millions of dollars in cash, for just pennies on the dollar; nevertheless, the Board continues to authorize an anemic SEC Rule 10b-18 stock repurchase program buying back only 3.2 million average shares annually. Moreover, rather than ***retiring*** repurchased shares, which is what creates the shareholder value, the company has turned around and ***reissued*** these shares as options to employees who, in turn, sell them back into the open market. This misuse of shareholder assets is unacceptable and untenable.

The time for analysis and contemplation of the Accretive Capital Partners proposal has long passed, and the time for immediate action has arrived. While the Board authorized an increase to the share repurchase program from 30 million to 50 million ADSs on May 6, 2014, only 27.5 million incremental ADS shares have been made available for repurchase under this authorization. At the current share price, this equates to only $47.3 million. We believe that the company should return at least $100 million to shareholders via an immediate tender offer, and we are no longer willing to wait patiently as the board disregards our consistent and clear message.

Let us examine the state of Actions Semiconductor today. As of March 31, 2014, we find the company holding $253 million ($3.71/share) of cash, cash equivalents and investments, total debt of roughly $41 million ($0.59/share), and ***tangible book value of $243 million***

($3.57/share). Yet, despite healthy gross margins approaching 30%, the entire company is valued by the market at only $117 million ($1.72/share), an astounding ***52% discount to tangible book value***. The company's operating business is actually valued as a $126 million ($1.85/share) *liability*. Our company sits atop a mountain of unutilized cash, representing 76% of total assets; due to rampant distrust of the Actions Board of Directors, however, the market ascribes an incredulous 52% discount to tangible book value and an even more astonishing ***45% discount to net cash and equivalents***.

Stock Market Valuation of Actions

The public market considers Actions' operating business to be a liability of ($1.85)/share, indicative of investor concerns that shareholders' cash will continue to be spent on poor investments or unproductive R&D and will never be returned to its owners, the shareholders:

Market Value of Actions Today

Net Cash	$3.12
Other Tangible Non-Operating Assets (Including Premium Office Building in Zhangjiang Hi-Tech Park)	0.45
Market Value of Operations	(1.85)
Market Value of Actions on May 23, 2014	$1.72

At today's price, each share of stock purchased for $1.72 provides the buyer $1.72 of tangible value *plus* an additional $1.85 of "free" tangible value, equal to an ***instant 108% gain on investment***. Rather than making this extraordinary investment on behalf of shareholders, the Board has directed 43% ($106 million) of the company's assets into money market deposits and high-risk Chinese trust financial products earning 5.6% annually. In 2011, the Board authorized a $13.7 million investment in OCTT Holding Co., Ltd, a Mauritius private equity fund investing in other Taiwanese fabless semiconductor design companies, which turned around and invested 44% of its assets into Realtek Semiconductor Corporation, a company substantially owned and chaired by Actions Semiconductor Board Member Nan-Horng Yeh. This is an absolute and blatant conflict of interest and, given the Board's refusal to pursue optimal investment opportunities on behalf of shareholders, one can only conclude that the motives of the Actions Semiconductor Board of Directors are not in the best interests of shareholders.

In addition to these misguided investment activities, the Board continues to support annual R&D expenditures approximating $26 million, or 40% of the $64 million on current revenue—and a shocking 260% increase to the $10 million annual R&D expense just seven years ago, *when* *revenue was $170 million*. Assuming that $1 spent on R&D should generate at least $1 in future revenue, this program has cost shareholders more than $140 million since 2006. One can hardly argue that Actions needs more time to traverse the "path to increasing shareholder value" plotted by the Board, given the company has spent $17-$26 million annually on R&D for over five years, creating nothing but endless operating losses ranging from $13-$20 million annually. It is time for the Board of Directors to chart a new course to increasing shareholder value at Actions Semiconductor.

