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ACL SEMICONDUCTOR INC
Form 10-K
April 14, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(MARK ONE)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

FOR THE FISCAL YEAR ENDED December 31, 2008

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number: 000-50140

ACL SEMICONDUCTORS INC.
(Exact name of registrant as specified in its charter)

Delaware	16-1642709
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

B24-B27,1/F., Block B, Proficient Industrial Centre, 6 Wang Kwun Road, Kowloon, Hong Kong

(Address of principal executive offices)

(852) 2799-1996

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock - \$.001 par value
The Common Stock is listed on the Over-the-
Counter Bulletin Board

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes No

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter

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period that registrant was required to file such reports) and (2) has been subject to such filing requirements for at least the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated file and larger accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting common equity held by non-affiliates of the registrant as of April 13, 2009 was approximately \$5,665,987 based upon the closing price of \$0.20 of the registrant's common stock on the OTC Bulletin Board, as of the last business day of the most recently completed first fiscal quarter (March 31, 2009). (For purposes of determining this amount, only directors, executive officers, and 10% or greater stockholders have been deemed affiliates).

Registrant had 28,329,936 shares of common stock, par value \$0.001 per share, outstanding as of April 13, 2009.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980). N/A

FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K and the documents incorporated herein contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this Annual Report, statements that are not statements of current or historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words plan , intend , may, will, expect, believe , could, anticipate, estimate, or continue or similar expressions or other variations or comparable terminology are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except as required by law, the Company undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Any reference to ACL , the Company , we , us , our or the Registrant means ACL Semiconductors Inc. and its subsidiaries.

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PART I

ITEM 1. BUSINESS
GENERAL

ACL Semiconductors Inc. (the Company) was incorporated under the laws of the State of Delaware on September 17, 2002. Our predecessor, Print Data Corp. (Historic Print Data) was incorporated under the laws of the State of Delaware on August 15, 1984 as a business forms distributor and supplier of office and computer environment supply needs.

On September 8, 2003, the Company entered into a Share Exchange and Reorganization Agreement (the Exchange Agreement) with Atlantic Components Limited, a Hong Kong corporation (Atlantic), and Mr. Chung-Lun Yang, the sole beneficial stockholder of Atlantic (Mr. Yang), which set forth the terms and conditions of the exchange by Mr. Yang of his common shares of Atlantic, representing all of the issued and outstanding capital stock of Atlantic, in exchange for the issuance by the Company to Mr. Yang and certain financial advisors of an aggregate twenty five million (25,000,000) shares of common stock, par value \$0.001 per share (the Common Stock), of the Company (the Transaction). Pursuant to the Exchange Agreement, the Company and Atlantic agreed, *inter alia*, to elect Mr. Yang and Mr. Ben Wong to the board of directors (Board of Directors) of the Company upon the closing of the Transaction (the Closing), effective as of that date (the Closing Date), at which time, all of the Company s existing directors resigned.

The Closing occurred on September 30, 2003, upon the satisfaction or waiver of the conditions to the Closing set forth in the Exchange Agreement, as a result of which (i) Atlantic became a wholly-owned subsidiary of the Company, (ii) Mr. Yang received an aggregate of 22,380,000 shares of Common Stock, (iii) the Company s existing directors resigned and Mr. Yang and Mr. Wong were appointed to fill their vacancies and became the only members of the Board of Directors, and (iv) certain financial advisors to Atlantic became entitled to receive an aggregate of 2,620,000 shares of Common Stock. Giving effect to the Closing (including required issuances to financial advisors), Mr. Yang held approximately 80.4% of the outstanding Common Stock immediately following the Closing.

On December 16, 2003, the Company filed a Certificate of Amendment with the Secretary of State of the State of Delaware changing its name from Print Data Corp. to ACL Semiconductors Inc.

The address of the Company s principal executive offices and its telephone and facsimile numbers at that address are:

ACL Semiconductors Inc., B24-B27, 1st Floor, Block B, Proficient Industrial Centre, 6 Wang Kwun Road, Kowloon, Hong Kong; Phone Number: (852) 2799-1996.

Business

The Company is one of the authorized distributors in the Hong Kong and southern region of the People's Republic of China (Southern China) markets of memory products of Samsung Electronics Hong Kong Co., Ltd. (Samsung), a wholly-owned subsidiary of Samsung Electronics Co., Ltd., the world's largest producer of memory chips and a global producer of memory products, pursuant to a distributorship agreement with Samsung (the Distribution Agreement) since 1993. Atlantic was established as a Hong Kong corporation in May 1991 by Mr. Yang as a regional distributor of memory products of various manufacturers. In 1993, Samsung appointed Atlantic as its authorized distributor and marketer of Samsung's memory products in Hong Kong and overseas markets. In 2001, Atlantic established a representative office in Shenzhen, China and began concentrating its distribution and marketing efforts in Southern China.

Since 1993, Atlantic has diversified its product portfolio to include all of Samsung's memory products marketed under the Samsung brand name which comprise Dynamic Random Access Memory (DRAM), Double Data Rate RAM (DDR), Graphic Random Access Memory (Graphic RAM), NAND FLASH, NOR FLASH, and Multi-Chip Packing (MCP). Atlantic believes it is one of the largest and most successful distributors of Samsung memory products in Hong Kong and Southern China.

The Company's business objective is to build the best memory solutions platform for electronics manufacturers in the region. It also aims to offer updated market intelligence to Samsung in connection with the Hong Kong and Southern China markets' demand in memory products and secure high-quality Samsung products in order to meet the market demands of individual and corporate users in Hong Kong and Southern China. The Company works closely with Samsung and presents Samsung with updated market information that it collects from retail channels and corporate users to assist Samsung to plan their production and allocation schedule in advance. The Company's business strategy is to assist Samsung in implementing their production planning using market intelligence to balance the supply and demand of memory products in the Hong Kong and Southern China markets. Accordingly, the Company maintains and develops a sales and market research team to answer marketing questions from Samsung on a regular basis. In addition, the Company has established distribution channels covering retail outlets and major corporate users in the region which allows those retail or ultimate customers a secure stable supply of Samsung's memory products with competitive prices. The Company is a non-exclusive distributor of Samsung, and enjoys a minimum guaranteed gross profit margin range of approximately 1.5% to 2% of products sold in form of sales rebate payable by Samsung.

Approximately 80% of the Company's revenues are derived from sales of Samsung memory products. As of December 31, 2008, pricing for the Samsung memory products ranged from approximately \$0.17 to \$750 per product depending on the product specifications.

The Distribution Agreement has a one-year term and contains certain sales quotas to be met by the Company. The Distribution Agreement has been renewed more than ten times, most recently on March 1, 2008. The Company has never failed to meet the sales quotas set forth in the Distribution Agreement.

Products

Synchronous Dynamic Random Access Memory (SDRAMs), or mobile SDRAM, are the most widely used semiconductor memory component in computer peripheral (HDD), DSC (digital still camera), Modems, ADSL Applications, DVD player, STB (set-top box), Digital TV, High Definition TV, PMP (Portable Multimedia Player).

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DDRs (DDR1, DDR2 and DDR3) are random access memory components that transfer data on both 0-1 and 1-0 clock transitions, theoretically yielding twice the data transfer rate of normal RAM or SDRAM. Currently, the market has been dominated by DDR2 and DDR3, which are also starting to penetrate into the mainstream markets in PCs and graphic cards. The DDR1 is nearly fading out in the market.

Flash memory is a specialized type of memory component used to store user data and program code; it retains this information even when the power is off. Although flash memory is currently used predominantly in mobile phones and PDAs, it is commonly used in multi-media digital storage applications for products such as MP3 players, Digital Still Cameras, Digital Voice Recorders, USB Disks, Flash Cards, etc. In addition, Solid State Disk hard disks (SSD) will be the next arena that NAND FLASH is expected by the Company to penetrate in the marketplace. The SSD hard disk could gradually dominate the traditional hard disk for notebook markets. Samsung is a major supplier in the world of FLASH products. In 2008, Samsung NAND Flash revenue was approximately US\$4,614 million, representing 40.4% of Flash s (NAND + NOR) market share.

Graphic RAM is a special purpose DDR (GDDR1, GDDR2, GDDR3, GDDR4) as graphic products require high-speed 3-dimensional calculation performance and large memory size as data storage buffer for DVD and computer game display. The current GDDR4 currently is the fastest graphic memory in volume production.

Industry Background

Memory products are integral parts of a wide variety of consumer products and industry applications including personal computer systems, notebooks, workstations and servers, handheld computer devices, cellular phones, camcorders, MP3 music players, digital answering machines and game boxes, DVD player, STB (set-top box), HDTV and PMP, among others. Market trends, such as increased emphasis on high-through put applications, including networking, graphics, multimedia, computer, consumer, and telecommunications products, have created opportunities for high performance memory products. At present, NAND Flash, DDR2 and SDRAM are the major memory products and will continue to be sold in the future for Consumer Electronics, PC field and Home Appliance products, and Samsung is among the world s largest developers and manufacturers of those memory products.

Customers

As of December 31, 2008, the Company had over 150 active customers in Hong Kong and Southern China, the majority of whom are memory product traders and PC/Servers OEM manufacturers. Sales to Aristo Technologies Ltd. (Aristo), a related party, accounted for 4%, 11% and 11% of the Company s net sales for the year ended December 31, 2008, 2007 and 2006. Other than the Company s most significant customer who accounted for 43% of the Company s net sales for the years ended December 31, 2008, no other customer accounted for more than 25% of the Company s net sales for 2008, 2007 and 2006, respectively. In order to control the Company s credit risks, the Company does not offer any credit terms to its customers other than a small number of clients who have long-established business relationships with the Company.

Sales and Marketing

As of December 31, 2008, the Company employed a total of 12 salespeople, each of whom has several years experience in the memory products industry. Seven of these salespeople are stationed in the Company s headquarters in Hong Kong, and five of them work out of the Company s representative

office in Shenzhen, China as customer liaisons. These sales personnel co-operate with key memory product retailers and PC/Servers OEM manufacturers to ensure that clients are supplied promptly with Samsung memory products. The Company intends to expand its sales force if levels of business materially increase in the next twelve months.

Market Research

The Company invests significant resources in market research for its own account to provide prompt and accurate market intelligence and feedback on a daily, weekly and monthly basis to Samsung in order to assist Samsung's production planning and products allocation functions and thus maintains a close business relationship with Samsung.

Suppliers

As of December 31, 2008, a majority of the distributed products are Samsung memory products. Since 1993, our procurement operations have been supported by Samsung to ensure there are enough supplies of memory products according to our monthly sales quota although there is no written long-term distribution agreement in place with Samsung. Samsung is allocated quantities of its memory products each year based on anticipated demand for such products by the customers of the various distributors of Samsung memory products in Hong Kong and in the PRC. The distributors that are supported by Samsung provide Samsung with their own annual estimates of product demand. In case of unexpected strong demand in the market exceeding our monthly sales quota, there is no assurance that Samsung will be able to supply sufficient memory products to us and other non-exclusive distributors to meet such demand in excess of Samsung's global allocation policy to Samsung. In the event of a supply shortage, the market prices of such memory products will rise and any loss of income attributable to our inability to fulfill all of our orders would be offset by the increase in income as a result of any increase in the market prices of such memory products.

Atlantic relies on Samsung to supply it with memory products for distribution to its clients. Atlantic's relationship with Samsung is primarily maintained through Mr. Yang, the founder of the Company.

Competition

The memory products industry in the Hong Kong and Southern China markets is very competitive. However, as one of the world's largest memory products manufacturers, Samsung's memory products are competitively priced and have an established reputation for product quality and brandname recognition in the retail and PC/Server OEM & Consumer Electronic segments. The Company, as one of the largest distributors of Samsung's memory products for the Hong Kong and Southern China markets, believes it is in a strong competitive position against other US, European, Japanese and Taiwanese memory products manufacturers and distributors.

Samsung's principal competitors in the Hong Kong and Southern China markets include Hynix and other Taiwanese manufacturers such as Nanya, PSC, Promos, ISSI and ESMT. The Company's principal competitors also include the five other non-exclusive distributors of Samsung memory products in the Hong Kong and Southern China markets. Samsung may, in its sole discretion, increase the number of distributors of its products in Hong Kong and Southern China which would result in increased competition for the Company.

Regulation

As of December 31, 2008, the Company's business operations were not subject to the regulations of any jurisdiction other than the People's Republic of China. Although the Company is not formally authorized to do business in the People's Republic of China, it has been permitted by the Chinese authorities to establish a representative office in Shenzhen, China to carry out liaison works for its customers in Southern China. The Company executes its sales contracts and delivers its products in Hong Kong for its Chinese customers and there have been no restrictions imposed on the Company by the mainland Chinese authorities with respect to the Company's pursuit of business growth and opportunities in China.

Employees

As of December 31, 2008, the Company had 43 employees. Of the 43 employees, 15 employees are in sales and marketing, 13 employees are in administration, 8 employees are in engineering, 7 employees are in customer service and liaison. None of the Company employees are represented by labor unions.

The Company's primary hiring sources for its employees include referrals from existing employees, print and Internet advertising and direct recruiting. All of the Company's employees are highly skilled and educated and subject to rigorous recruiting standards appropriate for a company involved in the distribution of brandname memory products. The Company attracts talent from numerous sources, including higher learning institutions, colleges and industry. Competition for these employees is intense. The Company believes its relationship with its employees to be good. However, the Company's ability to achieve its financial and operational objectives depends in large part upon its continuing ability to attract, integrate, retain and motivate highly qualified personnel, and upon the continued service of its senior management and key personnel, especially Mr. Yang.

ITEM 1A. RISK FACTORS

In addition to other information contained in this report, the following risk factors should be considered carefully in evaluating an investment in the Company and in analyzing the Company's forward-looking statements.

If our relationship with Samsung is terminated, we may not be able to continue operations.

We rely ultimately on Samsung to provide us with memory products for distribution to our clients though with the consent of Samsung, we can purchase the required memory products from other Samsung distributors and use the same method of calculating commission. Our relationship with Samsung is primarily maintained through our Chairman Mr. Yang Chung Lun, who has verbally agreed to remain with us. If our relationship with Samsung is terminated or if Mr. Yang terminates his employment with us, we may be unable to replace or retain Samsung on favorable terms.

Although we are not an exclusive distributor of Samsung's memory products, we believe we are the largest Samsung memory products distributor for the Hong Kong and Southern China markets. Although the Distribution Agreement is subject to annual renewal at Samsung's option, we do not foresee, based upon the long-term business relationship with Samsung established by Mr. Yang and our sales history with respect to the distribution of Samsung's memory products, any significant obstacles to obtaining renewals of the Distribution Agreement in the foreseeable future. However, no assurances can be given that Samsung will definitely renew the Distribution Agreement or, if renewed, on terms satisfactory to us.

In addition, Samsung has the right to increase the number of distributors of its memory products in Hong Kong and the Southern China markets without consulting us. If Samsung significantly increases the number of authorized distributors of its memory products, competition among Samsung distributors, would increase and we may not be able to meet its annual sales quota, which could increase the likelihood that Samsung would not renew the Distribution Agreement, or if renewed, that we could operate profitably.

If the growth rate of either memory products sold or the amount of memory used in each product decreases, sales of our products could decrease.

We are dependent on the computer and consumer electronics market as many of the memory products that we distribute are used in PCs or peripheral products. DRAMs are the most widely used semiconductor components in PCs and FLASH products are mostly used in the consumer electronics products. In recent years, the growth rate of PCs sold has slowed or declined. If there is a continued reduction in the growth rate of either PCs sold or the average amount of semiconductor memory included in each PC, sales of our memory products built for those markets could decrease, and our results of operations, cash flows and financial condition could be adversely affected. However, the continued growth of consumer electronics markets over the past several years has favorably affected our operations, cash flow and financial condition.

If Samsung is unable to respond to customer demand for diversified semiconductor memory products or is unable to do so in a cost-effective manner, we may lose market share and our results of operations may be adversely affected.

In recent periods, the semiconductor memory market has become relatively segmented, with diverse memory needs being driven by the different requirements of desktop and notebook PCs, servers, workstations, handheld devices, and communications, industrial and other applications that demand

specific memory solutions. Samsung currently offers customers a variety of memory products including DDR, Graphic RAM and FLASH..

Samsung needs to dedicate significant resources to product design and development to respond to customer demand for the continued diversification of memory products. If Samsung is unable or unwilling to invest sufficient resources to meet the diverse memory needs of customers, we, as a Samsung memory products major distributor may lose market share. In addition, as we diversify our product lines, we may encounter difficulties penetrating certain markets, particularly markets where we do not have existing customers. If we are unable to respond to customer demand for market diversification in a cost-effective manner, our results of operations may be adversely affected.

If Samsung's global allocation process results in Samsung not having sufficient supplies of memory products to meet all of our customer orders, this would have a negative impact on our sales and could result in our loss of customers. However, such shortages are infrequent. On the other hand, no assurance can be given that such shortages will not occur in the future.

If Samsung's manufacturing process is disrupted, our results of operations, cash flows and financial condition could be adversely affected.

Samsung manufactures products using highly complex processes that require technologically advanced equipment and continuous modification to improve yields and performance. Difficulties in the manufacturing process can reduce yields or disrupt production. From time to time, we have experienced minor disruptions in product deliveries from Samsung and we may be unable to meet our customers' requirements and they may purchase products from other suppliers. This could result in loss of revenues or affect our customer relationships.

We are heavily dependent upon the electronics industry, and excess capacity or decreased demand for products produced by this industry could result in increased price competition as well as a decrease in our gross margins and unit volume sales.

Our business is heavily dependent on the electronics industry. A majority of our revenues are generated from the networking, high-end computing and computer peripherals segments of the electronics industry, which is characterized by intense competition, relatively short product life-cycles and significant fluctuations in product demand. Furthermore, these segments are subject to economic cycles, which have occurred in the past and are likely to occur in the future. A recession or any other event leading to excess capacity or a downturn in these segments of the electronics industry could result in intensified price competition, a decrease in our gross margins and unit volume sales and materially affect our business, prospects, financial condition and results of operations.

The memory product industry is highly competitive.

We face intense competition from a number of companies, some of which are large corporations or conglomerates that may have greater resources to withstand downturns in the semiconductor memory market, invest in technology and capitalize on growth opportunities. To the extent Samsung memory products become less competitive, our ability to effectively compete against distributors of other memory products will diminish.

Current economic and political conditions may harm our business.

Global economic conditions and the effects of military or terrorist actions may cause significant disruptions to worldwide commerce. If these disruptions result in delays or cancellations of customer orders, a decrease in corporate spending on information technology or our inability to effectively market, manufacture or ship our products, our results of operations, cash flows and financial condition could be adversely affected. In addition, our ability to raise capital for working capital purposes and ongoing operations is dependent upon ready access to capital markets. During times of adverse global economic and political conditions, accessibility to capital markets could decrease. If we are unable to access the

capital markets over an extended period of time, we may be unable to fund operations, which could materially adversely affect our results of operations, cash flows and financial condition.

We believe that we will require additional equity financing to reduce our long-term debts and implement our business plan.

We anticipate that we will require additional equity financing in order to reduce our long-term debts and implement our business plan of increasing sales in the Southern China markets. There can be no assurance that we will be able to obtain the necessary additional capital on a timely basis or on terms acceptable to us. If we obtain such financing, the holders of our Common Stock may experience substantial dilution.

Our major stockholder controls our business, and could delay, deter or prevent a change of control or other business combination.

