

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

ACL SEMICONDUCTOR INC
Form 10-K
April 17, 2006

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, 2005

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

(State or other jurisdiction
of incorporation)

16-1642709

(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

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

period that registrant was required to file such reports) and (2) has been

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

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 March 31, 2006 was approximately \$1,035,488 based upon the closing price of \$0.19 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, 2006). (For purposes of determining this amount, only directors, executive officers, and 10% or greater stockholders have been deemed affiliates).

Registrant had 27,829,936 shares of common stock, par value \$0.001 per share, outstanding as of April 12, 2006.

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"

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

MEANS ACL SEMICONDUCTORS INC. AND ITS SUBSIDIARIES.

TABLE OF CONTENTS

Form 10-K Index

PART I

Item 1. Business.....
Item 1A. Risk Factors.....
Item 1B. Unresolved Staff Comments.....
Item 2. Properties.....
Item 3. Legal Proceedings.....
Item 4. Submission of Matters to a Vote of Security Holders.....

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.....
Item 6. Selected Financial Data.....
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
Item 7A. Quantitative and Qualitative Disclosures About Market Risk.....
Item 8. Financial Statements and Supplementary Data.....
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.
Item 9A. Controls and Procedures.....
Item 9B. Other Information.....

PART III

Item 10. Directors and Executive Officers of the Company.....
Item 11. Executive Compensation.....
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.....
Item 13. Certain Relationships and Related Transactions.....
Item 14. Principal Accounting Fees and Services.....

PART IV

Item 15. Exhibits, Financial Statement Schedules.....
Signatures

PART I

ITEM 1. BUSINESS

GENERAL

ACL Semiconductors Inc. was incorporated under the laws of the State of

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

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 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 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.

On September 9, 2003, in contemplation of the Closing and the resultant change in control of the Board of Directors, the Company filed an Information Statement on Schedule 14f-1 with the Securities and Exchange Commission (the "SEC").

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 become the sole 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.

2

BUSINESS

The Company is one of authorized distributors in the Hong Kong and Southern China markets of memory products of Samsung Electronics Co., Ltd. ("Samsung"), the world's largest producer of memory chips and a global producer of memory products pursuant to a distribution agreement with Samsung (the "Distribution Agreement") since 1993. Atlantic Components Ltd. ("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

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

a representative office in Shenzhen, China and began concentrating its distribution and marketing efforts in the southern region of the People's Republic of China.

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

The Company's business objective is to build the best platform for memory solutions for electronics manufacturers globally. 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 to present updated market information collected from retail channels and corporate users to assist Samsung to plan their production and allocation schedule for the coming six months. 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 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 of approximately 2.5% 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, 2005, 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, 2005. The Company has never failed to meet the sales quotas set forth in the Distribution Agreement. As of April 1, 2006, Samsung has confirmed to the Company of the annual renewal of the Distribution Agreement for one year.

PRODUCTS

SDRAMs are high density, low-cost-per-bit, random access memory components that store digital information and provide high-speed storage and retrieval of data. SDRAMs are the most widely used semiconductor memory component in computer peripheral (HDD), DSC (digital still camera),

3

Modems, ADSL Applications, DVD player, STB (settop box), Digital TV, High Definition TV, PMP (Portable Multimedia Player).

SRAMs are semiconductor devices that perform memory functions similar to SDRAMs. SRAMs utilize a more complex memory cell and do not require the memory array to be periodically refreshed. This simplifies system design for memory applications utilizing SRAM and allows SRAM to operate faster than SDRAM, although SRAM has a higher cost-per-bit than SDRAM.

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

DDRs (DDR1, DDR2) 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. Starting in 2006, the main stream will be DDR2 and it will gradually replace DDR1 and Samsung's products should continue to dominate the DDR market share.

Graphic RAM is a special purpose DDR (DDR1, DDR2, DDR3) as graphic products request high-speed 3-Dimensional calculation performance and large memory size as data storage buffer for VCD/DVD display. The current market consumption on graphic products is mainly for DDR 128Mb IC and DDR 256Mb IC with clockspeed up to 500MHz.

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, PDAs, USB Disks, Flash Cards, etc. Samsung is a major supplier in the world of FLASH products. In 2005, Samsung NAND Flash revenue up to US\$ 6.580 million and occupied all Flash (NAND + Nor) market's share 35%.

MASK ROM is a kind of ROM in which the memory contents are determined by one of the masks used to manufacture the integrated circuit. MROM can give high storage density (bits per millimeter squared) making it a cheap solution for high volume applications. Due to the constant growth of consumer electronic products such as games, toys and PDAs, the worldwide demand for MASK ROM is expected to maintain in the coming year.

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. General speaking, NAND Flash, DDR2 and SDRAM are the major memory products for now and the future of Consumer Electronics, PC field and Home Appliance products, and Samsung is among the world's largest developers and manufacturers of those memory products, and a leader driving forward.