Optimal capital allocation is not simply a profitable investment; capital allocation decisions must be measured against risk-adjusted returns on alternative investments available to the company or its shareholders. When Actions has an opportunity to repurchase its own stock, doubling its cash per share and generating an instantaneous return on investment exceeding 100%, it is impossible to understand why the Board of Directors would choose to invest in risky Chinese trust financial products earning 5.6%, Taiwanese private equity funds, premium real estate projects, and disproportionate and ineffectual R&D expenditures.

Fortunately, an immediate opportunity lies in aggressively buying back stock at prices below net tangible assets of $3.57/share. I would like to direct your attention to calculations which demonstrate the extremely accretive nature of a $100 million share repurchase. We will explore stock buybacks at both 50% and 30% premiums to the closing share price on May 23, 2014, via a Dutch auction tender offer. While we recognize that roughly 27.5 million shares remain authorized under the current share repurchase program, we believe the company has ample resources to invest $100 million and to continue meeting working capital requirements.

By reducing the share count to 29.6 million shares through a $100 million repurchase at $2.58/share (i.e., 38.6 million shares, including $500,000 in transaction costs) funded by the abundant cash and equivalents currently held by the company, you will note that per-share tangible book value increases from $3.57 to $4.84 and that cash per share increases from $3.71 to $5.16. Moreover, these exceptionally accretive returns are achieved with a purchase price at an astounding 50% premium to the May 23, 2014 closing price of $1.72.

Stock Market Valuation of Actions

Actions' balance sheet will reflect the following changes if it repurchases 38.6 million shares at a **50% premium**, or **$2.58/share**, for $100.0 million (assuming transaction costs are $0.5 million):

	Before Share Repurchase		After Share Repurchase	
	in Millions	Per Share	in Millions	Per Share
Shares Outstanding	68.2		29.6	
Cash	$ 252.8	$ 3.71	$ 152.8	$ 5.16
Non-Operating Tangible Assets (Premium Building in Zhangjiang Hi-Tech Park)	$ 31.1	$ 0.45	$ 31.1	$ 1.05
Debt	$ (45.5)	$ (0.59)	$ (45.5)	$ (1.37)
Tangible Book Value	$ 243.5	**$ 3.57**	$ 143.5	**$ 4.84**
Conservative Share Value		**$ 4.51**		**$ 7.01**
Minimum Number of Shares Repurchased to Cover Costs of Buyback	$500,000/($4.51-$2.58) = **259,067 shares**			

The figures only become more accretive as the premium is reduced. By investing $100 million to repurchase shares at a 30% premium to the current price, or $2.24/share, the share count would be reduced to 23.7 million shares, tangible book value per share would increase from $3.57 to $6.04, and cash per share would increase from $3.71 to $6.44.

Stock Market Valuation of Actions

Actions' balance sheet will reflect the following changes if it repurchases 44.4 million shares at a **30% premium**, or **$2.24/share**, for $100 million (assuming transaction costs are $0.5 million):

	Before Share Repurchase		After Share Repurchase	
	in Millions	Per Share	in Millions	Per Share
Shares Outstanding	68.2		23.7	
Cash	$ 252.8	$ 3.71	$ 152.8	$ 6.44
Non-Operating Tangible Assets (Premium Building in Zhangjiang Hi-Tech Park)	$ 31.1	$ 0.45	$ 31.1	$ 1.31
Debt	$ (45.5)	$ (0.59)	$ (45.5)	$ (1.71)
Tangible Book Value	$ 243.5	**$ 3.57**	$ 143.5	**$ 6.04**
Conservative Share Value		**$ 4.51**		**$ 8.75**
Minimum Number of Shares Repurchased to Cover Costs of Buyback	$500,000/($4.51-$2.24) = **220,264 shares**			