One shareholder, Mr. Yang, our Chief Executive Officer and Chairman of the Board of Directors, holds approximately 78.9% of our outstanding Common Stock. By virtue of his stock ownership, Mr. Yang will control all matters submitted to our board and our stockholders, including the election of directors, and will be able to exercise control over our business, policies and affairs. Since he has substantial voting power, he could cause us to take actions that we would not otherwise consider, or could delay, deter or prevent a change of control or other business combination that might otherwise be beneficial to our stockholders.

Our stock price has been volatile and may fluctuate in the future.

There has been significant volatility in the market prices for publicly traded shares of computer related companies, including ours. From September 30, 2003, the effective date of the reverse-acquisition of Atlantic, to March 31, 2009, the closing price of our Common Stock fluctuated from a per share high of \$2.95 to a low of \$0.06 per share. The per share price of our Common Stock may not remain at or exceed current levels. The market price for our Common Stock, and for the stock of electronic companies generally, has been highly volatile. The market price of our Common Stock may be affected by: (1) incidental level of demand and supply of the stock; (2) daily trading volume of the stock; (3) number of public stockholders in our stock; (4) fundamental results announced by ACL; and any other unpredictable and uncontrollable factors.

If additional authorized shares of our Common Stock available for issuance or shares eligible for future sale were introduced into the market, it could hurt our stock price.

We are authorized to issue 50,000,000 shares of Common Stock. As of December 31, 2008, there were 28,329,936 shares of our Common Stock issued and outstanding.

Currently, outstanding shares of Common Stock are eligible for resale. We are unable to estimate the amount, timing or nature of future sales of outstanding Common Stock. Sales of substantial amounts of the Common Stock in the public market by these holders or perceptions that such sales may take place may lower the Common Stock's market price.

If penny stock regulations impose restrictions on the marketability of our Common Stock, the ability of our stockholders to sell shares of our stock could be impaired.

The SEC has adopted regulations that generally define a "penny stock" to be an equity security that has a market price of less than \$5.00 per share or an exercise price of less than \$5.00 per share subject to certain exceptions. Exceptions include equity securities issued by an issuer that has (i) net tangible assets of at least \$2,000,000, if such issuer has been in continuous operation for more than three years, or (ii) net tangible assets of at least \$5,000,000, if such issuer has been in continuous operation for less than three years, or (iii) average revenue of at least \$6,000,000 for the preceding three years. Unless

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an exception is available, the regulations require that prior to any transaction involving a penny stock, a risk of disclosure schedule must be delivered to the buyer explaining the penny stock market and its risks. Our Common Stock is currently trading at under \$5.00 per share. Although we currently fall under one of the exceptions, if at a later time we fail to meet one of the exceptions, our Common Stock will be considered a penny stock. As such the market liquidity for the Common Stock will be limited to the ability of broker-dealers to sell it in compliance with the above-mentioned disclosure requirements.

You should be aware that, according to the SEC, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include:

Control of the market for the security by one or a few broker-dealers;

Boiler room practices involving high-pressure sales tactics;

Manipulation of prices through prearranged matching of purchases and sales;

The release of misleading information;

Excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and

Dumping of securities by broker-dealers after prices have been manipulated to a desired level, which hurts the price of the stock and causes investors to suffer loss.

We are aware of the abuses that have occurred in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, we will strive within the confines of practical limitations to prevent such abuses with respect to our Common Stock.

Section 203 of the Delaware General Corporation Law may deter a third party from acquiring us.

Section 203 of the Delaware General Corporation Law prohibits a merger with a 15% shareholder within three years of the date such shareholder acquired 15%, unless the merger meets one of several exceptions. The exceptions include, for example, approval by two-thirds of the shareholders (not counting the 15% shareholder), or approval by the Board prior to the 15% shareholder acquiring its 15% ownership. This provision makes it difficult for a potential acquirer to force a merger with or takeover of the Company, and could thus limit the price that certain investors might be willing to pay in the future for shares of our Common Stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2. PROPERTIES.

Our principal offices occupy approximately 4,989 square feet and are located at B24-B27, 1/F., Block B, Proficient Industrial Centre, 6 Wang Kwun Road, Kowloon Bay, Kowloon, Hong Kong, which was acquired from Classic, a related party, on July 21, 2006 (see Item 13 Certain Relationships and Related Transactions). Mr. Ben Wong, one of our directors, is also a director of Classic.

We lease a warehouse unit of approximately 1,846 square feet that is located at B14-15, 1/F., Block B, Proficient Industrial Centre, 6 Wang Kwun Road, Kowloon Bay, Kowloon, Hong Kong. The lease is for two years, from May 23, 2007 to May 22, 2009, from Lin Chin Hsiung with monthly lease payments of HK\$16,800 (approximately US\$2,154).

We lease a warehouse unit of approximately 873 square feet that is located at B9, 1/F., Block B, Proficient Industrial Centre, 6 Wang Kwun Road, Kowloon Bay, Kowloon, Hong Kong. The lease is for

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two years from Systematic Information Limited expiring on August 31, 2010, with monthly rental payments of HK\$5,000 (approximately US\$641). Mr. Ben Wong, one of our directors, is also a director of Systematic Information Limited.

We lease a warehouse unit of approximately 968 square feet that is located at B10, 1/F., Block B, Proficient Industrial Centre, 6 Wang Kwun Road, Kowloon Bay, Kowloon, Hong Kong. The lease was for two years with Solution Semiconductor (China) Ltd. and expired on March 31, 2009, with monthly rentals of HK\$8,500 (approximately US\$1,090). The lease continues on a month-to-month basis and the Company expects to renew it. Mr. Ben Wong, one of our directors, is also a 99% shareholder of Solution Semiconductor (China) Ltd.

We leased a warehouse unit of approximately 3,000 square feet located at 6/F, Kevin Wong Development Building, 11 Tai Yip Street, Kwun Tong, Kowloon, Hong Kong. The lease was for two years with Kevin Wong Holding Limited and expired on January 24, 2009, with monthly rental payments of HK\$12,800 (approximately US\$1,641)

We lease an office unit of approximately 2,682.9 square feet that is located at Room 2208, 22/F., Building A, United Plaza, No.5022 Binhe Road, Futian Centre, Shenzhen, China. The lease is from August 24, 2007 to August 23, 2010 with monthly lease payments of RMB20,122 (approximately US\$2,719).

We own a investment property of approximately 3,000 square feet located at No. 76, 5th Street, Hong Lok Yuen, Tai Po, New Territories, Hong Kong, which is leased to Macdermid Hong Kong Limited from August 1, 2007 to August 31, 2009 with monthly lease income of HK\$58,000 (approximately US\$7,436).

We own a property of approximately 3,000 square feet that is used for Mr. Yang's personal residence and is located at No. 78, 5th Street, Hong Lok Yuen, Tai Po, New Territories, Hong Kong.

In the event that the above facilities become unavailable, we believe that alternative facilities could be obtained on a competitive basis.

ITEM 3. LEGAL PROCEEDINGS.

In the ordinary course of business the Company may be subject to litigation from time to time. There is no past, pending or, to the Company's knowledge, threatened litigation or administrative action (including litigation or action involving the Company's officers, directors or other key personnel) which in the Company's opinion has, had, or is expected to have, a material adverse effect upon its business, prospects, financial condition or operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of security holders during the three months ended December 31, 2008.

PART II**ITEM 5. MARKET FOR COMPANY S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.**

Quarters ended	High	Low
Quarter ended March 31, 2009		
Quarter ended March 31, 2009	\$ 0.28	\$ 0.14
Fiscal Year ended December 31, 2008:		
Quarter ended December 31, 2008	\$ 0.40	\$ 0.15
Quarter ended September 30, 2008	\$ 0.40	\$ 0.21
Quarter ended June 30, 2008	\$ 0.27	\$ 0.12
Quarter ended March 31, 2008	\$ 0.15	\$ 0.09
Fiscal Year ended December 31, 2007		
Quarter ended December 31, 2007	\$ 0.10	\$ 0.07
Quarter ended September 30, 2007	\$ 0.14	\$ 0.07
Quarter ended June 30, 2007	\$ 0.15	\$ 0.10
Quarter ended March 31, 2007	\$ 0.11	\$ 0.10

Stock price information has been derived from Yahoo Finance. Such quotations reflect inter-dealer bids, without retail mark-up, mark-down or commissions, and may not reflect actual transactions.

As of April 6, 2009, the last reported sale price of our Common Stock, as reported by the OTC Bulletin Board, was \$0.20 per share.

As of April 6, 2009, there were approximately 209 holders of record of our Common Stock.

Dividend Policy

Since our recapitalization with Atlantic, effective September 30, 2003, we have never paid cash dividends on our Common Stock. We currently anticipate that we will retain all available funds for use in the operation and expansion of our business, and do not anticipate paying any cash dividends in the foreseeable future.

Equity Compensation Plan Information

The following table sets forth certain information regarding the Company s equity compensation plans as of December 31, 2008.

2006 STOCK OPTION PLAN

On March 31, 2006, the Board of Directors adopted the 2006 Equity Incentive Stock Plan (the Plan) and the majority stockholder approved the Plan by written consent. The purpose of the Plan is to provide additional incentive to employees, directors and consultants and to promote the success of the

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Company's business. The Plan permits us to grant both incentive stock options (Incentive Stock Options or ISOs) within the meaning of Section 422 of the Code, and other options which do not qualify as Incentive Stock Options (the Non-Qualified Options) and stock awards.

Unless earlier terminated by the Board of Directors, the Plan (but not outstanding options) terminates on March 31, 2016, after which no further awards may be granted under the Plan. The Plan is administered by the full Board of Directors or, at the Board's discretion, by a committee of the Board of Directors consisting of at least two persons who are disinterested persons defined under Rule 16b-2(c)(ii) under the Securities Exchange Act of 1934, as amended (the Committee).

Recipients of options under the Plan (Optionees) are selected by the Board of Directors or the Committee. The Board of Directors or Committee determines the terms of each option grant, including (1) the purchase price of shares subject to options, (2) the dates on which options become exercisable and (3) the expiration date of each option (which may not exceed ten years from the date of grant). The minimum per share purchase price of options granted under the Plan for Incentive Stock Options and Non-Qualified Options is the fair market value (as defined in the Plan) on the date the option is granted.

Optionees will have no voting, dividend or other rights as stockholders with respect to shares of Common Stock covered by options prior to becoming the holders of record of such shares. The purchase price upon the exercise of options may be paid in cash, by certified bank or cashier's check, by tendering stock held by the Optionee, as well as by cashless exercise either through the surrender of other shares subject to the option or through a broker. The total number of shares of Common Stock available under the Plan, and the number of shares and per share exercise price under outstanding options will be appropriately adjusted in the event of any stock dividend, reorganization, merger or recapitalization or similar corporate event.

The Board of Directors may at any time terminate the Plan or from time to time make such modifications or amendments to the Plan as it may deem advisable and the Board of Directors or Committee may adjust, reduce, cancel and regrant an unexercised option if the fair market value declines below the exercise price except as may be required by any national stock exchange or national market association on which the Common Stock is then listed. In no event may the Board of Directors, without the approval of stockholders, amend the Plan if required by any federal, state, local or foreign laws or regulations or any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any other country or jurisdiction where options or stock purchase rights are granted under the Plan.

Subject to limitations set forth in the Plan, the terms of option agreements will be determined by the Board of Directors or Committee, and need not be uniform among Optionees.

ITEM 6. SELECTED FINANCIAL DATA.

The following consolidated selected financial data, at the end of and for the last three fiscal years, should be read in conjunction with our Consolidated Financial Statements and related Notes thereto appearing elsewhere in this Annual Report on Form 10-K. The consolidated selected financial data are derived from our consolidated financial statements that have been audited by JTC Fair Song CPA Firm, our independent registered public accounting firm, as indicated in their report included herein. The selected financial data provided below is not necessarily indicative of our future results of operations or financial performance.

	2008	2007	2006	2005	2004
Net Sales	\$ 206,082,770	\$ 160,404,924	\$ 105,642,123	\$ 110,207,743	\$ 133,243,690
Net income (loss)	\$ (922,039)	\$ 436,092	\$ 450,404	\$ 259,515	\$ (454,006)
Earnings (loss) per common share	\$ (0.03)	\$ 0.01	\$ 0.02	\$ 0.01	\$ (0.02)
Total Assets	\$ 34,587,072	\$ 33,462,963	\$ 21,121,354	\$ 8,832,457	\$ 10,265,983
Long-term Debt	\$ 2,404,766	\$ 2,589,213	\$ 1,900,997	\$ -	\$ 65,522
Weighted average number of shares outstanding basic and diluted	28,329,936	28,329,936	28,145,004	27,829,936	27,829,936

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This Management's Discussion and Analysis of Financial Condition and Results of Operations and other portions of this report contain forward-looking information that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated by the forward-looking information. Factors that may cause such differences include, but are not limited to, availability and cost of financial resources, product demand, market acceptance and other factors discussed in this report under the heading Risk Factors. This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Company's financial statements and the related notes included elsewhere in this report.

Overview

Corporate Background

We are engaged primarily in the business of distribution of memory products under the Samsung brandname which comprise DRAM, Graphic RAM and FLASH for the Hong Kong and Southern China markets.

As of December 31, 2008, we had over 150 active customers in Hong Kong and Southern China.

Pricing for the Samsung memory products range from approximately \$0.17 to \$750 depending on the product specifications. We also sell our products in Hong Kong and Southern China and do not anticipate selling our products outside of these regions in the foreseeable future.

For the years ended December 31, 2008, 2007 and 2006, the largest 5 customers accounted for 64%, 61% and 41% of our net sales, respectively. As of December 31, 2008, we had net current liabilities of \$31,152,455 and an accumulated deficit of \$2,560,216. We generated net sales of \$206,082,770 for the year ended December 31, 2008 and recorded a net loss of \$922,039. In addition, during the year ended December 31, 2008, net cash provided by operating activities amounted to \$174,125.

We are in the mature stage of operations and, as a result, the relationships between revenue, cost of revenue, and operating expenses reflected in the financial information included in this document to a large extent represent future expected financial relationships. Much of the cost of sales and operating expenses reflected in our consolidated financial statements are recurring costs in nature.

Plan of Operations

Our business objectives are to offer updated market intelligence to Samsung in connection with the Hong Kong and Southern China markets' demand in memory products and secure high-quality Samsung products in order to meet the market demands of individual and corporate users in Hong Kong and Southern China. Each quarter, we work closely with Samsung to present updated market information collected from retail channels and corporate users to assist Samsung to plan their production and allocation schedule six months in advance. Our business strategy is to assist Samsung in implementing their production planning using market intelligence to balance the supply and demand of memory products in the Hong Kong and Southern China markets. Accordingly, we maintain and develop a sales and market research team to answer marketing questions from Samsung on a regular basis. In addition, our established distribution channels covering retail outlets and major corporate users in the region allow those retail or ultimate customers a secure stable supply of Samsung's memory products with competitive prices. We are a non-exclusive distributor of Samsung, and enjoy a minimum guaranteed gross profit margin range of approximately 1.5% to 2% of products sold in form of sales rebate payable by Samsung.

Accounting Principles; Anticipated Effect of Growth

Below is a brief description of basic accounting principles which we adopt in determining our recognition of revenues and expenses, as well as a brief description of the effects that management believes its anticipated growth will have on revenues and expenses in the next 12 months.

Net sales

Net sales are recognized upon the transfer of legal title of the electronic components to customers. As of December 31, 2008 we had over 150 active customers.

Net sales for fiscal year 2008 were \$206,082,770, which increased by 28% or \$45,677,846 compared to fiscal year 2007. The major sales increase came from the first half of 2008 due to expansion in China market share and the reduction in production capacities by Samsung's rival, Hynix, and other memory makers, which led to larger demand for Samsung's products. The net sales for the quarter ended December 31, 2008 (2008⁴ Quarter) was \$56,609,629, representing an increase of 7% compared to \$52,743,506 for the quarter ended December 31, 2007 (2007⁴ Quarter). The sales increase is clearly smaller due to the impacts on market demand, financial support and cash flow due to recent economic conditions. More memory makers such as Qimonda, Elpida and Micron reported strong cutbacks in production capacities to clear up excess supply. With large amounts of supplies pouring into the market, the prices of memory components have dropped significantly. Through the Company's expanded network, sales volume has increased significantly to maintain high sales turnover during recent economic conditions.

The Company's gross profit for fiscal year 2008 was \$4,201,977, representing a 9% increase compared to \$3,871,289 for fiscal year 2007. The growth was due to the successful promotional campaign with Samsung in the second quarter and the high demand for consumer electronics from the Olympic Games in the third quarter. The gross profit for 2008⁴ Quarter was \$595,905, as compared to \$831,161 for 2007⁴ Quarter, representing a 28% decrease. The gross profit margin for the Company for 2008⁴ Quarter was 1.05%, compared to 1.58% for the corresponding quarter in 2007. The decrease in gross profit margin was mainly due to low unit prices caused by oversupply of products. Even though manufacturers reduced their production capacities, recent economic conditions still have a strong impact on market demand. This has led to inventory consumption problems and caused manufacturers to dump excess inventories at very low prices. Due to slow price adjustments from Samsung, the Company had to bear the difference between the contract prices and market prices, which caused the gross profit margin to decrease. Furthermore, it has also affected the Company's commission income.

The Company reported earnings from operations of \$154,988. However, the Company's earnings before income tax for fiscal year 2008 were a loss of \$955,910. This loss is mainly due to losses in book value of non-cash items, such as a decrease in the value of the Company's real property assets of \$883,117 and adjustments due to unrealized gains on securities of \$227,781. The adjustment of unrealized gains on securities is due to sales of investment securities at a lower value on June 20, 2008 compared to December 31, 2007. The unrealized loss on revaluation of the Company's real property assets was due to the property market downturn caused by recent economic conditions. The real properties which the Company owns are exclusively properties in Hong Kong. The Company believes that losses in values of its real property assets may be recovered in 2009.

The Company predicts that the demand for memory components will start to increase as supplies decrease due to the reduction in production capacities and as excess inventory levels decrease. The Company forecasts that the unit price of memory components will increase in the first quarter of 2009. Moreover, the Company believes that Samsung will further strengthen its cost competitiveness by

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increasing its 56nm DRAM market share, and its 35nm and 42nm NAND flash market share. This would greatly increase the Company's gross profit margin. Furthermore, the Company believes that the current situation may present opportunities for Samsung to further increase its market share while the other memory makers are reducing their production capacities or restructuring. The Company believes its sales turnover and gross profit margin will increase by a sufficient amount in 2009.

Cost of Sales

Cost of revenues consists of costs of goods purchased from our principal supplier, Samsung and purchases from other Samsung authorized distributors. Many factors affect our gross margin, including, but not limited to, the volume of production orders placed on behalf of our customers, the competitiveness of the memory products industry and the availability of cheaper Samsung memory products from overseas Samsung distributors due to regional demand and supply situation. Nevertheless, our procurement operations are supported by Samsung, although there is no written long-term supply agreement in place between us and Samsung. Our cost of goods, as a percentage of total revenues, amounted to approximately 97.9% for the year ended December 31, 2008 and approximately 97.6% for the year ended December 31, 2007.

Operating Expenses

Our operating expenses for the years ended December 31, 2008 and 2007 were comprised of sales and marketing, general and administrative expenses.

Selling and marketing expenses consisted primarily of costs associated with transportation and marketing activities.

General and administrative expenses include all corporate and administrative functions that serve to support our current and future operations and provide an infrastructure to support future growth. Major items in this category include management and staff salaries, rent/leases, professional services, and travel and entertainment. We expect these expenses to remain at approximately the same level in 2009. Sales and marketing costs are expected to fluctuate due to the addition of sales personnel and various marketing activities planned throughout the year.

Interest expense, including finance charges, relate primarily to our short-term and long-term bank borrowings.