CUSTOMERS

As of December 31, 2005, the Company had over 120 active customers in Hong Kong and Southern China, the majority of whom are memory product traders and PC/Servers OEM manufacturers. Sales to Classic Electronic Ltd., a related party, accounted for 17%, 31% and 21% of the Company's net sales for the years ended December 31, 2005, 2004 and 2003 respectively. No other customers accounted for more

4

than 25% of the Company's net sales for 2005, 2004 and 2003, 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

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

As of December 31, 2005, the Company employed a total of 11 salespeople, each of whom has several years experience in the memory products industry. Nine of these salespeople are stationed in the Company's headquarters offices in Hong Kong; and two who work out of the Company's representative office in Shenzhen, China as customer liaisons. These sales personnel cooperate 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 weekly or on demand basis to Samsung in order to assist Samsung's production planning and products allocation functions and maintains the close business relationship accordingly.

SUPPLIERS

As of December 31, 2005, a majority of the distributed products are Samsung memory products. Since 1993, our procurement operations have been supported by Samsung Electronics H.K. Co., Ltd. ("SAMSUNG HK"), a wholly-owned subsidiary of 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 HK. Samsung HK is allocated quantities of Samsung 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 People's Republic of China. The distributors that are supported by Samsung HK provide Samsung HK 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 HK 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 HK. 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 heavily on Samsung to supply its 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 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

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

Southern China markets. Samsung may at 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, 2005, the Company's business operations were not subject to the regulations of any jurisdiction other than 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, 2005, the Company had 40 employees. Of the 40 employees, 13 employees are in sales and marketing, 13 employees are in administration, 8 employees are in engineering, 6 employees are in customer service and liaison. None of the Company's 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.

EMPLOYEE COMPENSATION

For the year ended December 31, 2005, Mr. Yang, the Company's chief executive officer and director, had annual compensation of \$319,230. No long-term compensation was awarded or paid to him in 2005.

As of December 31, 2005, the Company did not have any employment agreements with its directors, executives or staff and the Company had not issued any stock options or stock appreciation rights to any executive officers (or any other persons). The Company may grant stock options or stock appreciation rights to these or other executive officers or other persons in the future at the discretion of its Board of Directors.

6

ITEM 1A. RISK FACTORS

In addition to the 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 even though we, with the consent from Samsung HK, can purchase the required memory products from other Samsung distributors under the same mode in calculation of commission income receivable from Samsung. Our

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

relationship with Samsung is primarily maintained through our Chief Executive Officer Mr. Yang, who is verbally contracted 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 Samsung as distributor of memory products on favorable terms if at all.

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 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. In recent years, the growth rate of PCs sold has slowed or declined. If there is a sustained 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.

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, RAM, FLASH, SRAM and MASK ROM.

7

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 HK not having

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

sufficient supplies of memory product to meet all of our customer orders, this would have a negative impact on our sales and could result in our loss of customers. Although such shortages are infrequent, there was such a shortage during the three months ended March 31, 2004 and no assurance can be given that such shortages will not occur in the future. Currently, due to increased demand in FLASH memory, ACL also experiences insufficient supplies of such products from Samsung and loss of sales.

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 damage to 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 and have experienced in the past, and are likely to experience 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 its 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

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

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 into 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 acceptable terms, if at all. As a result of 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 80% 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. Through his concentration of voting power, he could cause us to take actions that we would not consider absent his influence, or could delay, deter or prevent a change of control of us 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 recapitalization with Atlantic Components Ltd., to March 31, 2006, 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, 2005, there were 27,829,936 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

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

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

9

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 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:

- o Control of the market for the security by one or a few broker-dealers;
- o "Boiler room" practices involving high-pressure sales tactics;
- o Manipulation of prices through prearranged matching of purchases and sales;
- o The release of misleading information;
- o Excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and
- o 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.

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

ITEM 2. PROPERTIES.

Our principal offices occupy approximately 4,989 square feet gross floor area located at B24-B27, 1/F., Block B, Proficient Industrial Centre, 6 Wang Kwun Road, Kowloon Bay, Kowloon, Hong Kong, which is leased from Classic Electronic Ltd. ("Classic"), a related party, covering a lease period from December 1, 2005 to November 30, 2006 at monthly rental of HK\$17,137 (approximately US\$2,197). Mr. Ben Wong, one of our directors, is also a director of Classic.

We lease a warehouse unit of approximately 1,846 square feet gross floor area located at B14-15, 1/F., Block B, Proficient Industrial Centre, 6 Wang Kwun Road, Kowloon Bay, Kowloon, Hong Kong pursuant to a one-year lease with Lin Chin Hsiung which covers a period from May 23, 2005 to May 22, 2006 with monthly lease payments of HK\$15,000 (approximately US\$1,923).

10

We lease approximately 3,000 square feet gross floor area for its directors' resident located at No. 78, 5th Street, Hong Lok Yuen, Tai Po, New Territories, Hong Kong for Mr. Yang which is covered by a lease with Classic which expires on March 31, 2008, with monthly rentals of HK\$35,000 (approximately US\$4,487).