The previous calculations do not take into account the premium that a strategic acquirer is willing to pay for a fabless semiconductor company like Actions. Demand for these companies is strong and continues to be bolstered by the Chinese Government's commitment to and activity in the space. In December 2013, China's Ministry of Industry and Information Technology announced the creation of a $5 billion fund with a focus on supporting the Chinese chip industry, and Ma Xianghui, Vice Bureau Chief of the Ministry's financial affairs, said China is exploring spending around 100 billion yuan ($16.3 billion) over an unspecified time period to create a national fund to support the chip industry. Over the past year, three notable acquisitions of Chinese fabless semiconductor developers have been made: On July 12, 2013, Tsinghua Unigroup Ltd., a solely state-owned limited liability corporation funded by Tsinghua University in China, entered an agreement to purchase Spreadtrum Communications Inc., a Chinese fabless semiconductor company for $31/share, or $1.78 billion in total equity value and $1.73 billion in total enterprise value; On November 11, 2013, the same Tsinghua Unigroup entered into a separate agreement to acquire RDA Microelectronics Inc., another Chinese fabless semiconductor manufacturer, for $18.50/share, or $910 million in total equity value and $802 million in total enterprise value; On March 10, 2014, Montage Technology Group Limited, the third Chinese fabless semiconductor company, received a letter from Shanghai Pudong Science and Technology Investment proposing an acquisition at $21.50/share, or $570 million in total equity value and $436 million in total enterprise value. The following table illustrates the significant sales valuation multiples ascribed to of each of these acquisitions:

Company	**Closing Date**	**Enterprise Value/Sales**
Spreadtrum Communications Inc.	December 23, 2013	2.38x
RDA Microelectronics Inc.	November 11, 2013 (Announced)	2.33x
Montage Technology Group Limited	March 10, 2014 (Announced)	3.45x
	Average	**2.72x**

The following scenarios demonstrate the value of Actions Semiconductor to a strategic acquirer: At a conservative multiple of 1 times sales (less than half the industry average), the implied value per share of Actions is $4.51, or a 162% premium to the current stock price. Using the average precedent transaction multiple of sales, the value of Actions shares is $6.14.

Were Actions to implement the proposed share repurchase, the share value increases dramatically: A $100 million share buyback at a 50% premium produces a conservative value (at 1 times sales) of $7.01/share; valued at the precedent transactions 2.72 times sales multiple, the stock would be worth $10.75/share. The same buyback at a 30% premium would increase the share value to $8.75/share, at 1 times sales, and to $13.40/share, at 2.72 times sales. Calculations may be found in the illustrations below:

Conservative Value of Actions

At a conservative 1x sales multiple, Actions' share value would immediately increase to **$8.75/share** after a repurchase of 44 million shares at $2.24/share and would further increase to **$10.25/share** if sales were grown to $100 million:

Value of Actions at 1x Sales Multiple with Existing Sales		After $2.58 Repurchase	After $2.24 Repurchase
Net Cash	$3.12	$3.79	$4.73
Other Tangible Non-Operating Assets (Premium Building in Zhangjiang Hi-Tech Park)	0.45	1.05	1.31
Value of Operations at 1x Existing Sales	0.94	2.17	2.71
Conservative Value of Actions	**$4.51**	**$7.01**	**$8.75**

Value of Actions at 1x Sales Multiple with $100 Million Sales		After $2.58 Repurchase	After $2.24 Repurchase
Net Cash	$3.12	$3.79	$4.73
Other Tangible Non-Operating Assets (Premium Building in Zhangjiang Hi-Tech Park)	0.45	1.05	1.31
Value of Operations at 1x $100 million in Sales	1.47	3.38	4.21
Conservative Value of Actions	**$5.04**	**$8.22**	**$10.25**

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Value of Actions to a Strategic Buyer

Using a precedent transaction average of 2.72x sales multiple, a strategic buyer should value Actions' stock at **$13.40**, assuming 44 million shares are repurchased at $2.24/share and **$17.49** after sales grow to $100 million:

Value of Actions to a Strategic Buyer Today		After $2.58 Repurchase	After $2.24 Repurchase
Net Cash	$3.12	$3.79	$4.73
Other Tangible Non-Operating Assets (Premium Building in Zhangjiang Hi-Tech Park)	0.45	1.05	1.31
Value of Operations at 2.72x Existing Sales	2.57	5.91	7.36
Strategic Value of Actions	**$6.14**	**$10.75**	**$13.40**