Results of Operations

The following table sets forth audited consolidated statements of operations data for the years ended December 31, 2008, 2007, and 2006 and should be read in conjunction with **Management's Discussion and Analysis of Financial Condition and Results of Operations** and our financial statements and the related notes appearing elsewhere in this document.

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	Year Ended December 31,		
	2008	2007	2006
		(US\$)	
Net sales	206,082,770	160,404,924	105,642,123
Cost of sales	201,820,793	156,553,635	101,544,098
Gross profit	4,201,977	3,871,289	4,098,025
Operating expenses:			
Sales and marketing	76,072	69,260	791,367
General and administrative	3,216,132	2,942,542	2,272,057
Total operating expenses	3,292,204	3,116,802	3,063,424
Income from operations	909,773	859,487	1,034,601
Interest expense	1,073,795	1,009,006	688,693
Loss on revaluation of properties	883,117	-	-
Net (loss) income	(922,039)	436,092	450,404

Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007

Net Sales

Sales increased by \$45,677,846 or 28.5% from \$160,404,924 for the year ended December 31, 2007 to \$206,082,770 for the year ended December 31, 2008. The increase was mainly due to expansion in South China market share and the reduction in production capacities by Samsung, resulting in a higher turnover when compared to the year ended December 31, 2007.

Cost of Sales

Cost of sales increased \$45,347,158 or 29%, from \$156,533,635 for the year ended December 31, 2007 to \$201,880,793 for the year ended December 31, 2008. The cost of sales increased in proportion to the increase of net sales and reduction of commission by Samsung.

Gross Profit

Gross profit increased by \$330,688 or 8.5% from \$3,871,289 for the year ended December 31, 2007 to \$4,201,977 for the year ended December 31, 2008. The slight increase in gross profit amount is mainly due to the increase in net sales. The gross profit percentage decreased to 2% of revenue for the year ended December 31, 2008 compared to 2.4% of revenue for the year ended December 31, 2007, as a result of recent economic conditions that have had a strong impact on market demand and low unit prices caused by oversupply. We expect the gross profit for the year ended December 31, 2009 to remain at approximately the same level as in the year ended December 31, 2008.

Operating Expenses

Sales and marketing expenses increased by \$6,812, or 9.8%, from \$69,260 for the year ended December 31, 2007 to \$76,072 for the year ended December 31, 2008. The increase was in proportion to the increase in net sales for the year 2008. We expect the sales and marketing expenses for the year ended December 31, 2009 to remain at approximately the same level as the year ended December 31, 2008.

General and administrative expenses increased \$273,590 or 9.3% from \$2,942,542 for the year ended December 31, 2007 to \$3,216,132 for the year ended December 31, 2008. This increase was primarily attributable to an increase in Shenzhen office expenses during the year 2008. We will continue

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to keep general and administrative expenses for the year ended December 31, 2009 at approximately the same level as the year ended December 31, 2008.

Income from operations was \$909,773 for the year ended December 31, 2008 compared to \$859,487 for the year ended December 31, 2007, an increase of \$50,286. This increase was mainly due to increase in gross profit.

Other income (expenses)

Interest expense increased \$64,789, or 6.4%, from interest expense of \$1,009,006 in the year ended December 31, 2007, to \$1,073,795 in the year ended December 31, 2008. This increase was mainly due to an increase in the Company's need to open and draw down on letters of credit to obtain goods from its suppliers. We expect to keep interest expenses for the year ended December 31, 2009 at approximately the same level as in the year ended December 31, 2008.

Unrealized gains on pledged marketable securities decreased by \$404,780 from \$404,780 in the year ended December 31, 2007, to \$0 in the year ended December 31, 2008. This decrease was mainly due to all pledged marketable securities being sold during the year ended December 31, 2008. The profits were reclassified to the loss on disposal of marketable securities.

Loss on dispositions of marketable securities increased by \$227,781, from \$0 in the year ended December 31, 2007 to \$227,781 in the year ended December 31, 2008. This increase was due to sales of marketable securities at profits of \$176,999 during the year end December 31, 2008, adjusted to reflect losses of \$227,781 after deductions of \$404,780 of unrealized gains as recognized revenue in the year ended December 31, 2007.

Unrealized losses on values of the Company's real property assets increased by \$883,117 from \$0 in the year ended December 31, 2007, to \$883,117 in the year ended December 31, 2008. This increase was due to the valuations of the Company's real properties by a professional surveyor, based on the fair value at the year ended December 31, 2008 versus their book values; accordingly, the Company determined to write down their values by \$883,117.

Income Tax expense (income)

Income tax expense decreased by \$221,704 from \$187,833 for the year ended December 31, 2007 compared to income tax credits of \$33,871 for the year ended December 31, 2008. This decrease was mainly due to reverse overprovisions made in the last year.

Our net income decreased by \$1,358,131 from \$436,092 for the year ended December 31, 2007 compared to a net loss of \$922,039 for the year ended December 31, 2008. This decrease was mainly due to the decrease in profit margin and other income and the increase in the provision for impairment loss on valuation of the Company's real property assets.

Year Ended December 31, 2007 Compared to the Year Ended December 31, 2006

Net Sales

Sales increased by \$54,762,801 or 51.8% from \$105,642,123 for year ended December 31, 2006 to \$160,404,924 for the year ended December 31, 2007. The increase was mainly due to increased sales to OEM factories in Hong Kong and South China areas, resulting in a higher turnover when compared to the year ended December 31, 2006.

Cost of Sales

Cost of sales increased by \$54,989,537 or 54.1%, from \$101,544,098 for the year ended December 31, 2006 to \$156,533,635 for the year ended December 31, 2007. The cost of sales increased in proportion to the increase of net sales and reduction of commissions by Samsung from 2.4% to 1.8%.

Gross Profit

Gross profit decreased by \$226,736 or 5.5% from \$4,098,025 for the year ended December 31, 2006 to \$3,871,289 for the year ended December 31, 2007. The gross profit percentage decreased to 2.4% of revenue for the year ended December 31, 2007 compared to 3.9% of revenue for the year ended December 31, 2006, as a result of reduction of commissions by Samsung from 2.4% to 1.8% and special marketing efforts of Samsung products to several first tier manufacturers in China which occurred during the year.

Operating Expenses

Sales and marketing expenses decreased by \$722,107, or 91.2%, from \$791,367 for the year ended December 31, 2006 to \$69,260 for the year ended December 31, 2007. This decrease was principally attributable to the decreased sales commission expenses incurred for the year 2007.

General and administrative expenses increased \$670,485 or 29.5% from \$2,272,057 for the year ended December 31, 2006 to \$2,942,542 for the year ended December 31, 2007. This increase was primarily attributable to an increase in depreciation, director's remuneration and salary expenses during the year 2007.

Income from operations was \$859,487 for the year ended December 31, 2007 compared to \$1,034,601 for the year ended December 31, 2006, a decrease of income of \$175,114. This decrease was mainly due to a decrease in Samsung commissions and an increase in operating expenses.

Other income (expenses)

Interest expense increased \$320,313, or 46.5% from interest expense of \$688,693 in the year ended December 31, 2006, to \$1,009,006 in the year ended December 31, 2007. This increase was mainly due to an increase in the Company's need to open and draw down on letters of credits to obtain goods from its suppliers.

Unrealized gains on pledged marketable securities increased by \$404,780 from \$0 in the year ended December 31, 2006, to \$404,780 in the year ended December 31, 2007. This increase was mainly attributable to the increase in market value as of December 31, 2007 over the amount paid to purchase certain securities pledged by the Company in favor of Hang Seng Bank Limited (see Note 3 in the Financial Statements).

Our net income decreased by \$14,312 from \$450,404 for the year ended December 31, 2006 compared to \$436,092 for the year ended December 31, 2007. This decrease was mainly due to the decrease in profit margin.

Liquidity and capital resources

Our principal sources of liquidity have been cash from operations, bank lines of credit and credit terms from suppliers. Our principal uses of cash have been for operations and working capital. We anticipate these uses will continue to be our principal uses of cash in the future.

The short-term borrowings from banks to finance the cash flow required to finance the purchase of Samsung memory products from Samsung must be made a day in advance of the release of goods from Samsung's warehouse before receiving payments from customers upon physical delivery of such goods in Hong Kong which, in most instances, take approximately two days from the date of such delivery. In certain limited instances, customers of Atlantic are permitted up to thirty (30) days to make payment for purchased memory products. As the anticipated cash generated by the Company's operations are insufficient to fund our growth requirements, we will need to obtain additional funds. There can be no assurance that the Company will be able to obtain the necessary additional capital on a timely basis or on acceptable terms, if at all. The Company's business growth and prospects would be materially and adversely affected if such additional capital could not be so obtained. In the event of an equity financing, the holders of our Common Stock may experience substantial dilution. In addition, if our results are negatively impacted and delayed as a result of political and economic factors beyond management's control, our capital requirements may increase.

The following factors, among others, could cause actual results to differ from those indicated in the above forward-looking statements: pricing pressures in the industry; a continued downturn in the economy in general or in the memory products sector; an unexpected decrease in demand for Samsung's memory products; our ability to attract new customers; an increase in competition in the memory products market; and the ability of some of our customers to obtain financing. These factors or additional risks and uncertainties not known to us or that we currently deems immaterial may impair business operations and may cause our actual results to differ materially from any forward-looking statement.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this report to conform them to actual results or to make changes in our expectations.

In the year ended December 31, 2008, net cash provided by operating activities amounted to \$174,125 while in the year ended December 31, 2007, it amounted to \$1,125,907, a decrease of \$951,782. This decrease was primarily due to decrease of inventory value at the end of 2008.

In the year ended December 31, 2007, net cash provided by operating activities amounted to \$1,125,907 while in the year ended December 31, 2006, net cash used for operating activities amounted to \$6,287,126, an increase of \$7,413,033. This increase was primarily due to increase of accounts payable and accounts receivable at the end of 2007.

In the year ended December 31, 2006, net cash used in operating activities amounted to \$6,287,126 while in the year ended December 31, 2005, net cash provided by operating activities amounted to \$2,992,320, an increase of \$9,279,446. This increase was primarily due to increase of inventory value and receivables due from related and unrelated parties at the end of 2006.

In the year ended December 31, 2008, net cash used for investing activities amounted to \$616,615 while in the year ended December 31, 2007, it amounted to \$6,412,547, a decrease of \$5,795,932. This decrease was primarily due to sales of investments in marketable securities and no real property acquisition activity during the year 2008.

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In the year ended December 31, 2007, net cash used for investing activities amounted to \$6,412,547 while in the year ended December 31, 2006, net cash provided by investing activities amounted to \$4,756,596, for an increase in cash used of \$1,655,951. The increase was primarily due to the increase of purchases of fixed assets, restricted cash deposited and restricted marketable securities with the bank as part of the terms of bank borrowings during the year 2007.

In the year ended December 31, 2006, net cash used for investing activities amounted to \$4,756,596 while in the year ended December 31, 2005, net cash provided by investing activities amounted to \$85,744, an increase in cash used of \$4,842,340. The increase was primarily due to the increase of purchases of fixed assets and restricted cash deposited with the bank as part of the terms of bank borrowings during the year 2006.

In the year ended December 31, 2008, net cash provided by financing activities amounted to \$629,171 while in the year ended December 31, 2007, it amounted to \$5,436,828, a decrease of \$4,807,657. This decrease was primarily due to slow down in the increase of bank borrowings on the lines of credit and loan facilities.

In the year ended December 31, 2007, net cash provided by financing activities amounted to \$5,436,828 while in the year ended December 31, 2006, net cash used for financing activities was \$9,953,409, a decrease of \$4,516,581. The decrease was primarily due to increase of advances on long-term debt and borrowings on lines of credit and loan facilities.

In the year ended December 31, 2006, net cash provided by financing activities amounted to \$9,953,409, while in the year ended December 31, 2005, net cash used for financing activities was \$1,052,813, an increase of \$11,006,222. The increase was primarily due to increase of advance on long-term debt and borrowings on the lines of credit and loan facilities.

An essential element of our growth in the future will be to obtain adequate additional working capital to meet anticipated market demand from PC users (business and personal) in the southern part of China.

Related Party Transactions

We conduct business with several affiliated companies. All the related party transactions taking place during the reporting periods were conducted during the normal course of business. The prices of products sold to or purchased from these related entities are in the same price ranges as those offered to other non-related customers or purchased from other vendors.

Dependence of Samsung

We are highly dependent on the product supplies from Samsung. If the relationship with Samsung is terminated, we may not be able to continue our business. We have been taking necessary steps to reduce our dependence on Samsung, including looking into the potential acquisition of a company.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk in changes in interest rates as our bank borrowings accrue interest at floating rates of 0.25% to 0.5% over the Best Lending Rate (currently at the range of 5.25% to 5.5% per annum) prevailing in Hong Kong. For the three years ended December 31, 2008, 2007 and 2006 we

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did not generate any material interest incomes. Accordingly, we believe that changes in interest rates may have a material effect on our liquidity, financial condition or results of operations.

Impact of Inflation

We believe that our results of operations are not dependent upon moderate changes in inflation rates as we expect to be able to pass along component price increases to our customers.

Seasonality

We have not experienced any material seasonality in sales fluctuations over the past 2 years in the memory products markets.

New Accounting Pronouncements

In February 2008, the FASB issued FSP FIN 48-2, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. This FASB Staff Position (FSP) defers the effective date of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, for certain nonpublic enterprises as defined in paragraph 289, as amended, of FASB Statement No. 109, *Accounting for Income Taxes*, including nonpublic not-for-profit organizations. This FSP shall be effective upon issuance. The Company does not anticipate that this new FSP will have any material impact upon its financial condition or results of operations.

In February 2008, the FASB issued FSP FAS 140-3, *Accounting for Transfers of Financial Assets and Repurchase Financing Transactions*. This FSP applies to a repurchase financing, which is a repurchase agreement that relates to a previously transferred financial asset between the same counterparties (or consolidated affiliates of either counterparty), that is entered into contemporaneously with, or in contemplation of, the initial transfer. This FSP shall be effective for financial statements issued for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. Earlier application is not permitted. The Company does not anticipate that this new FSP will have any material impact upon its financial condition or results of operations.

In February 2008, the FASB issued FSP FAS 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13*. This FSP amends SFAS No. 157, *Fair Value Measurements*, to exclude FASB Statement No. 13, *Accounting for Leases*, and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under Statement 13. However, this scope exception does not apply to assets acquired and liabilities assumed in a business combination that are required to be measured at fair value under FASB Statement No. 141, *Business Combinations*, or No. 141 (revised 2007), *Business Combinations*, regardless of whether those assets and liabilities are related to leases. This FSP shall be effective upon the initial adoption of Statement 157. The Company does not anticipate that this new FSP will have any material impact upon its financial condition or results of operations.

In February 2008, the FASB issued FSP FAS 157-2, *Effective Date of FASB Statement No. 157*. This FASB Staff Position (FSP) delays the effective date of FASB Statement No. 157, *Fair Value Measurements*, for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This FSP shall be effective upon issuance. The Company does not anticipate that this new FSP will have any material impact upon its financial condition or results of operations.

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In April 2008, the FASB issued FSP SOP 90-7-1, An Amendment of AICPA Statement of Position 90-7. This FSP resolves the conflict between the guidance requiring early adoption of new accounting standards for entities required to follow fresh-start reporting under AICPA Statement of Position 90-7, Financial Reporting by Entities in Reorganization Under the Bankruptcy Code, and other authoritative accounting standards that expressly prohibit early adoption. This FSP shall be effective for financial statements issued subsequent to the date of issuance of this FSP. The Company does not anticipate that this new FSP will have any material impact upon its preparation of its financial statements.

In April 2008, the FASB issued FSP FAS 142-3, Determination of the Useful Life of Intangible Assets. This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, Goodwill and Other Intangible Assets. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under Statement 142 and the period of expected cash flows used to measure the fair value of the asset under FASB Statement No. 141 (revised 2007), Business Combinations, and other U.S. generally accepted accounting principles (GAAP). This FSP shall be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The Company does not anticipate that this new FSP will have any material impact upon its preparation of its financial statements.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, The Hierarchy of Generally Accepted Accounting Principles (SFAS No.162). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). This Statement shall be effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, The Meaning of Present Fairly in Conformity With General Accepted Accounting Principles. The Company does not anticipate that SFAS No. 162 will have any material impact upon its preparation of its financial statements.

In May 2008, the FASB issued FSP APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement). This FSP clarifies that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) are not addressed by paragraph 12 of APB Opinion No. 14, Accounting for Convertible Debt and Debt issued with Stock Purchase Warrants. Additionally, this FSP specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Company does not anticipate that this new FSP will have any material impact upon its financial condition or results of operations.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 163, Accounting for Financial Guarantee Insurance Contracts—an interpretation of FASB Statement No. 60 (SFAS No.163). SFAS No. 163 requires that an insurance enterprise recognize a claim liability prior to an event of default (insured event) when there is evidence that credit deterioration has occurred in an insured financial obligation. SFAS No. 163 also clarifies how Statement 60 applies to financial guarantee insurance contracts, including the recognition and measurement to be used to account for premium revenue and claim liabilities. SFAS No. 163 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and all interim periods within those fiscal years, except for some disclosures about the insurance enterprise's risk-management activities. The Company does not anticipate that SFAS No. 163 will have any material impact upon its preparation of its financial statements.

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In May 2008, the FASB issued FSP SOP 94-3-1 and AAG HCO-1, Omnibus Changes to Consolidation and Equity Method Guidance for Not-for-Profit Organizations . This FSP makes several changes to the guidance on consolidation and the equity method of accounting in AICPA Statement of Position 94-3, Reporting of Related Entities by Not-for-Profit Organizations , and the AICPA Audit and Accounting Guide, Health Care Organizations . The guidance in this FSP shall be applied to fiscal years beginning after June 15, 2008, and to interim periods therein. The Company does not anticipate that this FSP will have any material impact upon its preparation of its financial statements.

In June 2008, the FASB issued FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities . The guidance in this FSP applies to the calculation of EPS under Statement 128 for share-based payment awards with rights to dividends or dividend equivalents. Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of EPS pursuant to the two-class method. This FSP shall be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. Early application is not permitted. The Company does not anticipate that this FSP will have any material impact upon its preparation of its financial statements. In December 2008, the FASB issued FSP FAS 140-4 and FIN 46(R)-8, Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities . This FSP amends FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities , to require public entities to provide additional disclosures about transfer of financial assets. It also amends FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities , to require public enterprises, including sponsors that have a variable interest in a variable interest entity, to provide additional disclosures about their involvement with variable interest entities. This FSP will be applied to the first reporting period (interim or annual) ending after December 15, 2008. The Company does not anticipate that this FSP will have any material impact upon its preparation of its financial statements.

In August 2008, the FASB issued FSP FSA 117-1, Endowments of Not-for Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds . This FSP provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006. This FSP will be effective for fiscal years ending after December 15, 2008. The Company does not anticipate that this FSP will have any material impact upon its preparation of its financial statements.

In September 2008, the FASB issued FSP FAS 133-1 and FIN 45-4, Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161 . This FSP applies to credit derivatives within the scope of Statement 133, hybrid instruments that have embedded credit derivatives, and guarantees within the scope of Interpretation 45. This FSP shall be effective for reporting periods (annual or interim) ending after November 15, 2008. The Company does not anticipate that this FSP will have any material impact upon its preparation of its financial statements.

In December 2008, the FASB issued FSP FAS 132 (R)-1, Employers Disclosures about Postretirement Benefit Plan Assets . This FSP amends FASB Statement No. 132 (revised 2003), Employers Disclosures about Pensions and Other Postretirement Benefits , to provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. This FSP shall be applied to fiscal years ending after December 15, 2009. The Company does not anticipate that this FSP will have any material impact upon its preparation of its financial statements.