We lease approximately 3,000 square feet gross floor area for its directors' resident located at No. 76, 5th Street, Hong Lok Yuen, Tai Po, New Territories, Hong Kong for Mr. Yang which is covered by a lease with Systematic Information Limited which expires on March 31, 2008, with monthly rentals of HK\$25,000 (approximately US\$3,205). Mr. Ben Wong, one of our directors, is also a director of Systematic Information Limited.

We lease an office unit of approximately 1,273.8 square feet gross floor area located at Room 2307, 23/F., Building A, United Plaza, No.5022 Binhe Road, Futian Centre, Shenzhen, China pursuant to an original lease dated June 1, 2002 and an extended lease dated May 27, 2004 with Shenzhen Jing Tian Wei Investment Development Co. Ltd. which expires on May 31, 2006 with monthly lease payments of RMB7,643 (approximately US\$920).

In the event that such facilities should 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.

Professional Traders Fund, LLC ("PTF") had filed a complaint, dated February 8, 2005, against the Company in the Southern District of New York alleging breach of contract for the nonpayment of a 12% subordinated convertible note from the Company to PTF in the principal amount of \$250,000. PTF was seeking \$239,850 plus default interest, costs and attorneys fees. On August 16, 2005, the Company and PTF entered into a settlement agreement whereby the Company agreed to pay PTF pursuant to a payment schedule a total of \$255,291.50, which amount includes all post judgment legal expenses and payment by PTF of \$1,400 to the stock transfer agent. The outstanding payable amount related to this settlement was \$76,088 as of December 31, 2005. The final installment was

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

fully paid in February 2006. On March 6, 2006, PTF filed a satisfaction of judgment.

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, 2005.

11

PART II

ITEM 5. MARKET FOR COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

QUARTERS ENDED	HIGH	LOW
QUARTER ENDED MARCH 31, 2006		
Quarter ended March 31, 2006.....	\$0.23	\$0.12
FISCAL YEAR ENDED DECEMBER 31, 2005:		
Quarter ended December 31, 2005.....	\$0.13	\$0.06
Quarter ended September 30, 2005.....	\$0.27	\$0.12
Quarter ended June 30, 2005.....	\$0.36	\$0.13
Quarter ended March 30, 2005.....	\$0.45	\$0.25
FISCAL YEAR ENDED DECEMBER 31, 2004		
Quarter ended December 31, 2004.....	\$0.88	\$0.23
Quarter ended September 30, 2004.....	\$1.13	\$0.65
Quarter ended June 30, 2004.....	\$1.70	\$0.70
Quarter ended March 31, 2004.....	\$3.00	\$1.50

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 13, 2006, the last reported sale price of our common stock, as reported by the OTC Bulletin Board, was \$0.22 per share.

As of April 14, 2006, there were approximately 373 holders of record of our common stock.

DIVIDEND POLICY

Since our recapitalization with Atlantic Components Ltd., 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.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

As of December 31, 2005, we did not have any compensation plans (including individual compensation arrangements) under which our equity securities are authorized for issuance to employees or non-employees (such as directors and consultants). 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 Company's business. As of March 31, 2006, 5,000,000 shares of Common Stock are reserved for issuance under the Plan and no options have been

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

granted. We intend to file a Schedule 14(c) Information Statement with respect to the Plan.

12

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 Stonefield Josephson, Inc., 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.

	2005 ----	2004 ----	2003 ----	2002 ----
Net Sales	\$110,207,743	\$133,243,690	\$72,672,797	\$85,343,24
Net income (loss)	\$259,515	\$(454,006)	\$(1,437,670)	\$986,87
Earnings (loss) per common share	\$0.01	\$(0.02)	\$(0.06)	\$0.0
Total Assets	\$8,832,457	\$10,265,983	\$9,570,808	\$7,215,16
Long-term Debt	\$ -	\$65,522	\$194,703	\$1,071,50
Weighted average number of shares outstanding - basic and diluted	27,829,936	27,829,936	23,753,682	22,380,00

13

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

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

products under "Samsung" brandname which comprise DRAM and Graphic RAM, FLASH, SRAM and MASK ROM for the Hong Kong and Southern China markets.

As of December 31, 2005, we had over 120 active customers in Hong Kong and Southern China.

Pricing for the Samsung memory products ranges 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 its products outside of these regions in the foreseeable future.

For the years ended December 31, 2005, 2004, and 2003, the largest 5 customers accounted for 43%, 48% and 31% of our net sales, respectively. As of December 31, 2005, we had a working capital deficit of \$227,545 and accumulated deficit of \$2,524,673. We generated net sales of \$110,207,743 for the year ended December 31, 2005 and recorded a net income of \$259,515. In addition, during the year ended December 31, 2005, net cash provided by operating activities amounted to \$2,732,805.

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 for the coming six months. 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 allows 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

14

guaranteed gross profit margin of approximately 2.5% 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 the customers. At December 31, 2005 we had over 120

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

active customers.