Value of Actions to a Strategic Buyer Next Year		After $2.58 Repurchase	After $2.24 Repurchase
Net Cash	$3.12	$3.79	$4.73
Other Tangible Non-Operating Assets (Premium Building in Zhangjiang Hi-Tech Park)	0.45	1.05	1.31
Value of Operations at 2.72x $100 million in Sales	3.99	9.19	11.45
Strategic Value of Actions	**$7.56**	**$14.03**	**$17.49**

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We believe that the most important thing Actions can do on behalf of shareholders is to deploy our poorly-utilized cash into the highest yielding investment opportunity as soon as possible. Given the uninspiring results of capital allocation to risky Chinese trust instruments, conflicted private equity investments, and disproportionately large R&D staff—coupled with the extraordinary opportunity to repurchase company stock, together with an unusually strong sellers' market for Chinese semiconductor companies—we strongly encourage the Board of Directors of Actions Semiconductor to authorize a Dutch auction tender offer for no less than *$100 million* to repurchase shares, immediately; to *retire* all repurchased shares, so that shareholders may realize the value of the tender offer; to correct the blatant *misuse of company assets*, resulting from direct conflicts of interest among the company's Board of Directors; and to begin to explore a *sale of the company*.

For more than six years Accretive Capital Partners has stood by Actions Semiconductor and waited patiently for a turn-around to materialize and for the long-term investment in R&D to result in profitable sales growth; unfortunately, this has not occurred. Accordingly, we encourage you to pursue our recommendations immediately, and we remind you of your fiduciary duties to shareholders: As custodians of our investment in Actions Semiconductor Co., Ltd., you are charged with a duty to place shareholder interests above any personal gain or other motives. And, consistent with the motivation that compels us, we demand only that you do the right and honorable thing on behalf of all Actions Semiconductor shareholders.

Sincerely,

Richard E. Fearon, Jr.
Managing Partner

cc: Mr. Zhenyu Zhou, Actions Semiconductor Co., Ltd.
Mr. Nigel Liu, Actions Semiconductor Co., Ltd.
Mr. Paul Hsiao, New Enterprise Associates, Inc.
Mr. Krishna Kolluri, New Enterprise Associates, Inc.
Mr. Scott Sandell, New Enterprise Associates, Inc.
David E. Rosewater, Esquire, Schulte Roth & Zabel LLP

attachments: November 15, 2011 letter from Richard Fearon to Hsiang-Wei Lee
December 26, 2011 letter from Hsiang-Wei Lee to Richard Fearon

ACCRETIVE CAPITAL
PARTNERS, LLC

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November 15, 2011

Mr. Hsiang-Wei Lee
Chairman of the Board
Actions Semiconductor Co., Ltd
15-1 No 1 HIT Road
Tangjia
Zhuhai, 519085
Peoples Republic of China

Dear Mr. Lee and Board Members of Actions Semiconductor:

We are writing to express the very great frustration Accretive Capital Partners and its management have with the course of action being pursued by the Board of Directors of Actions Semiconductor.

We are among the largest shareholders of Actions Semiconductor with over 3,000,000 ADS shares (or 18,000,000 ordinary shares) and have been calling for the company to initiate a significant Dutch tender offer of the company's stock for over three years now to no avail.

The market ascribes an equity value of $139 million to Actions Semiconductor, yet our company holds approximately $228 million of cash, equivalents and investments (net of all debt) and can fund operations from existing cash flow. This extraordinary disparity between market value and intrinsic value of the stock suggests that the market simply does not trust management and the Board to spend our cash in the best interests of shareholders. Simply put, this enormous cash hoard is totally unnecessary to operate a company of this size; investors recognize this and cannot understand why this mountain of cash is not being returned its rightful owners--*the shareholders*.