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In December 2008, the FASB issued FSP FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. This FSP defers the effective date of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, for certain nonpublic enterprises as defined in paragraph 289, as amended, of FASB Statement No. 109, *Accounting for Income Taxes*, including nonpublic not-for-profit organizations. This FSP will be effective upon issuance. The Company does not anticipate that this FSP will have any material impact upon its preparation of its financial statements.

Contractual Obligations

The following table presents our contractual obligations as of December 31, 2008 over the next five years and thereafter:

Payments by Period

	Amount	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Operating Leases	78,433	53,333	25,100	---	---
Line of credit and notes payable short-term	16,447,742	16,447,742	---	---	---
Short term loans	10,016	10,016	---	---	---
Long term loans	2,613,994	209,114	359,232	257,789	1,787,859
Total Contractual Obligations	\$ 19,150,185	\$ 16,720,205	\$ 384,332	\$ 257,789	\$ 1,787,859

Critical Accounting Policies

The U.S. Securities and Exchange Commission (SEC) recently issued Financial Reporting Release No. 60, *Cautionary Advice Regarding Disclosure About Critical Accounting Policies* (FRR 60), suggesting companies provide additional disclosure and commentary on their most critical accounting policies. In FRR 60, the SEC defined the most critical accounting policies as the ones that are most important to the portrayal of a company's financial condition and operating results, and require management to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, our most critical accounting policies include: inventory valuation, which affects cost of sales and gross margin; policies for revenue recognition, and allowance for doubtful accounts. The methods, estimates and judgments we use in applying these most critical accounting policies have a significant impact on our results we report in our consolidated financial statements.

Inventory Valuation. Our policy is to value inventories at the lower of cost or market on a part-by-part basis. This policy requires us to make estimates regarding the market value of our inventories, including an assessment of excess or obsolete inventories. We determine excess and obsolete inventories based on an estimate of the future demand for our products within a specified time horizon, generally 12 months. The estimates we use for demand are also used for near-term capacity planning and inventory purchasing and are consistent with our revenue forecasts. If our demand forecast is greater than our actual demand we may be required to take additional excess inventory charges, which will decrease gross margin and net operating results in the future. In addition, as a result of the downturn in demand for our products, we have excess capacity in our manufacturing facilities. Currently, we are not capitalizing any inventory costs related to this excess capacity as the recoverability of such costs is not certain. The application of this policy adversely affects our gross margin.

Allowance for Doubtful Accounts. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. Our allowance

for doubtful accounts is based on our assessment of the collectibility of specific customer accounts, the aging of accounts receivable, our history of bad debts, and the general condition of the industry. If a major customer's credit worthiness deteriorates, or our customers' actual defaults exceed our historical experience, our estimates could change and impact our reported results.

Revenue Recognition. We derive revenues from resale of computer memory products. Revenue for resale of computer memory products is recognized based on guidance provided in Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 104, *Revenue Recognition in Financial Statements*, as amended (SAB 104). Computer memory resale revenue is recognized when products have been shipped and collection is probable. An allowance for returns is recorded based on the management's estimate of sales returns.

OFF-BALANCE SHEET ARRANGEMENTS

None.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not invest in or own any market risk sensitive instruments entered into for trading purposes or for purposes other than trading purposes. All loans to us have been made at fixed interest rates and; accordingly, the market risk to us prior to maturity is minimal.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Attached hereto and filed as a part of this Annual Report on Form 10-K are our Consolidated Financial Statements, beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9AT. CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our Chief Executive Officer and Chief Financial Officer, in consultation with our other members of management and advisors as appropriate, carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this annual report pursuant to Rule 15d-15(b) promulgated under the Exchange Act.

Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures are not effective in alerting them in a timely fashion to all material information required to be included in our periodic filings with the SEC as a result of the significant deficiency described below in that subsection captioned *Significant Deficiencies In Disclosure Controls And Procedures Or Internal Controls*.

Changes in Internal Control over Financial Reporting

The term *internal control over financial reporting* is defined as a process designed by, or under the supervision of, our Chief Executive Officer and Principal Financial Officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Except as noted below in that subsection captioned *Significant Deficiencies In Disclosure Controls And Procedures Or Internal Controls*, there were no changes in our internal control over financial reporting identified in connection with our evaluation of these controls as of the end of the period covered by this annual report that could have significantly affected those controls subsequent to the date of the evaluation referred to in the previous paragraph, including any correction action with regard to significant deficiencies and material weakness.

Significant Deficiencies In Disclosure Controls And Procedures Or Internal Controls

Other Observations

In connection with the audit of our consolidated financial statements for the year ended December 31, 2008, our independent auditors also made several other observations relating to our disclosure controls and procedures or internal controls. First, our independent auditors observed that the Company did not have adequate segregation of duties due to its size of the Company, and that management had the ability to override any existing controls. Management acknowledges the existence of this problem, and is developing procedures to address them to the extent possible given the acknowledged limitations. Secondly, our independent auditors observed that we did not have a comprehensive accounting procedures manual including information as to customized internal control structure, documentation and transaction flow. Our management acknowledges the existence of this problem, and is developing procedures to address them to the extent possible given limitations in financial and manpower resources. Finally, our independent auditors observed that none of the members of the board of directors demonstrated an in-depth understanding of generally accepted accounting principles. We acknowledge that while we believe our board of director members are proficient in reading and understanding financial statements, they may not have an in-depth understanding of generally accepted accounting principles.

ITEM 9B. OTHER INFORMATION.

On May 10, 2006, the Company issued 500,000 shares of Common Stock to Emerging Growth Partners, Inc. as payment for consulting and advisory services rendered for the year ending 2005. The shares issued as a grant in accordance with the company's Incentive Stock Option Plan as filed with the SEC in April 2006.

PART III**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY AND CORPORATE GOVERNANCE.
Directors and Executive Officers**

Our directors and executive officers, as of December 31, 2008, and their biographical information are set forth below:

NAME	AGE	POSITION
Chung-Lun Yang	47	Chairman of the Board of Directors and Chief Executive Officer
Ben Wong	45	Director
Kenneth Lap-Yin Chan	46	Chief Financial Officer

Chung-Lun Yang, Chairman of the Board and Chief Executive Officer. Mr. Yang became a Director on September 30, 2003. Mr. Yang is the founder of Atlantic and has been a director of Atlantic since 1991. Mr. Yang graduated from The Hong Kong Polytechnic in 1982 with a degree in electronic engineering. From October 1982 until April 1985, he was the sales engineer of Karin Electronics Supplies Ltd. From June 1986 until September 1991, he was Director of Sales (Samsung Components Distribution) of Evertech Holdings Limited, a Hong Kong based company. Mr. Yang has over 15 years extensive experience in the electronics distribution business. Mr. Yang is also a member of The Institution of Electrical Engineers, United Kingdom.

Ben Wong, Director. Mr. Wong became a Director on September 30, 2003. Since 1992, Mr. Wong has been the vice-president of Atlantic and is responsible for the purchasing, sales and marketing of Atlantic's products. Mr. Wong graduated from the Chinese Culture University of Taiwan in 1986 with a Bachelor's Degree of Science in Mechanical Engineering.

Kenneth Lap-Yin Chan, Chief Financial Officer. Mr. Chan was appointed our Chief Financial Officer effective September 30, 2003. Mr. Chan has been with Atlantic since 2001 serving as Financial Controller. From 1998 to 2001, Mr. Chan worked for Standard Chartered Bank. Prior to September 2001, Mr. Chan worked for a number of other banks in Hong Kong, including Dao Heng Bank and Asia Commercial Bank. He has more than 12 years of experience in corporate and commercial finance. Mr. Chan graduated from the University of Toronto in 1986 with a Bachelor's Degree in Commerce.

Each director holds office (subject to our By-Laws) until the next annual meeting of shareholders and until such director's successor has been elected and qualified. All of our executive officers are serving until the next annual meeting of directors and until their successors have been duly elected and qualified. There are no family relationships between any of our directors and executive officers.

There have been no events under any bankruptcy act, no criminal proceedings and no judgments, orders or decrees material to the evaluation of the ability and integrity of any director or executive officer of the Company during the past five years.

BOARD MEETINGS

During the fiscal year ended December 31, 2008, our Board of Directors held 4 meetings. No director who served during the fiscal year ended December 31, 2008 attended fewer than 75% of the meetings of the Board of Directors during that year.

COMMITTEES OF THE BOARD

Our Board of Directors does not have a separate Compensation Committee, Audit Committee or Nominating Committee. All of the members of our Board of Directors are acting as our audit committee. None of the members of our Board of Directors is deemed an audit committee financial expert. We are in the process of recruiting an appropriate candidate to be our audit committee financial expert. Our Board of Directors plans to expand the number of members on the board and create an independent Compensation Committee, Audit Committee and a Nominating Committee.

Code of Business Conduct and Ethics

We have adopted a written code of business conduct and ethics, known as our Code of Business Conduct and Ethics which applies to all of our directors, officers, and employees, including our principal

executive officer and our principal financial and accounting officer. A copy of the Code of Business Conduct and Ethics is attached as Exhibit 14 to the Annual Report on Form 10-K for the period ended December 31, 2003. To receive a copy of our Code of Business Conduct and Ethics, at no cost, requests should be directed to the Secretary, ACL Semiconductor, Inc., B24-B27,1/F., Block B, Proficient Industrial Centre, 6 Wang Kwun Road, Kowloon, Hong Kong. We intend to disclose any amendment to, or waiver of, a provision of the Code of Business Conduct and Ethics in a report filed under the Securities Exchange Act of 1934, as amended, within five business days of the amendment or waiver.

STOCKHOLDER COMMUNICATIONS

Stockholders and other interested parties may contact the Board of Directors or the non-management directors as a group at the following address: Board of Directors or Outside Directors, ACL Semiconductor, Inc., B24-B27,1/F., Block B, Proficient Industrial Centre, 6 Wang Kwun Road, Kowloon, Hong Kong. All communications received at the above address will be relayed to the Board of Directors or the non-management directors, respectively. Communications regarding accounting, internal accounting controls or auditing matters may also be reported to the Board of Directors using the above address.

Typically, we do not forward to our directors communications from our stockholders or other communications which are of a personal nature or not related to the duties and responsibilities of the Board, including:

Junk mail and mass mailings

New product suggestions

Resumes and other forms of job inquiries

Opinion surveys and polls

Business solicitations or advertisements

COMPLIANCE WITH SECTION 16(A) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers and persons who own more than ten percent of a registered class of our equity securities (collectively, Reporting Person) to file with the SEC initial reports of ownership and reports of changes in ownership of our Common Stock and other equity securities of the Company. Reporting Persons are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms that they file. To our knowledge, based solely on a review of the copies of such reports furnished to us, we believe that during fiscal year ended December 31, 2008 all Reporting Persons complied with all applicable filing requirements.

ITEM 11. EXECUTIVE COMPENSATION. COMPENSATION DISCUSSION AND ANALYSIS

SUMMARY

Our approach to executive compensation is influenced by our belief in rewarding people for consistently strong execution and performance. We believe that the ability to attract and retain qualified executive officers and other key employees is essential to our long term success.

Our plan to obtain and retain highly skilled employees is to provide significant market competitive salaries and also incentive awards. Our approach is to link individual employee objectives with overall company strategies and results, and to reward executive officers and significant employees for their individual contributions to those strategies and results. We use compensation and performance

data from comparable companies in the electronics distribution industry to establish market competitive compensation and performance standards for our employees. Furthermore, we believe that equity awards serve to align the interests of our executives with those of our stockholders. As such, we intend for equity to become a key component of our compensation program.

NAMED EXECUTIVE OFFICERS

The named executive officers for the fiscal year ended December 31, 2008 are Chung-Lun Yang, our Chief Executive Officer, and Kenneth Lap-Yin Chan, our Chief Financial Officer. These individuals are referred to collectively in this Annual Report on Form 10-K as the Named Executive Officers.

OUR EXECUTIVE COMPENSATION PROGRAM

OVERVIEW

The primary elements of our executive compensation program are base salary, incentive cash and stock bonus opportunities and equity incentives typically in the form of stock option grants. Although we provide other types of compensation, these three elements are the principal means by which we provide the Named Executive Officers with compensation opportunities.

The emphasis on the annual bonus opportunity and equity compensation components of the executive compensation program reflect our belief that a large portion of an executive's compensation should be performance-based. This compensation is performance-based because payment is tied to the achievement of corporate performance goals. To the extent that performance goals are not achieved, executives will receive a lesser amount of total compensation. We have entered into employment agreements with three of our Named Executive Officers. Such employment agreements set forth base salaries, bonuses and stock option grants. Such stock option grants are predicated on our achievement of corporate performance goals as set forth in such agreements.

ELEMENTS OF OUR EXECUTIVE COMPENSATION PROGRAM

BASE SALARY

We pay a base salary to certain of the Named Executive Officers. In general, base salaries for the Named Executive Officers are determined by evaluating the responsibilities of the executive's position, the executive's experience and the competitive marketplace. Base salary adjustments are considered and take into account changes in the executive's responsibilities, the executive's performance and changes in the competitive marketplace. We believe that the base salaries of the Named Executive Officers are appropriate within the context of the compensation elements provided to the executives and because they are at a level which remains competitive in the marketplace.

BONUSES

The Board of Directors may authorize us to give discretionary bonuses, payable in cash or shares of Common Stock, to the Named Executive Officers and other key employees. Such bonuses are designed to motivate the Named Executive Officers and other employees to achieve specified corporate, business unit and/or individual, strategic, operational and other performance objectives.

STOCK OPTIONS

Stock options constitute performance-based compensation because they have value to the recipient only if the price of our Common Stock increases. We have not granted any stock options to any of our Named Executive Officers and the grant of stock options to Named Executive Officers is not a material factor in making compensation determinations with respect to our Named Executive Officers. However, we use stock options as incentives for our other employees. Stock options generally vest over time, attainment of a corporate goal or a combination. The grant of stock options is designed to motivate our employees to achieve our short term and long term corporate goals.

RETIREMENT AND DEFERRED COMPENSATION BENEFITS

We do not have any arrangements with the Named Executive Officers to provide them with retirement and/or deferred compensation benefits.

PERQUISITES

There were no perquisites provided to the Named Executive Officers.

POST-TERMINATION/ CHANGE OF CONTROL COMPENSATION

We do not have any arrangements with the Named Executive Officers to provide them with compensation following termination of employment.

TAX IMPLICATIONS OF EXECUTIVE COMPENSATION

Our aggregate deductions for each Named Executive Officer compensation are potentially limited by Section 162(m) of the Internal Revenue Code to the extent the aggregate amount paid to an executive officer exceeds \$1 million, unless it is paid under a predetermined objective performance plan meeting certain requirements, or satisfies one of various other exceptions specified in the Internal Revenue Code. At our 2008 Named Executive Officer compensation levels, we did not believe that Section 162(m) of the Internal Revenue Code would be applicable, and accordingly, we did not consider its impact in determining compensation levels for our Named Executive Officers in 2008.

HEDGING POLICY

We do not permit the Named Executive Officers, to hedge ownership by engaging in short sales or trading in any options contracts involving our securities.

OPTION EXERCISES AND STOCK VESTED

No options have been exercised by our Named Executive Officers during the fiscal year ended December 31, 2008.

PENSION BENEFITS

Under the Mandatory Provident Fund (MPF) Scheme Ordinance in Hong Kong, the Company is required to set up or participate in an MPF scheme to which both the Company and employees must make continuous contributions throughout their employment based on 5% of the employees' earnings, subject to maximum and minimum level of income. For those earning less than the minimum level of income, they are not required to contribute but may elect to do so. However, regardless of the employees' election, their employers must contribute 5% of the employees' income. Contributions in excess of the maximum level of income are voluntary. All contributions to the MPF scheme are fully and immediately vested with the employees' accounts. The contributions must be invested and accumulated until the employees' retirement.

NONQUALIFIED DEFERRED COMPENSATION

We do not have any defined contribution or other plan that provides for the deferral of compensation on a basis that is not tax-qualified.

Employment Agreements

We have not entered into any employment agreements with any of our Named Executive Officers.

Executive Officer Compensation

The following table sets forth the annual and long-term compensation of our Named Executive Officers for services in all capacities to the Company for the last three fiscal years ended December 31, 2008, December 31, 2007 and December 31, 2006.

Summary Compensation Table

Name and Principal Position	Year (1)	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Chung-Lun Yang, Chief Executive Officer and Chairman of the Board	2008	\$ 735,026	--	--	--	--	--	--	--
	2007	\$ 812,821	--	--	--	--	--	\$ 17,521	
	2006	\$ 200,000	--	--	--	--	--	\$ 68,280	
Ben Wong, Director	2008	\$ 64,615	--	--	--	--	--	\$ 64,615	
	2007	\$ 72,435	--	--	--	--	--	\$ 72,435	
	2006	\$ 39,102	--	--	--	--	--	\$ 39,102	
Kenneth Lap Yin Chan, Chief Financial Officer	2008	\$ 64,615	--	--	--	--	--	\$ 64,615	
	2007	\$ 72,435	--	--	--	--	--	\$ 72,435	
	2006	\$ 82,564	--	--	--	--	--	\$ 82,564	

- (1) Mr. Yang's other annual compensation includes rent and housing allowance in the amount of \$0 for the year ended December 31, 2008, \$17,521 for the year ended December 31, 2007 and in the amount of \$68,280 for the for the year ended December 31, 2006.

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OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table sets forth information concerning stock options and stock awards held by the Named Executive Officers as of December 31, 2008.

NAME	OPTION AWARDS					STOCK AWARDS			
	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#)	EQUITY INCENTIVE PLAN AWARDS NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#)	OPTION EXERCISE PRICE (\$)	OPTION EXPIRATION DATE	NUMBER OF SHARES OR UNITS OF STOCK HELD THAT HAVE NOT VESTED (#)	MARKET VALUE OF SHARES OR UNITS OF STOCK HELD THAT HAVE NOT VESTED (\$)	EQUITY INCENTIVE PLAN AWARDS: NUMBER OF UNEARNED SHARES, OTHER RIGHTS HAVE NOT VESTED (#)	EQUITY INCENTIVE PLAN AWARDS: MARKET OR PAYOUT VALUE OF UNEARNED SHARES, OR OTHER RIGHTS THAT HAVE NOT VESTED (\$)
Chan Kenneth			500,000	0.22	May 15, 2016				

Compensation of Directors

None of our directors who served during the year ended December 31, 2008 received compensation for serving as such, other than reimbursement for out of pocket expenses incurred in attending director meetings.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding beneficial ownership of our Common Stock as of December 31, 2008: (i) by each person who is known by us to own beneficially more than 5% of the Common Stock, (ii) by each of our directors, (iii) by each of our executive officers and (iv) by all our directors and executive officers as a group. On such date, we had we had 28,329,936 shares of Common Stock outstanding.

As used in the table below, the term beneficial ownership with respect to a security consists of sole or shared voting power, including the power to vote or direct the vote, and/or sole or shared investment power, including the power to dispose or direct the disposition, with respect to the security through any contract, arrangement, understanding, relationship, or otherwise, including a right to acquire such power(s) during the 60 days immediately following December 31, 2008. Except as otherwise indicated, the stockholders listed in the table have sole voting and investment powers with respect to the shares indicated

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percentage of Class Beneficially Owned(1)
Chung-Lun Yang (2) (3) No. 78, 5th Street, Hong Lok Yuen, Tai Po, New Territories, Hong Kong	22,380,000	78.9%
Ben Wong (3) 19B, Tower 8, Bellagio, 33 Castle Peak Road, Sham Tseng, New Territories, Hong Kong	0	0.0%
Kenneth Lap-Yin Chan (2) Flat B, 8/F., Block 19, South Horizons, Aplei Chau, Hong Kong	0	0.0%
All Directors and Officers as a Group	22,380,000	78.9%

(1) Applicable percentage of ownership is based on 28,329,936 shares of Common Stock outstanding as of December 31, 2008, together with securities exercisable or convertible into shares of Common Stock within 60 days of December 31, 2008, for each stockholder. Beneficial ownership is determined in accordance with the rules of the United States Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of Common Stock subject to securities exercisable or convertible into shares of Common Stock that are currently exercisable or exercisable within 60 days of December 31, 2008, are deemed to be beneficially owned by the person holding such securities for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. The Common Stock is the only outstanding class of equity securities of the Company.