The quantities of memory products the Company sells fluctuate with changes in demand from its customers. The prices set by Samsung that the Company must charge its customers are expected to fluctuate as a result of prevailing economic conditions and their impact on the market.

During the six months ended December 31, 2005, large OEMS like DELL, IBM and many other personal computer manufacturers placed large orders for new memory standard DDR2 for personal computers. However, Intel could not meet the demand for their i945 Motherboard chip set full series. Consequently, the output for personal computers dropped substantially, which lead to a high level of memory module inventory at the personal computer manufacturers. These excess inventories were flooded into the market and the prices for DDR2 memory module dropped significantly. This reduction in prices caused our revenue to be lower than expected.

During 2005, we experienced shortage of supplies of Samsung products and decrease in customers' demand.

The essential element of our growth in the future, will be to obtain adequate financial resources as additional working capital to cope with the strong market needs from the China PCs' personal and business users.

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 HK, a wholly-owned subsidiary of Samsung, although there is no written long-term supply agreement in place between us and Samsung HK. Our cost of goods, as a percentage of total revenues, amounted to approximately 97.1% for the year ended December 31, 2005 and approximately 97.7% the year ended December 31, 2004.

OPERATING EXPENSES

Our operating expenses for the years ended December 31, 2005 and 2004 were comprised of sales and marketing, general and administrative expenses.

15

Selling and marketing expenses consisted primarily of commissions paid to outside sales agent and salary expenses to customer service personnel and costs associated with advertising 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 2006. Sales and marketing costs are expected to fluctuate as a percentage of revenue due to the addition of sales personnel and various marketing activities planned throughout the year.

Interest expense, including finance charges, relates primarily to our short-term and long-term bank borrowings, which we intend to reduce and the

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

amortization of discount related to the convertible note payable.

RESULTS OF OPERATIONS

The following table sets forth audited consolidated statements of operations data for the years ended years ended December 31, 2005, 2004, and 2003 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.

	Year Ended December 31		

	2005	2004	2003
	----	----	----
	(US\$)		
Net sales	110,207,743	133,243,690	72,672,797
Cost of sales	107,004,491	130,130,674	68,214,587
Gross profit	3,203,253	3,113,016	4,458,210
Operating expenses:			
Sales and marketing	745,755	453,862	149,364
General and administrative	2,059,150	2,618,810	2,571,147
Merger cost	-	-	2,753,620
Total operating expenses	2,804,905	3,072,672	5,474,131
Income (loss) from operations	398,347	40,344	(1,015,921)
Interest expense	203,192	402,412	166,509
Net income (loss)	259,515	(454,006)	(1,437,670)

YEAR ENDED DECEMBER 31, 2005 COMPARED TO THE YEAR ENDED DECEMBER 31, 2004

NET SALES

Sales decreased by \$23,035,947 or 17.3% from \$133,243,690 for year ended December 31, 2004 to \$110,207,743 for the year ended December 31, 2005. The decrease was mainly due to the drop in demand and shortage of supplies of Samsung products. We expect the sales will increase as new products are launched in the market and accumulated demand boom in the next year.

16

COST OF SALES

Cost of sales decreased \$23,126,183 or 17.8%, from \$130,130,674 for the year ended December 31, 2004 to \$107,004,491 for the year ended December 31, 2005. The cost of sales decreased in proportion to the decrease of net sales. We expect the cost of sales for the year ended December 31, 2006 to increase in proportion of sales for the same year.

GROSS PROFIT

Gross profit increased by \$90,237, or 2.9% from \$3,113,016 for the year ended December 31, 2004 to \$3,203,253 for the year ended December 31, 2005. The gross profit percentage increased to 2.9% of revenue for the year ended December 31, 2005 compared to 2.3% of revenue for the year ended December 31, 2004 mainly as a result of shortage of supplies of Samsung products. We expect the gross

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

profit for the year ended December 31, 2006 will remain at approximately the same level as the year ended December 31, 2005.

OPERATING EXPENSES

Sales and marketing expenses increased by \$291,893, or 64.3%, from \$453,862 for the year ended December 31, 2004 to \$745,755 for the year ended December 31, 2005. The increase was primarily attributable to the sales commission expenses incurred and paid to an external sales agent which brought in certain sales orders to the Company. No such sales were subject to commission in 2004. We expect the sales and marketing expenses for the year ended December 31, 2006 will remain at approximately the same level as the year ended December 31, 2005.

General and administrative expenses decreased \$559,660 or 21.4% from \$2,618,810 for the year ended December 31, 2004 to \$2,059,150 for the year ended December 31, 2005. In August 2004, we suffered a loss of \$475,591 as a result of the theft of certain of its inventory which were no covered by its insurance policy. Excluding this incident, our general and administrative expenses would have increased by \$101,115 which was primary related to increase of payroll expenses. We will use our best efforts to keep general and administrative expenses for the year ended December 31, 2006 at approximately the same level as the year ended December 31, 2005.