Instead of making a significant and immediate investment in our own stock, the Board has directed management to make a series of failed investments in other businesses and technologies and to ramp up R&D spending to more than $20 million per year: In 2009 the company wrote off its $1 million investment in AMC Holding; last quarter, Actions wrote off the remaining $800,000 cost of its failed $8 million 2008 investment in Mavrix Technologies; earlier this year, Actions announced it had borrowed $12 million to invest in a Taiwanese hedge fund; and now the company is spending over $20 million annually on R&D (or 46% of Actions' year-to-date revenue), which is 450% higher than comparable semiconductor businesses and, as a percentage of revenue, more than three times greater than one of the highest R&D spenders in the industry, Intel Corporation--with no results to show for it. These investments are bad, irrational, and very likely a breach of fiduciary duty.

We have proposed that Actions pursue a Dutch tender offer on every quarterly conference call since 2008 (i.e., on no fewer than *a dozen* different occasions), and management and the Board have yet to act.

A repurchase of stock generates an immediate 67% cash return on investment, since the company owns $3.18/share of net cash, equivalents and investments, yet the stock trades for $2.00/share. This is a full 40% discount to cash value. Our company, Actions Semiconductor, is literally paid $1.18 for each share we buy back at today's price. And for every share repurchased for less than its cash value, the cash value of each remaining share of stock outstanding actually increases, so the return on investment increases.

A Dutch tender offer in the $150-175 million range would leave approximately $50-75 million of cash for working capital, 3-5 times more than enough for a company of this size. And, if the tender is completed for $2.60/share (a 30% premium), it will increase the cash value for all remaining shareholders to $7/share (for $150 million tendered) up to $33/share (for $175 million tendered), resulting in an immediate ***170% to 1,180% gain on investment*** for all remaining shareholders. You can see the enormous benefit of buying back stock as aggressively as possible when it trades below its cash value.

As shareholders of Actions Semiconductor, *we* own the company's cash--*not* the Board of Directors and *not* management. We simply want the Board of Directors and management to act in the best interests of shareholders by investing our cash in the most optimal manner possible. We strongly encourage the Board of Directors of Actions Semiconductor to immediately pursue a significant ***Dutch tender offer in the $150-175 million*** range. This misappropriation of our cash is a situation we are no longer willing to sit idly by watching.

We look forward to your response.

Sincerely,

Richard E. Fearon, Jr.

Richard E. Fearon, Jr.
Managing Partner

cc: Mr. Paul Hsiao, New Enterprise Associates, Inc.
David E. Rosewater, Esquire, Schulte Roth & Zabel LLP

炬力集成电路設計有限公司
Actions Semiconductor Co., Ltd.

December 26, 2011

Mr. Richard E. Fearon, Jr.
Managing Partner
AccretiveCapital Partners, LLC
Sixteen Wall Street, 2nd Floor
Madison, Connecticut 06443

Dear Mr. Fearon,

We are in receipt of your letter dated November 15, 2011 wherein you encouraged our board of directors to undertake a Dutch tender offer in the $150 million to $175 million range.

The Board discussed with the management team, in great detail, the proposal outlined in your letter as well as other potential avenues for increasing shareholder value at its most recent meeting. After considering your proposal and other alternatives, the Board has determined not to proceed with a Dutch tender offer at this time.

The Board has and will continue to consider various potential paths to increasing shareholder value. Among these ideas are ways in which the company could return cash to shareholders. We note that as of September 30, 2011, the share repurchase program commenced in 2007 had led to the repurchase of approximately 17.1 million American Depositary Shares for a total of approximately $40.2 million.

We thank you for your proposal and I want to assure you that the Board will continue to discuss these issues again at future board meetings.

We wish you a happy holiday season and a prosperous new year.

Sincerely,

David Lee

Hsiang-Wei Lee
Chairman of the Board of Directors

cc: Mr. Paul Hsiao, New Enterprise Associates, Inc.
David E. Rosewater, Esquire, Schulte Roth & Zabel LLP