(2) Executive Officer

(3) Director

Except as otherwise set forth, information on the stock ownership of these persons was provided to us by such persons.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

All related person transactions are reviewed and, as appropriate, may be approved or ratified by the Board of Directors. Related person transactions are approved by the Board of Directors only if, based on all of the facts and circumstances, they are in, or not inconsistent with, our best interests and our stockholders, as the Board of Directors determines in good faith. The Board of Directors takes into account, among other factors it deems appropriate, whether the transaction is on terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related person's interest in the transaction. The Board of Directors may also impose such conditions as it deems necessary and appropriate on us or the related person in connection with the transaction.

In the case of a transaction presented to the Board of Directors for ratification, the Board of Directors may ratify the transaction or determine whether rescission of the transaction is appropriate.

CERTAIN RELATED PERSON TRANSACTIONS

TRANSACTIONS WITH MR. YANG

As of December 31, 2008 and 2007, we had an outstanding receivable from Mr. Yang, the President and Chairman of our Board of Directors, totaling \$39,633 and \$75,998. These advances bear no interest and are payable on demand.

For the years ended December 31, 2008, 2007 and 2006, we recorded compensation to Mr. Yang of \$735,026, \$812,821, and \$200,000, respectively, and paid \$735,026, \$812,821, and \$200,000, respectively, to Mr. Yang as compensation to him.

During each of the years ended December 31, 2008, 2007 and 2006, we paid rent of \$0, \$17,521, and \$68,280, respectively, for Mr. Yang's personal residence as fringe benefits to him. All such payments have been recorded as compensation expense in the accompanying financial statements.

TRANSACTIONS WITH CLASSIC ELECTRONIC LTD.

As of December 31, 2008 and 2007, the Company had outstanding accounts receivable from Classic Electronics Ltd. (Classic) totaling \$1,717,320 and \$1,717,859, respectively. The Company has not experienced any bad debt from this customer in the past. Pursuant to a written personal guarantee agreement, Mr. Yang has personally guaranteed up to \$10 million of the outstanding accounts receivable from Classic.

We leased one of our facilities and Mr. Yang's personal residence from Classic. Lease agreements for those two properties expired and were acquired by Atlantic on July 21, 2006. Monthly lease payments for these two leases totaled \$6,684. We incurred and paid rent expense of \$0, \$0 and \$44,418 to Classic for the years ended December 31, 2008, 2007, and 2006, respectively.

On February 21, 2006, a cross corporate guarantee was executed between Classic and Atlantic for banking facilities to be co-utilized with Standard Chartered Bank (Hong Kong) Limited. The maximum amount of facilities that could be utilized by Atlantic was \$1.154 million (HKD9 millions) and the facility lines were fully covered by collateral provided by Classic and companies other than Atlantic. Subsequently, the cross guarantees were released on December 7, 2006.

On July 6, 2006, a cross corporate guarantee was executed between Classic and Atlantic for banking facilities to be co-utilized with The Bank of East Asia Limited. The cross guarantee was temporarily created due to selling of properties by Classic to Atlantic. During the period of execution of the assignment of legal title, The Bank of East Asia Limited requested a cross guarantee for both companies. All facilities and outstanding loan balances were booked under and utilized by Atlantic which will not absorb any losses from Classic. Subsequently, the cross guarantees were released on December 8, 2006.

Mr. Ben Wong, one of our directors, is a 99.9% shareholder of Classic. The remaining 0.1% of Classic is owned by a non-related party.

TRANSACTIONS WITH SOLUTION SEMICONDUCTOR (CHINA) LTD.

On April 1, 2007, we entered into a lease agreement with Solution Semiconductor (China) Ltd. (Solution) pursuant to which we lease one facility. The lease agreement for this facility expires on March 31, 2009. The monthly lease payment for this lease is \$1,090. We incurred and paid an aggregate rent expense of \$13,077, \$12,385 and \$3,436 to Solution during the year ended December 31, 2008, 2007 and 2006.

Two facilities located in Hong Kong owned by Solution were used by the Company as collateral for loans from Citic Ka Wah Bank Limited and Standard Chartered Bank (Hong Kong) Limited respectively.

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Mr. Ben Wong, one of our directors, is a 99% shareholder of Solution. The remaining 1% of Solution is owned by a non-related party.

TRANSACTIONS WITH SYSTEMATIC INFORMATION LTD.

During the years ended December 31, 2008, 2007 and 2006, we received service charges of \$0, \$11,538 and \$6,410, respectively, from Systematic Information Ltd. (Systematic Information). As of December 31, 2008 and 2007, there were no outstanding accounts receivable from Systematic Information. The service fee was charged for back office support for Systematic Information.

On September 1, 2008, we entered into a lease agreement with Systematic Information pursuant to which we lease one facility. The lease agreement for this facility expires on August 31, 2010. The monthly lease payment for this lease totals \$641. We incurred and paid an aggregate rent expense of \$7,692, \$7,692 and \$2,564 to Systematic Information during the years ended December 31, 2008, 2007 and 2006.

On April 1, 2005, we entered into a lease agreement with Systematic Information pursuant to which we lease one residential property for Mr. Yang's personal use for a monthly lease payment of \$3,205. Upon expiration of the lease on June 15, 2007, ACL acquired this residential property from Systematic Information. We incurred and paid an aggregate rent expense of \$0, \$17,521 and \$38,462 to Systematic Information during the years ended December 31, 2008, 2007 and 2006.

A workshop located in Hong Kong owned by Systematic Information was used by the Company as collateral for loans from Standard Chartered Bank (Hong Kong) Limited.

Mr. Yang, the Company's Chief Executive Officer, majority shareholder and a director, is a director and shareholder of Systematic with a total of 100% interest.

TRANSACTIONS WITH ARISTO TECHNOLOGIES LTD.

During the years ended December 31, 2008, 2007 and 2006, we sold products for \$9,076,034, \$17,165,728 and \$11,986,047 respectively, to Aristo Technologies Ltd. (Aristo). Outstanding accounts receivable totaled \$6,695,409 and \$6,237,905 as of December 31, 2008 and 2007, respectively. We have not experienced any bad debt from this customer in the past.

During the years ended December 31, 2008, 2007 and 2006, we purchased inventories of \$7,393,957, \$3,633,424 and \$1,584,985, respectively, from Aristo. As of December 31, 2008 and 2007, there were no outstanding accounts payable to or from Aristo.

Mr. Yang, the Company's Chief Executive Officer, majority shareholder and a director, is a director and the sole beneficial owner of Aristo.

TRANSACTIONS WITH GLOBAL MEGA DEVELOPMENT LTD.

During the years ended December 31, 2008, 2007 and 2006, we received management fees of \$0, \$5,769 and \$7,692, respectively, from Global Mega Development Ltd. (Global). As of December 31, 2008 and 2007, there were no outstanding accounts receivable from Global. The management fees were charged for back office support for Global.

Mr. Yang, the Company's Chief Executive Officer, majority shareholder and a director, is the sole beneficial owner of the equity interest of Global.

TRANSACTIONS WITH INTELLIGENT NETWORK TECHNOLOGY LTD.

During the years ended December 31, 2008, 2007 and 2006, we received management fees of \$0, \$0 and \$7,692, respectively, from Intelligent Network Technology Ltd. (Intelligent). As of December 31, 2008 and 2007, there were no outstanding accounts receivable from Intelligent. The management fee was charged as back office support for Intelligent.

Mr. Yang, the Company's Chief Executive Officer, majority shareholder and a director, is a director and 80% shareholder of Intelligent. The remaining 20% of Intelligent is owned by a non-related party.

TRANSACTIONS WITH SYSTEMATIC SEMICONDUCTOR LTD.

During the years ended December 31, 2008, 2007, and 2006, we received a management fee of \$15,384, \$16,026 and \$15,384, respectively, from Systematic Semiconductor Ltd. (Systematic). As of December 31, 2008 and 2007, there were no outstanding accounts receivable from Systematic. The management fee was charged for back office support for Systematic.

Mr. Yang, the Company's Chief Executive Officer, majority shareholder and a director, is the sole beneficial owner of the equity interest of Systematic.

TRANSACTIONS WITH FIRST WORLD LOGISTICS LTD.

During the years ended December 31, 2008, 2007 and 2006, we sold products for \$0, \$0 and \$7,720,975, respectively, to First World Logistic Ltd. (First). As of December 31, 2008 and 2007, there were no outstanding accounts receivable from First.

During the years ended December 31, 2008, 2007, and 2006, we purchased inventories for \$0, \$0, and \$825,900, respectively, from First. As of December 31, 2008 and 2007, there were no outstanding accounts payable to First.

Mr. Yang, the Company's Chief Executive Officer, majority shareholder and a director, is the sole beneficial owner of the equity interest of First.

TRANSACTIONS WITH ARISTO COMPONENTS LTD.

During the years ended December 31, 2008, 2007 and 2006, we received a management fee of \$8,077, \$0 and \$0, respectively, from Aristo Components Ltd. (Aristo Comp). As of December 31, 2008 and 2007, there were no outstanding accounts receivable from Aristo Comp. The management fee was charged for back office support for Aristo Comp.

Mr. Ben Wong, one of our directors, is a 90% shareholder of Aristo Comp. The remaining 10% of Aristo Comp is owned by a non-related party.

TRANSACTIONS CITY ROYAL LIMITED.

A residential property located in Hong Kong owned by City Royal Limited (City) was used by the Company as collateral for loans from DBS Bank (Hong Kong) Limited.

Mr. Yang, the Company's Chief Executive Officer, majority shareholder and a director, is a 50% shareholder of City. The remaining 50% of City is owned by the wife of Mr. Yang.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The following table presents fees, including reimbursements for expenses, for professional audit services rendered by JTC Fair Song CPA Firm for the audits of our annual financial statements and interim reviews of our quarterly financial statements for the years ended December 31, 2008 and December 31, 2007 and fees billed for other services rendered by JTC Fair Song CPA Firm during those periods.

	Fiscal 2008	Fiscal 2007
Audit Fees (1)	\$ 35,000	\$ 35,000
Audit Related Fees (2)	\$ --	\$ --
Tax Fees (3)	\$ --	\$ --
All Other Fees (4)	\$ --	\$ --
Total	\$ --	\$ --

- (1) Audit Fees consist of fees billed for professional services rendered for the audit of the Company's consolidated annual financial statements and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by JTC Fair Song CPA Firm in connection with statutory and regulatory filings or engagements.
- (2) Audit-Related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under Audit Fees. There were no such fees in fiscal year 2008 or 2007.
- (3) Tax Fees consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning. There were no such fees in fiscal year 2008 or 2007.
- (4) All Other Fees consist of fees for products and services other than the services reported above. There were no such fees in fiscal year 2008 or 2007.

PART IV**ITEM 15. EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULES.**

- (a) Documents filed as part of this Report
 - (1) The financial statements listed in the Index to Consolidated Financial Statements are filed as part of this report
 - (2) The financial statements listed in the Index are filed a part of this report.

Schedule II Valuation and Qualifying Accounts and Reserves. Schedule II on page S-1 is filed as part of this report.

 - (3) List of Exhibits

See Index to Exhibits in paragraph (b) below.

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The Exhibits are filed with or incorporated by reference in this report.

(c) Exhibits required by Item 601 of Regulation S-K.

Exhibit No.	Description
3.1	Certificate of incorporation of the Company, together with all amendments thereto, as filed with the Secretary of State of the State of Delaware, incorporated by reference to Exhibit 3.1 to the Form 8-K filed with the Securities and Exchange Commission on December 19, 2003.
3.2	By-Laws of the Company, as amended, incorporated by reference to Exhibit 3.2 to the Company's Registration Statement.
4.1(a)	Form of specimen certificate for common stock of the Company.
10.1	Share Exchange and Reorganization Agreement, dated as of September 8, 2003, among Print Data Corp., Atlantic Components Limited and Mr. Chung-Lun Yang, incorporated by reference to Exhibit 10.1 to the Form 8-K filed with the Securities and Exchange Commission on October 16, 2003.
10.2	Conveyance Agreement, dated as of September 30, 2003, between Print Data Corp. and New Print Data Corp., incorporated by reference to Exhibit 10.2 to the Form 8-K filed with the Securities and Exchange Commission on October 16, 2003.
10.3	Securities Purchase Agreement, dated October 1, 2003, among Print Data Corp, Jeffery Green, Phyllis Green and Joel Green, incorporated by reference to Exhibit 10.3 to the Form 8-K filed with the Securities and Exchange Commission on October 16, 2003.
10.4	Sales Restriction Agreement, dated September 30, 2003, between Print Data Corp. and Phyllis Green, incorporated by reference to Exhibit 10.4 to the Form 8-K filed with the Securities and Exchange Commission on October 16, 2003.
10.5	Sales Restriction Agreement, dated September 30, 2003, between Print Data Corp. and Jeffery Green, incorporated by reference to Exhibit 10.5 to the Form 8-K filed with the Securities and Exchange Commission on October 16, 2003.
10.6	Distribution Agreement, dated May 1, 1993, by and between Samsung Electronics Co., Ltd. and Atlantic Components Limited, incorporated by reference to Exhibit 10.6 to the Form 8-K filed with the Securities and Exchange Commission on October 16, 2003.
10.7	Renewal of Distributorship Agreement, dated March 1, 2002, by and between Samsung Electronics Co., Ltd. and Atlantic Components Limited, incorporated by reference to Exhibit 10.7 to the Form 8-K filed with the Securities and Exchange Commission on October 16, 2003.
10.8	Form of Note Subscription, dated as of December 31, 2003, by and between the Company and Professional Traders Fund LLC, a New York limited liability company (PTF), incorporated by reference to Exhibit 10.1 to the Form 8-K filed with the Securities and Exchange Commission on March 24, 2004.
10.9	Form of 12% Senior Subordinated Convertible Note due December 31, 2004 in the aggregate principal amount of \$250,000 issued by the Company to PTF, incorporated by reference to Exhibit 10.2 to the Form 8-K filed with the Securities and Exchange Commission on March 24, 2004.

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- 10.10 Form of Limited Guaranty and Security Agreement, dated as of December 31, 2003, by and among, the Company, PTF, Orient Financial Services Limited, Mr. Li Wing-Kei and Emerging Growth Partners, Inc., incorporated by reference to Exhibit 10.3 to the Form 8-K filed with the Securities and Exchange Commission on March 24, 2004.
- 10.11 Form of Stock Purchase and Escrow Agreement, dated as of December 31, 2003, by and among, PTF, Orient Financial Services Limited, Mr. Li Wing-Kei and Emerging Growth Partners, Inc., and the law firm of Sullivan & Worcester LLP, as escrow agent, incorporated by reference to Exhibit 10.4 to the Form 8-K filed with the Securities and Exchange Commission on March 24, 2004.
- 10.12 Form of Letter Agreement, dated as of December 31, 2003, by and between the Company and PTF, incorporated by reference to Exhibit 10.5 to the Form 8-K filed with the Securities and Exchange Commission on March 24, 2004.
- 10.13 Letter of Intent, dated December 29, 2003, between the Company and Classic Electronics, Ltd., incorporated by reference to Exhibit 10.1 to the Form 8-K filed with the Securities and Exchange Commission on March 25, 2004.
- 10.14 Note Subscription, dated as of December 31, 2003, by and between the Company and Professional Traders Fund LLC, a New York limited liability company (PTF), incorporated by reference to Exhibit 10.6 to the Form 8-K/A filed with the Securities and Exchange Commission on April 13, 2004.
- 10.15 12% Senior Subordinated Convertible Note due December 31, 2004 in the aggregate principal amount of \$250,000 issued by the Company to PTF, incorporated by reference to Exhibit 10.7 to the Form 8-K/A filed with the Securities and Exchange Commission on April 13, 2004.
- 10.16 Limited Guaranty and Security Agreement, dated as of December 31, 2003, by and among, the Company, PTF, Orient Financial Services Limited, Mr. Li Wing-Kei and Emerging Growth Partners, Inc., incorporated by reference to Exhibit 10.8 to the Form 8-K/A filed with the Securities and Exchange Commission on April 13, 2004.
- 10.17 Stock Purchase and Escrow Agreement, dated as of December 31, 2003, by and among, PTF, Orient Financial Services Limited, Mr. Li Wing-Kei and Emerging Growth Partners, Inc., and the law firm of Sullivan & Worcester LLP, as escrow agent, incorporated by reference to Exhibit 10.9 to the Form 8-K/A filed with the Securities and Exchange Commission on April 13, 2004.
- 10.18 Letter Agreement, dated as of December 31, 2003, by and between the Company and PTF, incorporated by reference to Exhibit 10.10 to the Form 8-K/A filed with the Securities and Exchange Commission on April 13, 2004.
- 10.19 Stock Purchase Agreement, dated as of December 30, 2005, by and among the Company, Classic Electronics, Ltd. (Classic) and the shareholders of Classic, incorporated by reference to Exhibit 10.1 to the Form 8-K filed with the Securities and Exchange Commission on January 6, 2006.

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- 10.20 2006 Incentive Equity Stock Plan, incorporated by reference to Exhibit 4.1 to the Form S-8 filed with the Securities and Exchange Commission on April 27, 2006.
- 14 Code of Business Conduct and Ethics of the Company incorporated by reference to Exhibit 14 to the Form 10-K for the period ended December 31, 2003.
- 16.1 Letter dated March 19, 2008 from Jeffrey Tsang & Co., incorporated by reference to Exhibit 16.1 to the Form 8-K filed with the Securities and Exchange Commission on March 24, 2008.
- 21 Subsidiaries of the Company
Atlantic Components Limited, a Hong Kong corporation
Alpha Perform Technologies Limited, a British Virgin Islands corporation
- 31.1 Certification of Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
- 31.2 Certification of Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

* Filed herewith

(c) Financial statements required by Regulation S-X which are excluded from the annual report to shareholders by Rule 14a-3(b).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ACL SEMICONDUCTORS INC.