Income from operations was \$398,347 for the year ended December 31, 2005 compared to \$40,344 for the year ended December 31, 2004, an increase of income of \$358,003. The increase was mainly due to increase in gross profit of our products caused by the shortage of memory products in the market during the year. We expect the income from operations for the year ended December 31, 2006 will remain at about of the same level of the current year.

OTHER INCOME (EXPENSES)

Interest expense decreased \$199,220, or 49.5% from interest expense of \$402,412 in the year ended December 31, 2004, to \$203,192 in the year ended December 31, 2005. The decrease was due to a \$250,000 amortization of discount related to the convertible debt in 2004. Excluding this amortization, our interest expense increased by \$50,780 for the year ended December 31, 2005 mainly due to increase in interest rates during the year. We expect the interest expense for the year ended December 31, 2006 will increase significantly because of increase in interest rate.

Our net income increased by \$713,521 from the loss of \$454,006 for the year ended December 31, 2004 compared to the income of \$259,515 for the year ended December 31, 2005. This increase was due to increase in gross profit and decrease in general and administrative expenses. We expect the net income will be adversely affected by the increase of interest rate.

17

YEAR ENDED DECEMBER 31, 2004 COMPARED TO THE YEAR ENDED DECEMBER 31, 2003

NET SALES

Sales increased by \$60,570,893 or 83% from \$72,672,797 for year ended December 31, 2003 to \$133,243,690 for the year ended December 31, 2004. This increase resulted primarily from the unexpected world-wide pricing pressure on memory products during May 2004 to July 2004 among major memory products manufacturers which stimulated the strong demand of memory products in the Hong Kong and Southern China markets.

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

COST OF SALES

Cost of sales increased \$61,916,087 or 90.8%, from \$68,214,587 for the year ended December 31, 2003 to \$130,130,674 for the year ended December 31, 2004. The increase in cost of sales resulted from the increase in sales of Samsung's memory products and strong demand of Samsung memory products. As a percentage of net sales, cost of sales increased slightly from 93.8% of net sales in the year ended December 31, 2003 to 97.7% of net sales in the year ended December 31, 2004.

GROSS PROFIT

Gross profit decreased by \$1,345,194, or 30.2% from \$4,458,210 for the year ended December 31, 2003 to \$3,113,016 for the year ended December 31, 2004. The gross profit percentage decreased to 2.3% of revenue for the year ended December 31, 2004 compared to 6.2% of revenue for the year ended December 31, 2003 as a result of aggressive pricing strategy imposed by Samsung with our assistance for newly launched 1 Gigabyte memory products during August 2004 to September 2004 to prevent the entrance of other major memory products manufacturers in the Hong Kong and Southern China markets which in turn stimulated a strong demand of such newly launched memory products. However, such pricing strategy reduces the gross margin significantly compared to the historical margin on selling the Samsung products.

OPERATING EXPENSES

Sales and marketing expenses increased by \$304,498, or 204%, from \$149,364 for the year ended December 31, 2003 to \$453,862 for the year ended December 31, 2004 due to increase of sales commission to ACL Technology Pte Ltd. as a result of more than 70 new and active customers with more than \$42 million revenues introduced by this sales agent.

General and administrative expenses increased \$47,663 or 1.9% from \$2,571,147 for the year ended December 31, 2003 to \$2,618,810 for the year ended December 31, 2004.

Merger cost of \$2,753,620 in 2003 represents the fair value of common stock issued to consultants and advisors related to the acquisition of Atlantic by us, which took place on September 30, 2003. No such cost was incurred during the year ended December 31, 2004.

Income from our operations was \$40,344 for the year ended December 31, 2004 compared to the loss of \$1,015,921 for the year ended December 31, 2003, an increase of income of \$1,056,264. The decrease of loss was primarily due to merger cost of \$2,753,620 incurred in September 2003 related to the acquisition of Atlantic. Excluding the merger cost, income from operations decreased by 98% for the year ended December 31, 2004, compared to \$1,737,699 for the year ended December 31, 2003. This decrease was the result of decreasing gross profits during the year 2004, together with increased sales and marketing expenses.

18

OTHER INCOME (EXPENSES)

Interest expense increased \$235,903, or 142% from interest expense of \$166,509 in the year ended December 31, 2003, to \$402,412 in the year ended December 31, 2004. Excluding \$250,000 non-cash interest expense incurred in the year ended December 31, 2004 relating to amortization of discount on convertible note payable, interest expense was \$152,412 in the year ended December 31, 2004. Excluding the above-mentioned amortization of discount on convertible note payable, our interest expense decreased to 0.1% of sales for the year ended

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

December 31, 2004 from 0.2% for the year ended December 31, 2003 due to a reduction by us of our long-term bank borrowings during the year 2004.

Gain on disposal of property and equipment decreased by \$7,100, to \$128 in the year ended December 31, 2004 from \$7,228 in the year ended December 31, 2003, due to certain automobile being disposed during 2003, which was replaced with new purchases of automobile.

Our net loss decreased by \$983,664 from \$1,437,670 for the year ended December 31, 2003 compared to the loss of \$454,006 for the year ended December 31, 2004. This decrease was the result of merger cost incurred during the year ended December 31, 2003.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity have been cash provided by 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.