By: /s/ Chung -Lun Yang

Chung-Lun Yang
Chief Executive Officer

Dated: April 13, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Chung -Lun Yang	Chief Executive Officer and Chairman of the	April 13, 2009
Chung-Lun Yang	Board of Directors (Principal Executive Officer)	
/s/ Kenneth Lap-Yin Chan	Chief Financial Officer, (Principal Financial and Accounting	April 13, 2009
Kenneth Lap-Yin Chan	Officer)	
/s/ Ben Wong	Director	April 13, 2009
Ben Wong		

Schedule II
ACL SEMICONDUCTORS INC. AND SUBSIDIARIES

Valuation and Qualifying Accounts and Reserves

Years Ended December 31, 2008, 2007 and 2006

	Balance at the Beginning of the Year	Charged to Costs and Expenses	Deductions	Balance At the End of the Year
Allowance for Doubtful Accounts:				
Year ended December 31, 2006	\$ -	\$ -	\$ -	\$ -
Year ended December 31, 2007	\$ -	\$ -	\$ -	\$ -
Year ended December 31, 2008	\$ -	\$ -	\$ -	\$ -
Inventory Obsolescence Reserve:				
Year ended December 31, 2006	\$ 141,026	\$ 100,000	\$ -	\$ 241,026
Year ended December 31, 2007	\$ 241,026	\$ 323,077	\$ -	\$ 564,103
Year ended December 31, 2008	\$ 564,103	\$ -	\$ 190,000	\$ 374,103
Valuation Allowance for Deferred Tax Assets:				
Year ended December 31, 2006	\$ 914,746	\$ 73,094	\$ -	\$ 987,840
Year ended December 31, 2007	\$ 987,840	\$ 69,152	\$ -	\$ 1,056,992
Year ended December 31, 2008	\$ 1,056,992	\$ 65,734	\$ -	\$ 1,122,726

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ACL Semiconductors Inc. and Subsidiaries

Consolidated Financial Statements

As of December 31, 2008 and December 31, 2007 and

the Years Ended December 31, 2008, 2007 and 2006

With Report of Independent Registered Public Accounting Firm

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Report of Independent Registered Public Accounting Firm

Board of Directors
ACL Semiconductors Inc.
Kowloon, Hong Kong

We have audited the accompanying consolidated balance sheet of ACL Semiconductors Inc. and subsidiaries (the Company) as of December 31, 2008, and the related consolidated statements of operations, stockholders' equity, cash flows and financial statement schedule of the year ended December 31, 2008, as listed in the index appearing in this Annual Report on Form 10-K. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits. We did not audit the financial statements of the Company for the years ended December 31, 2006, which are showed as comparative figures in the accompanying financial statements. The financial statements of the Company for the year ended December 31, 2006 were audited by the predecessor principal auditors, Jeffrey Tsang & Co. Certified Public Accountants, whose report was dated April 17, 2007. Their reports did not contain any adverse opinion or disclaimer of opinion, or was qualified or modified as to uncertainty, audit scope, or accounting principles, except for the explanatory paragraph regarding the substantial doubt on the Company's numerous significant transactions with its related parties and its dependence on one single vendor to supply its inventories relating to the reports for the year presented. The consolidated financial statements for the year ended December 31, 2006 have been restated by prior year adjustments made during the year ended December 31, 2007. We reviewed the adjustments that were applied to restate the consolidated financial statements for the year ended December 31, 2006 during our audit in respect of the consolidated financial statements for the year ended December 31, 2007. In our opinion, such adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review or apply any procedures to the consolidated financial statements for the year ended December 31, 2006 and accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements for the year ended December 31, 2006. In connection with our audit nothing has come to our attention that in our judgment would indicate that there have been any events, transactions, or changes in accounting principles subsequent to December 31, 2006 that would have a material effect upon, or require mention with respect to, the financial statements referred to above covered by the predecessor principal auditors' opinion dated April 17, 2007.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by

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management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2008, and the results of its operations and its cash flows for the year ended December 31, 2008, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 12 to the consolidated financial statements, the Company has had numerous significant transactions with businesses and affiliates controlled by, and with persons who are related to, the officers and directors of the Company.

In addition, as discussed in Note 9 to the consolidated financial statements, the Company is dependent on one single vendor and its authorized agent to supply its inventories and this single vendor provided the majority of the Company's inventory purchases during the year ended December 31, 2008.

/s/ JTC Fair Song CPA Firm

JTC Fair Song CPA Firm
CERTIFIED PUBLIC ACCOUNTANTS

Shenzhen, China
April 14, 2009

**ACL SEMICONDUCTORS AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

ASSETS

	December 31,	
	2008	2007
Current assets:		
Cash and cash equivalents	\$ 1,784,355	\$ 1,597,674
Restricted cash	5,169,753	4,203,057
Accounts receivable, net of allowance for doubtful accounts of \$0 for 2008 and 2007	10,230,464	7,594,784
Accounts receivable, related parties	8,412,729	7,955,764
Inventories, net	2,060,195	3,483,994
Restricted marketable securities	500,000	769,231
Marketable securities	-	404,780
Income tax refundable	-	49,375
Other current assets	30,051	83,061
Total current assets	28,187,547	26,141,720
Property, equipment and improvements, net of accumulated depreciation and amortization	6,007,456	6,933,998
Other deposits	392,069	387,245
Total Assets	\$ 34,587,072	\$ 33,462,963

**ACL SEMICONDUCTORS AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2008	2007
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 13,669,779	\$ 12,592,685
Accrued expenses	396,755	186,738
Lines of credit and loan facilities	16,447,742	15,610,488
Current portion of long-term debt	160,447	135,237
Current portion of capital lease	58,683	44,991
Income tax payable	5,588	-
Due to shareholders for converted pledged collateral	112,385	112,385
Other current liabilities	301,076	268,573
Total current liabilities	31,152,455	28,951,097
Long-term liabilities		
Long-term debt, less current portion	2,361,711	2,539,242
Capital lease, less current portion	43,055	49,971
Total long-term liabilities	2,404,766	2,589,213
Deferred tax	8,343	15,471
Total liabilities	33,565,564	31,555,781
Commitments and contingencies	-	-
Stockholders equity (deficit):		
Common stock - \$0.001 par value, 50,000,000 shares authorized, 28,329,936 issued and outstanding	28,330	28,330
Additional paid-in capital	3,593,027	3,593,027
Amount due (from) to stockholder/director	(39,633)	(75,998)
Accumulated deficit	(2,560,216)	(1,638,177)
Total stockholders equity	1,021,508	1,907,182
	\$ 34,587,072	\$ 33,462,963

The accompanying notes form an integral part of these consolidated financial statements

ACL SEMICONDUCTORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	2008	December 31, 2007	2006
Net sales:			
Related parties	\$ 9,076,034	\$ 17,165,728	\$ 19,707,023
Other	197,020,614	143,321,689	85,976,817
Less discounts to customers	(13,878)	(82,493)	(41,717)
	206,082,770	160,404,924	105,642,123
Cost of sales	201,880,793	156,533,635	101,544,098
Gross profit	4,201,977	3,871,289	4,098,025
Operating expenses:			
Selling	76,072	69,260	791,367
General and administrative	3,216,132	2,942,542	2,272,057
Income from operations	909,773	859,487	1,034,601
Other income (expenses):			
Rental income	89,231	37,179	-
Interest expense	(1,073,795)	(1,009,006)	(688,693)
Provision for taxation written back	-	-	150,000
Loss on disposal of marketable securities	(227,781)	-	-
Unrealized gain on marketable securities	-	404,780	-
Unrealized loss on revaluation of properties	(883,117)	-	-
Miscellaneous	229,779	331,485	117,911
(Loss) income before income taxes	(955,910)	623,925	613,819
Income taxes (refund) paid	(33,871)	187,833	163,415
Net (loss) income	\$ (922,039)	\$ 436,092	\$ 450,404
(Loss) earnings per share - basic and diluted	\$ (0.03)	\$ 0.02	\$ 0.02
Weighted average number of shares - basic and diluted	28,329,936	28,329,936	28,153,224

The accompanying notes form an integral part of these consolidated financial statements

ACL SEMICONDUCTORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

	Common stock		Additional paid-in capital	Due (from)/to stockholder/ Director	Accumulated deficit	Total stockholders Equity (deficit)
	Shares	Amount				
Balance at December 31, 2005	27,829,936	\$ 27,830	\$ 3,360,405	\$ (102,936)	\$ (2,524,673)	\$ 760,626
Issuance of common stock for option issued to consultant	500,000	500	104,500	-	-	105,000
Issuance of common stock for option issued to employees	-	-	128,122	-	-	128,122
Net increase in due (from)/to	-	-	-	1,016,399	-	1,016,399
Net income	-	-	-	-	450,404	450,404
Balance at December 31, 2006	28,329,936	28,330	3,593,027	913,463	(2,074,269)	2,460,551
Net increase in due (from)/to	-	-	-	(989,461)	-	(989,461)
Net income	-	-	-	-	436,092	436,092
Balance at December 31, 2007	28,329,936	28,330	3,593,027	(75,998)	(1,638,177)	1,907,182
Net increase in due (from)/to	-	-	-	36,365	-	36,365
Net loss	-	-	-	-	(922,039)	(922,039)
Balance at December 31, 2008	28,329,936	\$ 28,330	\$ 3,593,027	\$ (39,633)	\$ (2,560,216)	\$ 1,021,508

The accompanying notes form an integral part of these consolidated financial statements

ACL SEMICONDUCTORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	Years ended December 31,		
	2008	2007	2006
Cash flows provided by (used for) operating activities:			
Net (loss) income	\$ (922,039)	\$ 436,092	\$ 450,404
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Depreciation and amortization	238,477	230,614	78,074
Change in inventory reserve	(190,000)	323,077	100,000
Gain on disposal of equipment	-	(218)	-
Loss (Gain) on disposal of marketable securities	227,782	(404,780)	-
Fair value of options issued to employees	-	-	128,122
Issuance of common stocks to consultant as professional fee under share option scheme	-	-	105,000
Loss on revaluation of properties	883,116	-	-
Changes in assets and liabilities:			
(Increase) decrease in assets			
Accounts receivable other	(2,635,680)	(5,586,310)	(1,492,917)
Accounts receivable - related parties	(456,965)	(583,297)	(5,196,730)
Inventories	1,613,799	(553,816)	(2,265,503)
Refundable deposits	-	-	1,000,000
Income tax refundable	49,375	(49,375)	-
Other current assets	53,010	(42,124)	222,363
Other assets	(4,824)	(6,207)	6
Increase (decrease) in liabilities			
Accounts payable	1,077,094	7,582,962	513,904
Accrued expenses	210,017	(127,486)	41,442
Payable related to debt settlement	-	-	(76,088)
Income tax payable	5,588	(74,839)	(142,614)
Other current liabilities	32,503	(25,044)	238,598
Deferred tax	(7,128)	6,658	8,813
Total adjustments	1,096,164	689,815	(6,737,530)
Net cash provided by (used for) operating activities	174,125	1,125,907	(6,287,126)

ACL SEMICONDUCTORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	Years ended December 31,		
	2008	2007	2006
Cash flows used for investing activities:			
Advanced (to) from stockholders	36,365	(989,461)	1,016,399
Increase in restricted cash	(966,696)	(1,494,480)	(1,939,346)
Increase in restricted marketable securities	(500,000)	(769,231)	-
Cash Proceeds from sales of marketable securities and restricted marketable securities	946,229	-	-
Cash Proceeds from sales of equipment	-	385	-
Purchases of property, equipment and improvements	(132,513)	(3,159,760)	(3,833,649)
Net cash used for investing activities	(616,615)	(6,412,547)	(4,756,596)
Cash flows provided by financing activities:			
Net borrowings on lines of credit and notes payable	837,254	4,772,021	7,996,182
Net borrowing under long-term debt	(152,321)	710,098	1,964,381
Principal payments under capital lease obligation	(55,762)	(45,291)	(7,154)
Net cash provided by financing activities	629,171	5,436,828	9,953,409
Net increase (decrease) in cash and cash equivalents	186,681	150,188	(1,090,313)
Cash and cash equivalents, beginning of year	1,597,674	1,447,486	2,537,799
Cash and cash equivalents, end of year	\$ 1,784,355	\$ 1,597,674	\$ 1,447,486

**ACL SEMICONDUCTORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	Years ended December 31,		
	2008	2007	2006
Supplemental disclosure of cash flow information:			
Interest paid	\$ 1,073,795	\$ 1,009,006	\$ 688,693
Income tax paid	\$ 57,582	\$ 305,389	\$ 147,217
Income tax refund	\$ 139,289	\$ -	\$ -
Supplement schedule of non-cash investing and financing activities:			
Capital lease obligations incurred when capital leases were entered for new automobiles	\$ 62,538	\$ 95,898	\$ 51,509

The accompanying notes form an integral part of these consolidated financial statements

**ACL SEMICONDUCTORS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2008 AND 2007 AND
THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006**

(1) Organization and Summary of Significant Accounting Policies:

Organization and Basis of Presentation:

On September 8, 2003, ACL Semiconductors Inc. (formerly Print Data Corp.) (ACL) entered into a Share Exchange and Reorganization Agreement with Atlantic Components Ltd. (Atlantic), a Hong Kong based company, and Mr. Chung-Lun Yang (Mr. Yang), the then sole beneficial stockholder of Atlantic. Under the terms of the agreement, ACL issued 22,380,000 of its shares to Mr. Chung-Lun Yang and 2,620,000 of its shares to certain financial advisors in exchange for 100% of the issued and outstanding shares of Atlantic s capital stock. The Company recorded an expense of \$2,753,620 related to the issuance of 2,620,000 shares of its common stock to these advisors, which was computed based on the quoted market price of \$1.05 on September 30, 2003, the effective date of the merger and was classified as merger cost in the accompanying consolidated statements of operations for the year ended December 31, 2003.

The share exchange agreement closed and became effective on September 30, 2003. Upon the completion of this transaction, Atlantic became the wholly owned subsidiary of ACL, and Mr. Yang became the owner of approximately 80% of ACL s issued and outstanding shares of common stock. In addition, ACL s directors and officers resigned and were replaced by directors and officers of Atlantic. For accounting purposes, the acquisition was accounted for as a reverse-acquisition, whereby Atlantic was deemed to have acquired ACL. Because the acquisition was accounted for as a purchase of ACL, the historical financial statements of Atlantic became the historical financial statements of ACL after this transaction.

In connection with this transaction, ACL entered into a Conveyance Agreement on September 30, 2003 with New Print Data Corp. (NewCo). Under the terms of this agreement, effective September 30, 2003, ACL conveyed its historic operations of providing supplies used in a computer or office environment to NewCo, by assigning all of the assets and liabilities related to such operations to NewCo which accepted the assignment and assumed all such liabilities in exchange for 1,000,000 shares of common stock of NewCo.

On October 1, 2003, Print Data Corp. entered into a Securities Purchase Agreement with the holders of Print Data Corp. s Series A Preferred Stock. Under the terms of this agreement, Print Data Corp. sold its 1,000,000 shares of NewCo common stock in exchange for the cancellation of the issued and outstanding 500,400 shares of ACL s Series A Preferred Stock (representing 100% of Print Data Corp. s issued and outstanding preferred stock previously held by three preferred stockholders).

On December 16, 2003, Print Data Corp. filed a Certificate of Amendment with the Secretary of State of the State of Delaware changing its name from Print Data Corp. to ACL Semiconductors Inc.

**ACL SEMICONDUCTORS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2008 AND 2007 AND
THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006**

(1) Organization and Summary of Significant Accounting Policies, Continued:

Business Activity:

ACL Semiconductors Inc. (Company or ACL) was incorporated in the State of Delaware on September 17, 2002. Through a reverse-acquisition of Atlantic Components Ltd., a Hong Kong based company, effective September 30, 2003, the Company's principal activities are distribution of electronic components under the Samsung brandname which comprise DRAM and graphic RAM, FLASH, SRAM and MASK ROM for the Hong Kong and Southern China markets. Atlantic Components Ltd., its wholly owned subsidiary, was incorporated in Hong Kong on May 30, 1991 with limited liability. On October 2, 2003, the Company set up a wholly-owned subsidiary, Alpha Perform Technology Limited (Alpha), a British Virgin Islands company, to provide services on behalf of the Company in jurisdictions outside of Hong Kong. Effective January 1, 2004, the Company has ceased the operations of Alpha and all the related activities are consolidated with those of Atlantic.

Currency Reporting:

Amounts reported in the accompanying consolidated financial statements and disclosures are stated in U.S. Dollars, unless stated otherwise. The functional currency of the Company, which accounted for most of the Company's operations, is reported in Hong Kong dollars (HKD). Foreign currency transactions (outside Hong Kong) during the years ended December 31, 2008, 2007 and 2006 are translated into HKD according to the prevailing exchange rate at the transaction dates. Assets and liabilities denominated in foreign currencies at the balance sheet dates are translated into HKD at year-end exchange rates.

For the purpose of preparing these consolidated financial statements, the financial statements of Atlantic reported in HKD have been translated into United States dollars (USD or US\$) at US\$1.00=HKD7.8, a fixed exchange rate maintained between the two countries.

Consolidation Policy:

The consolidated financial statements include the financial statements of ACL Semiconductors Inc. and its wholly owned subsidiaries, Atlantic Components Ltd., and Alpha Perform Technology Limited. All significant intercompany accounts and transactions have been eliminated in preparation of the consolidated financial statements.

**ACL SEMICONDUCTORS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2008 AND 2007 AND
THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006**

Revenue Recognition:

Product sales are recognized when products are shipped to customers, title passes and collection is reasonably assured. Provisions for discounts to customers, estimated returns and allowances and other price adjustments are provided for in the same periods the related revenue is recorded which are deducted from the gross sales.

Use of Estimates:

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue recognition, allowance for doubtful accounts, long lived assets impairment, inventories, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Cash and Cash Equivalents:

For purposes of the consolidated statements of cash flows, cash equivalents include all highly liquid debt instruments with original maturities of three months or less which are not securing any corporate obligations.

Segment Reporting:

The Company's sales are generated from Hong Kong and the rest of China and substantially all of its assets are located in Hong Kong.

**ACL SEMICONDUCTORS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2008 AND 2007 AND
THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006**

(1) Organization and Summary of Significant Accounting Policies, Continued:

Accounts Receivable:

The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Company's estimate is based on historical collection experience and a review of the current status of trade accounts receivable. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change in the near future. The Company did not provide an allowance for doubtful accounts as of December 31, 2008 and 2007.

Inventories:

Inventories are stated at the lower of cost or market and are comprised of purchased computer technology resale products. Cost is determined using the first-in, first-out method. The reserve for obsolescence was decreased by \$190,000 for 2008 and increased by \$323,077 for 2007. Inventory obsolescence reserves totaled \$374,103 and \$564,103 as of December 31, 2008 and 2007, respectively.

Lease assets

Leases that substantially transfer all the benefits and risks of ownership of assets to the company are accounted for as capital leases. At the inception of a capital lease, the asset is recorded together with its long term obligation (excluding interest element) to reflect the purchase and the financing.

Leases which do not transfer substantially all the risks and rewards of ownership to the company are classified as operating leases. Payments made under operating leases are charged to income statement in equal instalments over the accounting periods covered by the lease term. Lease incentives received are recognized in income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to income statement in the accounting period which they are incurred.

Property, Equipment and Improvements:

Property and equipment are valued at cost. Depreciation and amortization are provided over the estimated useful lives of three to five years using the straight-line method. Leasehold improvements are amortized on a straight-line basis over the shorter of the economic lives or the lease terms.

The estimated service lives of property, equipment and improvements are as follows:

Automobile	3 1/3 years
Office equipment	5 years
Leasehold improvements	5 years
Computers	5 years
Land and Building	amortized by estimated useful life

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**ACL SEMICONDUCTORS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2008 AND 2007 AND
THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006**

(1) Organization and Summary of Significant Accounting Policies, Continued:

Long-Lived Assets:

In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, long-lived assets to be held and used are analyzed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 144 relates to assets that can be amortized and the life can be determinable. The Company evaluates at each balance sheet date whether events and circumstances have occurred that indicate possible impairment. If there are indications of impairment, the Company uses future undiscounted cash flows of the related asset or asset grouping over the remaining life in measuring whether the assets are recoverable. In the event such cash flows are not expected to be sufficient to recover the recorded asset values, the assets are written down to their estimated fair value. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value of asset less the cost to sell. According to the year end valuation report, the Company determined that there was a loss due to revaluation of its real property assets of \$883,116 and \$0 as of December 31, 2008 and 2007.

Advertising:

The Company expenses advertising costs when incurred. Advertising expense totaled \$5,618, \$7,060 and \$7,617 for the years ended December 31, 2008, 2007, and 2006, respectively.

Income Taxes:

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carry forwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. Realization of the deferred tax asset is dependent on generating sufficient taxable income in future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

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**AS OF DECEMBER 31, 2008 AND 2007 AND
THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006**

(1) **Organization and Summary of Significant Accounting Policies, Continued:**

Fair Value of Financial Instruments:

The carrying amount of the Company's cash and cash equivalents, accounts receivable, lines of credit, convertible debt, accounts payable, accrued expenses, and long-term debt approximates their estimated fair values due to the short-term maturities of those financial instruments.

Comprehensive Income:

SFAS No. 130, Reporting Comprehensive Income, establishes standards for the reporting and display of comprehensive income and its components in the financial statements. For the years ended December 31, 2008, 2007, and 2006, the Company has no items that represent other comprehensive income and, therefore, has not included a schedule of comprehensive income in the consolidated financial statements.

Basic and Diluted Earnings (Loss) Per Share:

In accordance with SFAS No. 128, Earnings Per Share, the basic earnings (loss) per common share is computed by dividing net earnings (loss) available to common stockholders by the weighted average number of common shares outstanding. Diluted earnings (loss) per common share is computed similarly to basic earnings (loss) per common share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive.

Reclassifications

Certain reclassifications have been made to the 2006 and 2007 consolidated financial statements to conform to the 2008 presentation.

**ACL SEMICONDUCTORS INC. AND SUBSIDIARIES
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**AS OF DECEMBER 31, 2008 AND 2007 AND
THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006**

(1) Organization and Summary of Significant Accounting Policies, Continued:

New Accounting Pronouncements:

In February 2008, the FASB issued FSP FIN 48-2, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. This FASB Staff Position (FSP) defers the effective date of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, for certain nonpublic enterprises as defined in paragraph 289, as amended, of FASB Statement No. 109, *Accounting for Income Taxes*, including nonpublic not-for-profit organizations. This FSP shall be effective upon issuance. The Company does not anticipate that this new FSP will have any material impact upon its financial condition or results of operations.

In February 2008, the FASB issued FSP FAS 140-3, *Accounting for Transfers of Financial Assets and Repurchase Financing Transactions*. This FSP applies to a repurchase financing, which is a repurchase agreement that relates to a previously transferred financial asset between the same counterparties (or consolidated affiliates of either counterparty), that is entered into contemporaneously with, or in contemplation of, the initial transfer. This FSP shall be effective for financial statements issued for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. Earlier application is not permitted. The Company does not anticipate that this new FSP will have any material impact upon its financial condition or results of operations.

In February 2008, the FASB issued FSP FAS 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13*. This FSP amends SFAS No. 157, *Fair Value Measurements*, to exclude FASB Statement No. 13, *Accounting for Leases*, and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under Statement 13. However, this scope exception does not apply to assets acquired and liabilities assumed in a business combination that are required to be measured at fair value under FASB Statement No. 141, *Business Combinations*, or No. 141 (revised 2007), *Business Combinations*, regardless of whether those assets and liabilities are related to leases. This FSP shall be effective upon the initial adoption of Statement 157. The Company does not anticipate that this new FSP will have any material impact upon its financial condition or results of operations.

In February 2008, the FASB issued FSP FAS 157-2, *Effective Date of FASB Statement No. 157*. This FASB Staff Position (FSP) delays the effective date of FASB Statement No. 157, *Fair Value Measurements*, for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This FSP shall be effective upon issuance. The Company does not anticipate that this new FSP will have any material impact upon its financial condition or results of operations.

In April 2008, the FASB issued FSP SOP 90-7-1, *An Amendment of AICPA Statement of Position 90-7*. This FSP resolves the conflict between the guidance requiring early adoption of new accounting standards for entities required to follow fresh-start reporting under AICPA Statement of Position 90-7, *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code*, and

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THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006**

other authoritative accounting standards that expressly prohibit early adoption. This FSP shall be effective for financial statements issued subsequent to the date of issuance of this FSP. The Company does not anticipate that this new FSP will have any material impact upon its preparation of its financial statements.

In April 2008, the FASB issued FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets*. This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, *Goodwill and Other Intangible Assets*. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under Statement 142 and the period of expected cash flows used to measure the fair value of the asset under FASB Statement No. 141 (revised 2007), *Business Combinations*, and other U.S. generally accepted accounting principles (GAAP). This FSP shall be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The Company does not anticipate that this new FSP will have any material impact upon its preparation of its financial statements.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS No. 162). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). This Statement shall be effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With General Accepted Accounting Principles*. The Company does not anticipate that SFAS No. 162 will have any material impact upon its preparation of its financial statements.

In May 2008, the FASB issued FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*. This FSP clarifies that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) are not addressed by paragraph 12 of APB Opinion No. 14, *Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants*. Additionally, this FSP specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Company does not anticipate that this new FSP will have any material impact upon its financial condition or results of operations.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 163, *Accounting for Financial Guarantee Insurance Contracts* an interpretation of FASB Statement No. 60 (SFAS No. 163). SFAS No. 163 requires that an insurance enterprise recognize a claim liability prior to an event of default (insured event) when there is evidence that credit deterioration has occurred in an insured financial obligation. SFAS No. 163 also clarifies how Statement 60 applies to financial guarantee insurance contracts, including the recognition and measurement to be used to account for premium revenue and claim liabilities. SFAS No. 163 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and all interim periods within those fiscal years, except for some

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disclosures about the insurance enterprise's risk-management activities. The Company does not anticipate that SFAS No. 163 will have any material impact upon its preparation of its financial statements.

In May 2008, the FASB issued FSP SOP 94-3-1 and AAG HCO-1, Omnibus Changes to Consolidation and Equity Method Guidance for Not-for-Profit Organizations. This FSP makes several changes to the guidance on consolidation and the equity method of accounting in AICPA Statement of Position 94-3, Reporting of Related Entities by Not-for-Profit Organizations, and the AICPA Audit and Accounting Guide, Health Care Organizations. The guidance in this FSP shall be applied to fiscal years beginning after June 15, 2008, and to interim periods therein. The Company does not anticipate that this FSP will have any material impact upon its preparation of its financial statements.

In June 2008, the FASB issued FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities. The guidance in this FSP applies to the calculation of EPS under Statement 128 for share-based payment awards with rights to dividends or dividend equivalents. Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of EPS pursuant to the two-class method. This FSP shall be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. Early application is not permitted. The Company does not anticipate that this FSP will have any material impact upon its preparation of its financial statements. In December 2008, the FASB issued FSP FAS 140-4 and FIN 46(R)-8, Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities. This FSP amends FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, to require public entities to provide additional disclosures about transfer of financial assets. It also amends FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities, to require public enterprises, including sponsors that have a variable interest in a variable interest entity, to provide additional disclosures about their involvement with variable interest entities. This FSP will be applied to the first reporting period (interim or annual) ending after December 15, 2008. The Company does not anticipate that this FSP will have any material impact upon its preparation of its financial statements.

In August 2008, the FASB issued FSP FSA 117-1, Endowments of Not-for Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds. This FSP provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006. This FSP will be effective for fiscal years ending after December 15, 2008. The Company does not anticipate that this FSP will have any material impact upon its preparation of its financial statements.

In September 2008, the FASB issued FSP FAS 133-1 and FIN 45-4, Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161. This FSP applies to credit derivatives within the scope of Statement 133, hybrid instruments that have embedded

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credit derivatives, and guarantees within the scope of Interpretation 45. This FSP shall be effective for reporting periods (annual or interim) ending after November 15, 2008. The Company does not anticipate that this FSP will have any material impact upon its preparation of its financial statements.

In December 2008, the FASB issued FSP FAS 132 (R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets*. This FSP amends FASB Statement No. 132 (revised 2003), *Employers' Disclosures about Pensions and Other Postretirement Benefits*, to provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. This FSP shall be applied to fiscal years ending after December 15, 2009. The Company does not anticipate that this FSP will have any material impact upon its preparation of its financial statements.

In December 2008, the FASB issued FSP FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. This FSP defers the effective date of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, for certain nonpublic enterprises as defined in paragraph 289, as amended, of FASB Statement No. 109, *Accounting for Income Taxes*, including nonpublic not-for-profit organizations. This FSP will be effective upon issuance. The Company does not anticipate that this FSP will have any material impact upon its preparation of its financial statements.

(2) Prior Year Adjustments:

The financial statements for the year ended December 31, 2006 was restated to reflect the omission of the issuance of 500,000 common shares of the Company to a consultant as the consulting and advisory service fee on May 10, 2006 under the Company's share option scheme. The following financial statement line items for the year ended December 31, 2006 were affected by the omission.

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	As Originally Reported	As Adjusted	Effect of Omission
<u>Consolidated Statement of Operations</u> <u>for the year ended December 31, 2006</u>			
General and administrative expenses	\$ 2,167,057	\$ 2,272,057	\$ 105,000
Income from operations	1,139,601	1,034,601	(105,000)
Income before income taxes	718,819	613,819	(105,000)
Net profit	555,404	450,404	(105,000)
Earnings per share - basic and diluted	\$ 0.02	\$ 0.02	\$ -
Weighted average number of shares	27,829,936	28,153,224	324,068

Consolidated Balance Sheet as of December 31, 2006

Common Stock	\$ 27,830	\$ 28,330	\$ 500
Additional paid in capital	3,488,527	3,593,027	104,500
Accumulated deficit	(1,969,269)	(2,074,269)	(105,000)
Total stockholders' equity	2,460,551	2,460,551	-

Consolidated Statement of Cash Flows
For the year ended December 31, 2006

Cash flows provided by/(used for) operating activities:

Net income	\$ 555,404	\$ 450,404	\$ (105,000)
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**Adjustments to reconcile net income to net cash provided by/(used for)
operating activities:**

Issuance of common stocks to a consultant as consulting and advisory service fee under share option scheme	-	105,000	105,000
Total Adjustments to reconcile net income to net cash provided by/(used for) operating activities	(6,842,530)	(6,737,530)	105,000
Net cash provided by/(used for) operating activities	(6,287,126)	(6,287,126)	-

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(2) Prior Year Adjustments, Continued:

	As Originally Reported	As Adjusted	Effect of Omission
<u>Consolidated Statement of Stockholders Equity</u>			
<u>for the year ended December 31, 2006</u>			
Common stock:			
Balance at December 31, 2005 (27,829,936 shares)	\$ 27,830	\$ 27,830	\$ -
Issuance of common stock to a consultant as consulting and servicing fee (500,000 shares)	-	500	500
Balance at December 31, 2006 (28,329,936 shares)	\$ 27,830	\$ 28,330	\$ 500
Additional paid-in capital:			
Balance at December 31, 2005	\$ 3,360,405	\$ 3,360,405	\$ -
Issuance of common stock to a consultant as consulting and servicing fee	-	104,500	104,500
Issuance of common stock for option issued to employees	128,122	128,122	-
Balance at December 31, 2006	\$ 3,488,527	\$ 3,593,027	\$ 104,500

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	As Originally Reported	As Adjusted	Effect of Omission
<u>Notes to Consolidated Financial Statement</u>			
<u>For the year ended December 31, 2006</u>			
Income taxes for the year ended December 31, 2006:			
Computed tax at federal statutory rate	\$ 244,398	\$ 244,398	\$ -
Tax rate differential on foreign earnings of Atlantic Components Ltd., a Hong Kong based company	(154,077)	(189,777)	(35,700)
Net operating loss carry forward	73,094	108,794	35,700
Other	-	-	-
	\$ 163,415	\$ 163,415	\$ -
The Components of the deferred tax assets and liabilities as at December 31, 2006 are as follows:			
Net operating losses	\$ 987,840	\$ 1,023,540	\$ 35,700
Total deferred tax assets	\$ 987,840	\$ 1,023,540	\$ 35,700
Less: valuation allowance	(987,840)	(1,023,540)	(35,700)
	\$ -	\$ -	\$ -

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(3) Property, Equipment and Improvements:

A summary is as follows:

	2008	2007
Land and buildings	\$ 5,672,672	\$ 6,794,629
Office equipment	151,147	147,530
Leasehold improvements	187,627	143,553
Furniture and fixtures	13,273	13,273
Automobile	373,416	226,056
	6,398,135	7,325,041
Less: accumulated depreciation and amortization	390,679	391,043
	\$ 6,007,456	\$ 6,933,998

Depreciation and amortization expense for property, equipment, and improvements amounted to \$238,477, \$230,614, and \$78,074, for the years ended December 31, 2008, 2007 and 2006, respectively.

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(4) Revolving Lines of Credit and Loan Facilities:

The Company has available to it a \$5,128,205 revolving line of credit with DBS Bank (Hong Kong) Limited with an outstanding balance of \$4,722,616 at December 31, 2008 and \$5,635,176 at December 31, 2007. The line of credit bears interest at the bank's standard bills rate less 1.25% for HKD borrowings and at the bank's standard bills rate less 0.75% for other currency borrowings as of December 31, 2008. The weighted average interest rate approximated 4.4% for 2008 and 6.7% for 2007.

The Company has available to it a \$5,769,231 factoring facility with recourse with DBS Bank without any outstanding balance at December 31, 2008. The factoring facility bears a discounting charge at the bank's standard bills rate less 1.25% for advance in HKD or the bank's standard bills rate less 0.75% for advance in other currency as of December 31, 2008. The weighted average interest rate approximated 4.4% for 2008 and 6.7% for 2007.

The Company has available to it a \$384,615 letter of guarantee with DBS Bank with an outstanding balance of \$384,615 at December 31, 2008 and the letter of guarantee will expire on October 31, 2009. The line of credit bears a commission of 1.5% per annum which will be refunded on pro-rata basis upon return and cancellation of the letter of guarantee.

The Company has available to it a \$6,410,256 revolving line of credit with Standard Chartered Bank (Hong Kong) Limited with an outstanding balance of \$5,742,934 at December 31, 2008 and \$3,709,379 at December 31, 2007. The line of credit bears interest at a rate of the bank's standard bills rate less 0.5% for HKD facilities and at a rate of the bank's standard bills rate plus 1% for other foreign currency facilities as of December 31, 2008. The weighted average interest rate approximated 5.1% for 2008 and 7.4% for 2007.

The Company has available to it \$5,128,205 factoring facility with SCB with an outstanding balance of \$1,753,562 at December 31, 2008. The factoring facility bears discounting charges at the bank's standard bills rate less 0.75% rate for advances in HKD or the bank's standard bills rates less 0.75% for advances in other currency as of December 31, 2008. The weighted average interest rate approximated 4.9% for 2008 and 7.2% for 2007.

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The Company has available to it a \$2,307,692 revolving line of credit with The Bank of East Asia, Limited with an outstanding balance of \$2,060,747 at December 31, 2008 and \$2,303,868 at December 31, 2007. The line of credit bears interest at the higher of Hong Kong prime rate plus 0.25% or HIBOR plus 1% for HKD facilities and LIBOR plus 2% for other currency facilities as of December 31, 2008. The weighted average interest rate approximated 5.9% for 2008 and 7.9% for 2007.

The Company has available to it a \$1,153,846 revolving line of credit with Citic Ka Wah Bank Limited with an outstanding balance of \$1,014,883 at December 31, 2008 and \$2,297,061 at December 31, 2007. The line of credit bears interest at the higher of the Hong Kong prime rate less 1.5% or HIBOR plus 2% as of December 31, 2008. The weighted average interest rate approximated 4.1% for 2008 and 7.4% for 2007.

The line of credit granted by Hang Seng Bank Limited to the Company matured on September 19, 2008. The outstanding balances with Hang Seng Bank Limited were \$0 at December 31, 2008 and \$1,665,003 at December 31, 2007. The line of credit bore interest at a rate of the Hong Kong prime rate less 0.5% for HKD facilities and at a rate of the bank's board rate less 0.25% for USD facilities as of December 31, 2007. The weighted average interest rate approximated 5% for 2008 and 7.4% for 2007.

The Company has available to it a \$1,602,564 revolving line of credit with the Industrial and Commercial Bank of China (Asia) Limited with an outstanding balance of \$1,153,000. The line of credit bears interest at the higher of the Hong Kong prime rate less 0.5% or HIBOR plus 3% for HKD facilities and a rate of the bank's board rate less 0.5% for foreign currency facilities as of December 31, 2008. The weighted average interest rate approximated 5.1% for 2008.

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(5) Long-Term Debt:

A summary is as follows as of December 31:

	2008	2007
Installment loan carrying an interest rate of 2.75% below the Hong Kong dollar Prime Rate (5.5% at December 31, 2008) to DBS Bank payable in monthly installments of \$9,663 including interest through December 2008	\$ 1,648,222	\$ 1,719,704
Installment loan carrying an interest rate of 2% below the Hong Kong dollar Prime Rate (5.5% at December 31, 2008) to DBS Bank payable in monthly installments of \$3,782 including interest through December 2008	112,312	153,052
Installment loan carrying an interest rate of 2.5% below the Hong Kong dollar Prime Rate (5.5% at December 31, 2008) to DBS Bank payable in monthly installments of \$5,240 including interest through December 2008	761,624	801,723
	2,522,158	2,674,479
Less: current maturities	160,447	135,237
	\$ 2,361,711	\$ 2,539,242
An analysis of long-term debt as of December 31 is as follows:		
Current portion	\$ 160,447	\$ 135,237
After 1 year, but within 2 years	316,063	290,618
After 2 years, but within 5 years	257,789	247,571
After 5 years	1,787,859	2,001,053
	2,361,711	2,539,242
	\$ 2,522,158	\$ 2,674,479

With respect to all of the above referenced debt and credit arrangements in Note 4, the Company pledged its assets as collateral collectively to a bank group in Hong Kong comprised of DBS Bank (Hong Kong) Ltd. (formerly Overseas Trust Bank Limited), Standard Chartered Bank (Hong Kong) Limited, The Bank of East Asia Ltd., Citic Ka Wah Bank Limited and Industrial and Commercial Bank of China (Asia) Limited for all current and future borrowings from the bank group by the Company. In addition to the above pledged collateral, the debt is also secured by:

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Long-Term Debt, Continued:

1. a fixed cash deposit of \$641,025 (HK\$5,000,000), a security interest on two residential properties and a workshop located in Hong Kong owned by Atlantic Components Ltd (Atlantic), a wholly owned subsidiary of ACL, a security interest on a residential property located in Hong Kong owned by City, a related party, plus a personal guarantee by Mr. Yang as collateral for loans from DBS Bank (Hong Kong) Ltd;
2. a fixed cash deposit of \$1,380,010 (HK\$10,764,075) plus an unlimited personal guarantee by Mr. Yang, as collateral for loans from The Bank of East Asia, Limited;
3. a cash deposit/securities not less than \$2,051,282 (HK\$16,000,000), a security interest on workshop located in Hong Kong owned by Systematic Information, a related party, a security interest on a workshop located in Hong Kong owned by Solution, a related party, plus an unlimited personal guarantee by Mr. Yang as collateral for loans from Standard Chartered Bank (Hong Kong) Limited;
4. a cash deposit not less than \$1,015,407 (US\$756,402 plus HK\$2,020,236), a security interest on workshop located in Hong Kong owned by Solution, a related party, plus a personal guarantee by Mr. Yang as collateral for loans from Citic Ka Wah Bank Limited.
5. a cash deposit not less than \$641,025 (HK\$5,000,000) plus an unlimited personal guarantee by Mr. Yang as collateral for loans from Industrial and Commercial Bank of China (Asia) Limited.