We may require additional financing in order to finance our growing business and implement our business plan. In order to meet anticipated demand for Samsung's memory products in the Southern China market over the next 12 months, we anticipate an additional need of working capital of at least \$2.0 million through short-term borrowings from the banks to finance the cash flow required to finance the purchase of Samsung memory products from Samsung HK one day in advance of the release of goods from Samsung HK's warehouse before receiving payments from customers upon physical delivery of such goods in Hong Kong which, in most instances, takes approximately two days from such delivery. In certain limited instances, our customers are permitted up to thirty (30) days to make payment for purchased memory products. As the anticipated cash generated by our operations are insufficient to fund our growth requirements, we will need to obtain additional equity funds. There can be no assurance that we will be able to obtain the necessary additional capital on a timely basis or on acceptable terms, if at all. In any of such events, our business growth and prospects would be materially and adversely affected. As a result of any such financing, if it is an equity financing, the holders of our common stock may experience substantial dilution. In addition, as our results may be negatively impacted and thus delayed as a result of political and economic factors beyond the 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 its expectations.

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

In the year ended December 31, 2005, net cash provided by operating activities amounted to \$2,992,320 while in the year ended December 31, 2004, net cash used in operating activities amounted to \$416,876, an increase of \$2,575,444. This increase was caused, in part, by increase amount of trade receivable due from related parties at the end of 2005.

In the year ended December 31, 2004, net cash provided by operating activities amounted to \$416,876 while in the year ended December 31, 2003, net cash used in operating activities amounted to \$216,151, an increase of \$633,027. This increase was caused, in part, by a strengthened control in inventory level during year 2004.

In the year ended December 31, 2005, net cash provided by investing activities amounted to \$85,744 while in the year ended December 31, 2004, we used net cash of \$954,770 in investing activities, an increase of cash provided for investing activities of \$1,040,514. The increase was mainly due to repayments from related parties. We do not expect a significant amount of cash flows in respect of investing activities incurred in year 2006 as there is no significant plan of acquisition or disposal of property, equipment and improvements at this moment.

Net cash used for investing activities increased by \$1,745,411. In the year ended December 31, 2003, we received cash repayments from a stockholder for advances to this stockholder in the amount of \$807,724. In the year ended December 31, 2004, we loaned \$930,429 to a related party which was repaid in 2005.

In the year ended December 31, 2005, net cash used for financing activities amounted to \$1,052,813, while in the year ended December 31, 2004, we have net cash of \$583,368 provided by financing activities, an decrease of cash provided by financing activities of \$1,636,181. This decrease was caused by decrease on lines-of-credit and repaid the balance of long-term debt in the year 2005. We do not expect significant cash be used for financing activities in year 2006.

In the year ended December 31, 2004, net cash provided by financing activities amounted to \$583,368 while in the year ended December 31, 2003, we used net cash of \$286,353 in financing activities, an increase of cash provided by financing activities of \$869,721. This increase was caused by additional proceeds on lines-of-credit of \$1.3 million in the year 2004.

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 HK. If the relationship with Samsung HK is terminated, we may not be able to continue our business. We have been taking necessary

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

steps to reduce our dependence on Samsung HK through potential acquisition of Classic which is a reseller of various memory products.

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.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk for changes in interest rates as our bank borrowings accrue interest at floating rates of 0.5% to 1.0% over the Best Lending Rate (currently at the range of 7.75% to 8.0% per annum) prevailing in Hong Kong. For the three years ended December 31, 2005, 2004, and 2003, we 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 we will 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 March 2005, the SEC released Staff Accounting Bulletin No. 107, "Share-Based Payment" ("SAB 107"), which provides interpretive guidance related to the interaction between SFAS 123(R) and certain SEC rules and regulations. It also provides the SEC staff's views regarding valuation of share-based payment arrangements. In April 2005, the SEC amended the compliance dates for SFAS 123(R), to allow companies to implement the standard at the beginning of their next fiscal year, instead of the next reporting period beginning after June 15, 2005. Management is currently evaluating the impact SAB 107 will have on the financial statements.

In May 2005, the FASB issued FASB Statement No. 154, ACCOUNTING CHANGES AND ERROR CORRECTIONS. This new standard replaces APB Opinion No. 20, ACCOUNTING CHANGES, and FASB Statement No. 3, REPORTING ACCOUNTING CHANGES IN INTERIM FINANCIAL STATEMENTS, and represents another step in the FASB's goal to converge its standards with those issued by the IASB. Among other changes, Statement 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented on the new accounting principle, unless it is impracticable to do so. Statement 154 also provides that (1) a change in method of depreciating or amortizing a long-lived nonfinancial asset be accounted for as a change in estimate (prospectively) that was effected by a change in accounting principle, and (2) correction of errors in previously issued financial statements should be termed a "restatement." The new standard is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. Early adoption of this standard is permitted for accounting changes and correction of errors made in fiscal years beginning after June 1, 2005. Management believes that changes resulting from adoption of the FASB will not have a material effect on the financial statements taken as a whole.