(6) Capital Lease Obligations:

The Company has several non-cancelable capital leases relating to motor vehicles:

	2008	2007
Current portion	\$ 58,683	\$ 44,991
Non-current portion	43,055	49,971
	101,738	94,962

At December 31, the value of motor vehicles under capital leases as follows:

	2008	2007
Cost	\$ 193,514	\$ 46,154
Less: depreciation	51,463	6,923
	142,051	39,231

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Capital Lease Obligations, Continued:

At December 31, the company had obligations under capital leases repayable as follows:

	2008	2007
Total minimum lease payments		
-Within one year	\$ 65,055	\$ 50,381
- After one year but within 5 years	47,329	56,081
	112,384	106,462
Interest expenses relating to future periods	(10,646)	(11,500)
Present value of the minimum lease payments	\$ 101,738	\$ 94,962

(7) Income Taxes:

Income tax (refund) expense amounted to \$(33,871) for 2008, \$187,833 for 2007 and \$163,415 for 2006 (an effective rate of 0% for 2008, 30% for 2007, and 23% for 2006). A reconciliation of the provision for income taxes with amounts determined by applying the statutory federal income tax rate of 34% to income before income taxes is as follows:

	2008	2007	2006
Computed tax at federal statutory rate	\$ (325,009)	\$ 212,135	\$ 244,398
Tax rate differential on foreign earnings of Atlantic Components Ltd. (Atlantic), a Hong Kong based company	225,404	(57,754)	(189,777)
Net operating loss carry forward	65,734	33,452	108,794
Other	-	-	-
	\$ (33,871)	\$ 187,833	\$ 163,415

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(7) Income Taxes, Continued:

The income tax provision consists of the following components:

	2008	2007	2006
Federal	\$ -	\$ -	\$ -
Foreign	(33,871)	187,833	163,415
	\$ (33,871)	\$ 187,833	\$ 163,415

The Components of the deferred tax assets and liabilities are as follows:

	2008	2007	2006
Net operating losses	\$ 1,122,726	\$ 1,056,992	\$ 1,023,540
Total deferred tax assets	\$ 1,122,726	\$ 1,056,992	\$ 1,023,540
Less: valuation allowance	(1,122,726)	(1,056,992)	(1,023,540)
	\$ -	\$ -	\$ -

In 2003, the Company's Hong Kong subsidiary, Atlantic, paid a procurement fee to the Company's subsidiary, Alpha in BVI, and allocated certain expenses incurred outside Hong Kong. Procurement fee income net of such expenses totaled approximately \$1,000,000, which is not subject to corporate tax in Hong Kong or BVI. However, such procurement service fee income or income net of related expenses may be subject to corporate income tax in the People's Republic of China. Based on the analysis of its tax counsel, the Company accrued approximately \$150,000 for such potential tax liabilities as of December 31, 2003. The Company has not paid any of this tax up to December 31, 2006 and the provision had been written back in the year ended December 31, 2006.

(8) Weighted Average Number of Shares:

The Company has a 2006 Incentive Equity Stock Plan, under which the Company may grant options to its employees for up to 5 million shares of common stock. In May 2006, the Company granted options to a consultant to acquire 500,000 shares of common stock of the Company as the consulting and advisory service fee and the consultant exercised all of the options during the year ended December 31, 2006. In May 2006, the Company granted options to purchase an aggregate 2,000,000 shares of common stock of the Company to three employees. These options were fully vested upon grant, had an exercise price of \$0.22 per share and expired in December 2006. There were no dilutive effect to the weighted average number of shares for the years ended December 31, 2008 and 2007 since there were no outstanding options at December 31, 2008 and 2007.

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(9) Concentrations:

The Company has a non-exclusive Distributorship Agreement with Samsung Electronics Hong Kong Co., Ltd. (Samsung), which was initially entered into in May 1993 and has been renewed annually. Under the terms of the agreement, Samsung appointed the Company on a non-exclusive basis as Samsung's distributor to distribute and market its products in the designated territory. The Company has the right to market and sell the products of other manufacturers and render service related to such activities, unless such activities result in the Company's inability to fulfill its obligations under the Agreement. However, the Company shall not purchase to sell any of the same product lines as Samsung produces and deals in from any other Korean manufacturer during the term of this Agreement. The most recent renewal of the Distributorship Agreement expired on March 1, 2009. As of April 1, 2009, Samsung has confirmed the annual renewal of such agreement for one year.

The Company's distribution operations are dependent on the availability of an adequate supply of electronic components under the Samsung brand name which have historically been principally supplied to the Company by the Hong Kong office of Samsung. The Company purchased 49%, 69%, and 75% of materials from Samsung for the years ended December 31, 2008, 2007, and 2006, respectively. However, there is no written supply contract between the Company and Samsung and, accordingly, there is no assurance that Samsung will continue to supply sufficient electronic components to the Company on terms and prices acceptable to the Company or in volumes sufficient to meet the Company's current and anticipated demand, nor can assurance be given that the Company would be able to secure sufficient products from other third party supplier(s) on acceptable terms.

In addition, the Company's operations and business viability are to a large extent dependent on the provision of management services and financial support by Mr. Yang. See Note 4 for details for Mr. Yang's support of the Company's banking facilities. At December 31, 2008 and 2007, included in accounts payable were \$8,675,069 and \$9,562,199, respectively, to Samsung. Termination of such distributorship by Samsung will significantly impair and adversely affect the continuation of the Company's business.

During the years ended December 31, 2008, 2007, and 2006, 4%, 11%, and 11%, respectively, of the Company's sales were generated from Aristo Technologies Ltd. (Aristo), a related party (see Note 11 for additional discussion of related party transactions). As of December 31, 2008 and 2007, accounts receivable from related parties included \$6,695,409 and \$6,237,905, respectively, due from Aristo, which represented 37% and 40%, respectively, of the total accounts receivable due from related and unrelated parties.

As of December 31, 2008 and 2007, Samsung has withheld a total of \$350,000 of commission due to the Company as deposits. As agreed with Samsung, the commission deposits were fully refunded to the Company on January 22, 2009.

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(10) Retirement Plan:

Under the Mandatory Provident Fund (MPF) Scheme Ordinance in Hong Kong, the Company is required to set up or participate in an MPF scheme to which both the Company and employees must make continuous contributions throughout their employment based on 5% of the employees' earnings, subject to maximum and minimum level of income. For those earning less than the minimum level of income, they are not required to contribute but may elect to do so. However, regardless of the employees' election, their employers must contribute 5% of the employees' income. Contributions in excess of the maximum level of income are voluntary. All contributions to the MPF scheme are fully and immediately vested with the employees' accounts. The contributions must be invested and accumulated until the employees' retirement. The Company contributed and expensed \$27,950 for 2008, \$28,530 for 2007 and \$21,475 for 2006.

(11) Commitments:

The Company leases its facilities. The following is a schedule by years of future minimum rental payments required under operating leases that have non-cancellable lease terms in excess of one year as of December 31, 2008:

	Related Party	Other	Total
Year ending December 31,			
2009	\$ 10,961	\$ 42,372	\$ 53,333
2010	5,128	\$ 19,972	\$ 25,100
Thereafter	-	\$ -	\$ -
Total	\$ 16,089	\$ 62,344	\$ 78,433

See Note 12 for related party leases. All leases expire prior to December 31, 2010. Real estate taxes, insurance, and maintenance expenses are obligations of the Company. It is expected that in the normal course of business, leases that expire will be renewed or replaced by leases on other properties; thus, it is anticipated that future minimum lease commitments will likely be more than the amounts shown for 2008. Rent expense for the years ended December 31, 2008, 2007, and 2006 totaled \$142,985, \$120,942, and \$116,321 respectively.

As at December 31, 2008 there is a participating forward currency option agreement between the Company and SCB for the Company to buy US\$500,000 from SCB at a contract rate of 7.735 at specified dates up to January 7, 2010. According to the terms of the agreement, the Company will buy USD in triple amounts if the spot rate is less than the contract rate at specified dates. The gain on this forward contract during the year ended December 31, 2008 was \$36,346.

As at December 31, 2008, there is a target redemption forward currency option agreement between the Company and SCB for the Company to buy US\$750,000 from SCB at a lower strike contract rate of 7.75 and an upper strike contract rate of 7.85 at specified dates up to April 29, 2010. According to the terms of the agreement, the Company will buy USD in triple amounts if the spot rate is less than the lower

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strike contract rate or greater than the upper strike contract rate at specified dates. The gain on this forward contract during the year ended December 31, 2008 was \$56,433.

As at December 31, 2008, there is a pivot bonus forward currency option agreement between the Company and SCB for the Company to buy US\$1,000,000 from SCB at a lower strike contract rate of 7.73 and an upper strike contract rate 7.749 at specified dates up to July 2, 2009. According to the terms of the agreement, the Company will buy in triple amounts if the spot rate is less than the lower strike contract rate. The gain on this forward contract during the year ended December 31, 2008 was \$56,410.

As at December 31, 2008, the Company has holdings of US\$500,000 Commodity Basket Linked Notes which were issued by SCB at specified dates up to February 17, 2009. According to the terms of agreements, the Company will receive interest at a rate equal to 6% if the Basket Return is larger than 0% and 100% redeemed if the Basket Return is less than or equal to 0% on the maturity date. The Company fully redeemed the securities on the maturity date of February 17, 2009 and received profits of \$17,378.

(12) Related Party Transactions:
TRANSACTIONS WITH MR. YANG

As of December 31, 2008 and 2007, we had an outstanding receivable from Mr. Yang, the President and Chairman of our Board of Directors, totaling \$39,633 and \$75,998. These advances bear no interest and are payable on demand.

For the years ended December 31, 2008, 2007 and 2006, we recorded compensation to Mr. Yang of \$735,026, \$812,821, and \$200,000, respectively, and paid \$735,026, \$812,821, and \$200,000, respectively, to Mr. Yang as compensation to him.

During each of the years ended December 31, 2008, 2007 and 2006, we paid rent of \$0, \$17,521, and \$68,280, respectively, for Mr. Yang's personal residence as fringe benefits to him. All such payments have been recorded as compensation expense in the accompanying financial statements.

TRANSACTIONS WITH CLASSIC ELECTRONIC LTD.

As of December 31, 2008 and 2007, the Company had outstanding accounts receivable from Classic Electronics Ltd. (Classic) totaling \$1,717,320 and \$1,717,859, respectively. The Company has not experienced any bad debt from this customer in the past. Pursuant to a written personal guarantee agreement, Mr. Yang has personally guaranteed up to \$10 million of the outstanding accounts receivable from Classic.

We leased one of our facilities and Mr. Yang's personal residence from Classic. Lease agreements for those two properties expired and were acquired by Atlantic on July 21, 2006. Monthly lease payments for these two leases totaled \$6,684. We incurred and paid rent expense of \$0, \$0 and \$44,418 to Classic for the years ended December 31, 2008, 2007 and 2006, respectively.

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On February 21, 2006, a cross corporate guarantee was executed between Classic and Atlantic for banking facilities to be co-utilized with Standard Chartered Bank (Hong Kong) Limited. The maximum amount of facilities that could be utilized by Atlantic was \$1.154 million (HKD9 millions) and the facility lines were fully covered by collateral provided by Classic and companies other than Atlantic. Subsequently, the cross guarantees were released on December 7, 2006.

On July 6, 2006, a cross corporate guarantee was executed between Classic and Atlantic for banking facilities to be co-utilized with The Bank of East Asia Limited. The cross guarantee was temporarily created due to selling of properties by Classic to Atlantic. During the period of execution of the assignment of legal title, The Bank of East Asia Limited requested a cross guarantee for both companies. All facilities and outstanding loan balances were booked under and utilized by Atlantic which will not absorb any losses from Classic. Subsequently, the cross guarantees were released on December 8, 2006.

Mr. Ben Wong, one of our directors, is a 99.9% shareholder of Classic. The remaining 0.1% of Classic is owned by a non-related party.

TRANSACTIONS WITH SOLUTION SEMICONDUCTOR (CHINA) LTD.

On April 1, 2007, we entered into a lease agreement with Solution Semiconductor (China) Ltd. (Solution) pursuant to which we lease one facility. The lease agreement for this facility expires on March 31, 2009. The monthly lease payment for this lease is \$1,090. We incurred and paid an aggregate rent expense of \$13,077, \$12,385 and \$3,436 to Solution during the year ended December 31, 2008, 2007 and 2006.

Two facilities located in Hong Kong owned by Solution were used by the Company as collateral for loans from Citic Ka Wah Bank Limited and Standard Chartered Bank (Hong Kong) Limited respectively.

Mr. Ben Wong, one of our directors, is a 99% shareholder of Solution. The remaining 1% of Solution is owned by a non-related party.

TRANSACTIONS WITH SYSTEMATIC INFORMATION LTD.

During the years ended December 31, 2008, 2007 and 2006, we received service charges of \$0, \$11,538 and \$6,410, respectively, from Systematic Information Ltd. (Systematic Information). As of December 31, 2008 and 2007, there were no outstanding accounts receivable from Systematic Information. The service fee was charged for back office support for Systematic Information.

On September 1, 2008, we entered into a lease agreement with Systematic Information pursuant to which we lease one facility. The lease agreement for this facility expires on August 31, 2010. The monthly lease payment for this lease totals \$641. We incurred and paid an aggregate rent expense of \$7,692, \$7,692 and \$2,564 to Systematic Information during the years ended December 31, 2008, 2007 and 2006.

On April 1, 2005, we entered into a lease agreement with Systematic Information pursuant to which we lease one residential property for Mr. Yang 's personal use for a monthly lease payment of \$3,205. Upon expiration of the lease on June 15, 2007, ACL acquired this residential property from Systematic Information. We incurred and

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paid an aggregate rent expense of \$0, \$17,521 and \$38,462 to Systematic Information during the years ended December 31, 2008, 2007 and 2006.

A workshop located in Hong Kong owned by Systematic Information was used by the Company as collateral for loans from Standard Chartered Bank (Hong Kong) Limited.

Mr. Yang, the Company's Chief Executive Officer, majority shareholder and a director, is a director and shareholder of Systematic with a total of 100% interest.

TRANSACTIONS WITH ARISTO TECHNOLOGIES LTD.

During the years ended December 31, 2008, 2007 and 2006, we sold products for \$9,076,034, \$17,165,728 and \$11,986,047 respectively, to Aristo Technologies Ltd. (Aristo). Outstanding accounts receivable totaled \$6,695,409 and \$6,237,905 as of December 31, 2008 and 2007, respectively. We have not experienced any bad debt from this customer in the past.

During the years ended December 31, 2008, 2007 and 2006, we purchased inventories of \$7,393,957, \$3,633,424 and \$1,584,985, respectively, from Aristo. As of December 31, 2008 and 2007, there were no outstanding accounts payable to or from Aristo.

Mr. Yang, the Company's Chief Executive Officer, majority shareholder and a director, is a director and the sole beneficial owner of Aristo.

TRANSACTIONS WITH GLOBAL MEGA DEVELOPMENT LTD.

During the years ended December 31, 2008, 2007 and 2006, we received management fees of \$0, \$5,769 and \$7,692, respectively, from Global Mega Development Ltd. (Global). As of December 31, 2008 and 2007, there were no outstanding accounts receivable from Global. The management fees were charged for back office support for Global.

Mr. Yang, the Company's Chief Executive Officer, majority shareholder and a director, is the sole beneficial owner of the equity interest of Global.

TRANSACTIONS WITH INTELLIGENT NETWORK TECHNOLOGY LTD.

During the years ended December 31, 2008, 2007 and 2006, we received management fees of \$0, \$0 and \$7,692, respectively, from Intelligent Network Technology Ltd. (Intelligent). As of December 31, 2008 and 2007, there were no outstanding accounts receivable from Intelligent. The management fee was charged as back office support for Intelligent.

Mr. Yang, the Company's Chief Executive Officer, majority shareholder and a director, is a director and 80% shareholder of Intelligent. The remaining 20% of Intelligent is owned by a non-related party.

**ACL SEMICONDUCTORS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2008 AND 2007 AND
THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006**

TRANSACTIONS WITH SYSTEMATIC SEMICONDUCTOR LTD.

During the years ended December 31, 2008, 2007, and 2006, we received a management fee of \$15,384, \$16,026, and \$15,384, respectively, from Systematic Semiconductor Ltd. (Systematic). As of December 31, 2008 and 2007, there were no outstanding accounts receivable from Systematic. The management fee was charged for back office support for Systematic.

Mr. Yang, the Company's Chief Executive Officer, majority shareholder and a director, is the sole beneficial owner of the equity interest of Systematic.

TRANSACTIONS WITH FIRST WORLD LOGISTICS LTD.

During the years ended December 31, 2008, 2007 and 2006, we sold products for \$0, \$0 and \$7,720,975, respectively, to First World Logistic Ltd. (First). As of December 31, 2008 and 2007, there were no outstanding accounts receivable from First.

During the years ended December 31, 2008, 2007, and 2006, we purchased inventories for \$0, \$0, and \$825,900, respectively, from First. As of December 31, 2008 and 2007, there were no outstanding accounts payable to First.

Mr. Yang, the Company's Chief Executive Officer, majority shareholder and a director, is the sole beneficial owner of the equity interest of First.

TRANSACTIONS WITH ARISTO COMPONENTS LTD.

During the years ended December 31, 2008, 2007 and 2006, we received a management fee of \$8,077, \$0, and \$0, respectively, from Aristo Components Ltd. (Aristo Comp). As of December 31, 2008 and 2007, there were no outstanding accounts receivable from Aristo Comp. The management fee was charged for back office support for Aristo Comp.

Mr. Ben Wong, one of our directors, is a 90% shareholder of Aristo Comp. The remaining 10% of Aristo Comp is owned by a non-related party.

TRANSACTIONS CITY ROYAL LIMITED.

A residential property located in Hong Kong owned by City Royal Limited (City) was used by the Company as collateral for loans from DBS Bank (Hong Kong) Limited.

Mr. Yang, the Company's Chief Executive Officer, majority shareholder and a director, is a 50% shareholder of City. The remaining 50% of City is owned by the wife of Mr. Yang.

ACL SEMICONDUCTORS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2008 AND 2007 AND
THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

(13) Quarterly Information (Unaudited):

The summarized quarterly financial data presented below reflects all adjustments, which in the opinion of management, are of a normal and recurring nature necessary to present fairly the results of operations for the periods presented.

(dollars in thousands except per share data)

	Total	Fourth	Third	Second	First
<u>2008</u>					
Total net sales	\$206,083	\$56,610	\$51,318	\$45,246	\$52,909
Gross profit	\$4,262	\$656	\$1,691	\$1,395	\$520
Net income (loss)	\$(922)	\$(1,247)	\$532	\$395	\$(602)
Net income (loss) per share:					
basic and diluted	\$(0.03)	\$(0.04)	\$0.02	\$0.01	\$(0.02)
<u>2007</u>					
Total net sales	\$160,401	\$52,740	\$43,895	\$31,731	\$32,035
Gross profit	\$3,871	\$831	\$1,643	\$510	\$887
Net income (loss)	\$436	\$6	\$538	\$(174)	\$66
Net income (loss) per share:					
basic and diluted	\$0.02	\$0.00	\$0.02	\$(0.01)	\$0.00

(14) Subsequent Events (Unaudited):

After year ended December 31, 2008, two banks canceled the banking facilities granted to the Company and restricted bank deposits were released. One bank reduced the amount of facilities granted to the Company.

After the year ended December 31, 2008, one of the customers owing an account receivable in the amount of \$857,747 as at December 31, 2008 was in liquidation. Since most of the debt due from this customer, \$799,719, was purchased by a bank under a factoring agreement which offered a 90% credit risk coverage and there was a deposit \$159,944 paid by the customer included in the other current liabilities as at December 31, 2008, the directors of the Company believed that the amount could be fully recovered and no provision was made for the debt due from this customer.