In June 2005, the EITF reached a consensus on Issue 05-6, "Determining the

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

Amortization Period for Leasehold Improvements," which requires that leasehold improvements acquired in a business combination or purchased subsequent to the inception of a lease be amortized over the lesser of the

21

useful life of the assets or a term that includes renewals that are reasonably assured at the date of the business combination or purchase. EITF 05-6 is effective for periods beginning after June 29, 2005. Earlier application is permitted in periods for which financial statements have not been issued. The adoption of this Issue did not have an impact on the Company's financial statements.

In February 2006, the Financial Accounting Standards Board issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments -- an amendment of FASB Statements No. 133 and 140." SFAS No. 155 simplifies the accounting for certain hybrid financial instruments, eliminates the FASB's interim guidance which provides that beneficial interests in securitized financial assets are not subject to the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and eliminates the restriction on the passive derivative instruments that a qualifying special-purpose entity may hold. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006, however, early adoption is permitted for instruments acquired or issued after the beginning of an entity's fiscal year in 2006. The Company is evaluating the impact of this new pronouncement to its financial position and results of operations or cash flows.

CONTRACTUAL OBLIGATIONS

The following table presents our contractual obligations as of December 31, 2005 over the next five years and thereafter:

Payments by Period

	AMOUNT	LESS THAN 1 YEAR	1-3 YEARS	4 YE
	-----	-----	-----	-----
Operating Leases	263,994	139,552	124,442	
Payable related to debt settlement	76,088	76,088	---	
Line of credit and notes payable - short-term	2,842,285	2,842,285	---	
Total Contractual Obligations	\$3,182,367	\$3,057,925	\$124,442	\$

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

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

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

22

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.

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 9A. CONTROLS AND PROCEDURES

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

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.

23

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

Our independent auditors identified that our accounting on certain significant transactions were incorrectly calculated or incorrectly recorded in the 2004 financial statements. In addition, certain related parties were not disclosed to our independent auditors and transactions with these related parties were not disclosed in the financial statements for the year ended December 31, 2004. During the course of the 2004 audit field work, our independent auditors discovered these errors and these related parties and the transactions with these related parties. Our independent auditors discussed these matters with our Chief Financial Officer, and we subsequently reevaluated the transactions and recorded the necessary adjustments. The auditors believe that these adjustments reflected significant deficiencies in our internal controls over accounting and financial reporting. Our independent auditors did not discover similar adjustments and errors during the 2005 audit.

OTHER OBSERVATIONS

In connection with the audit of our consolidated financial statements

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

for the year ended December 31, 2004, our independent auditors also made several other observations relating to our disclosure controls and procedures or internal controls. First, our independent auditors observed that ACL did not have adequate segregation of duties due to the 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. We are now developing a system to address these issues but a detailed plan has not yet been implemented. 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, and we are currently seeking a person with an individual with U.S. accounting and finance background to join the board. As of March 31, 2006, we have not yet recruited such person due to the lack of qualified accountants and financial expert with U.S. background in Hong Kong. Nevertheless, we have increased the number of our accounting staff in 2005 to handle increasing volume of the accounting and finance related matters.

24

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY.

DIRECTORS AND EXECUTIVE OFFICERS

Our directors and executive officers, as of December 31, 2005, and their biographical information are set forth below:

NAME	AGE	POSITION
Chung-Lun Yang	44	Chairman of the Board of Directors and Chief Executive Officer
Ben Wong	42	Director
Kenneth Lap-Yin Chan	43	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 was 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 was graduated from the Chinese Culture University of Taiwan in 1986 with a Bachelor's Degree of Science in Mechanical Engineering.

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

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.

Our Board of Directors does not have a separate Compensation Committee, Audit Committee nor 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 searching for the 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.

25

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.

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 hereto as Exhibit 14 to the Annual Report on Form 10-K for the period ended December 31, 2003.

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 Persons") to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and our other equity securities. Reporting Persons are required by SEC regulation to furnish us 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, 2005 all Reporting Persons complied with all applicable filing requirements.

ITEM 11. EXECUTIVE COMPENSATION.

EXECUTIVE OFFICER COMPENSATION

The following table sets forth the annual and long-term compensation for services in all capacities to the Company for the last three fiscal years ended

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

December 31, 2005.

SUMMARY COMPENSATION TABLE

ANNUAL COMPENSATION					LONG TERM COMPENSATION	
(a) NAME AND PRINCIPAL POSITION	(b) FISCAL YEAR	(c) SALARY	(d) BONUS	(e) OTHER ANNUAL COMPEN- SATION	(f) RESTRICTED STOCK AWARDS	(g) SECURITIES UNDERLYING OPTIONS
Jeffrey I. Green, Former Director and President (1)	2005	N/A	N/A	N/A	N/A	N/A
	2004	N/A	N/A	N/A	N/A	N/A
	2003	\$195,000	0	0	0	0
Phyllis Green, Former Director and Executive Administrator(2)	2005	N/A	N/A	N/A	N/A	N/A
	2004	N/A	N/A	N/A	N/A	N/A
	2003	\$160,367	0	0	0	0
Chung-Lun Yang, Chief Executive Officer and Chairman of the Board (3)	2005	\$226,922	\$0	\$92,308	\$0	\$0
	2004	\$233,590	\$0	\$95,000	\$0	\$0
	2003	\$23,077	\$624,462	\$16,539	\$0	\$0

26

- (1) Mr. Green resigned effective September 9, 2003 upon the closing of the Share Exchange and Reorganization. Compensation includes the amount up to September 30, 2003.
- (2) Ms. Green resigned effective September 9, 2003 upon the closing of the Share Exchange and Reorganization. Compensation includes the amount up to September 30, 2003.
- (3) Mr. Yang was elected to be the Chief Executive Office of the Company upon the resignation of Mr. Jeffrey I. Green after the reverse-acquisition of Atlantic Components Ltd. Compensation information indicated above covers the salaries of \$23,077 to Mr. Yang for the period from October 1 to December 31, 2003. Salaries for the full year totaled \$92,308 for the year ended December 31, 2003. The Company accrued bonus of \$624,462 and payable to Mr. Yang on September 30, 2003, effective date of Share Exchange and Reorganization. Other annual compensation includes rent and housing allowance in the amount of \$92,308 for the year ended December 31, 2005, \$95,000 for the year ended December 31, 2004 and \$16,539 for the period from October 1 to December 31, 2003.

OPTION GRANTS TO EXECUTIVE OFFICERS IN LAST FISCAL YEAR

No options were granted to our executive officers during the fiscal year ended December 31, 2005. On March 31, 2006, the Board of Directors adopted the 2006 Equity Incentive Stock Plan and the majority stockholder approved the

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

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 Company's business.

COMPENSATION OF DIRECTORS

None of our directors who served during the year ended December 31, 2005 received compensation for serving as such, other than reimbursement for out of pocket expenses incurred in attending director meetings. No options were granted to directors during the fiscal year ended December 31, 2005.

EMPLOYMENT AGREEMENTS

We have not entered into any employment agreements with any of our executive officers.

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, 2005 (i) each person known by us to own beneficially more than 5% of the outstanding shares of our common stock (ii) each director, named executive officer and (iii) all executive officers and directors as a group. On such date, we had 27,829,936 shares of common stock outstanding. Shares not outstanding but deemed beneficially owned by virtue of the right of any individual to acquire shares within 60 days are treated as outstanding only when determining the amount and percentage of common stock owned by such individual. Each person has sole voting and investment power with respect to the shares shown, except as noted.

27

NAME AND ADDRESS OF BENEFICIAL OWNER	SHARES OF COMMON STOCK BENEFICIALLY OWNED	PERCENTAGE OF CLASS BENEFICIALLY OWNED (1)
Chung-Lun Yang No. 78, 5th Street, Hong Lok Yuen, Tai Po, New Territories, Hong Kong	22,380,000	78.9%
Ben Wong 19B, Tower 8, Bellagio, 33 Castle Peak Road, Sham Tseng, New Territories, Hong Kong	0	0.0%
Kenneth Lap-Yin Chan Flat B, 8/F., Block 19, South Horizons, Aplei Chau, Hong Kong	0	0.0%
All Directors and Officers as a Group (3)	22,380,000	78.9%

(1) Applicable percentage of ownership is based on 27,829,936 shares of common stock outstanding as of December 31, 2005, together with securities exercisable or convertible into shares of common stock

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

within 60 days of December 31, 2005, 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, 2005, 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.

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

TRANSACTIONS WITH MR. YANG

As of December 31, 2005 and 2004, we had an outstanding receivable from Mr. Yang, the President and Chairman of our Board of Directors, totaling \$102,936, and \$102,936, respectively. These advances bear no interest and are payable on demand.

For the years ended December 31, 2005, 2004, and 2003, we recorded compensation to Mr. Yang of \$226,922, \$233,590, and \$716,770, respectively, and paid \$226,922, \$233,590, and \$92,308, respectively, to Mr. Yang as compensation to him. The respective unpaid amounts are included in the amount due from stockholder/director as of December 31, 2005 and 2004.

During each of the years ended December 31, 2005, 2004, and 2003, we paid rent of \$92,308, \$82,692, and \$53,846, respectively, for Mr. Yang's personal residency as fringe benefits to him, and paid housing allowance to him in the amount of \$12,308, \$12,308, and \$12,308, respectively. All such payments have been recorded as compensation expense in the accompanying financial statements.

TRANSACTIONS WITH CLASSIC ELECTRONIC LTD.

During the years ended December 31, 2005, 2004, and 2003, we sold \$18,780,971, \$40,885,565, and \$15,224,745, respectively, to Classic Electronic Ltd. ("Classic"). We have not experienced any bad debt from this customer in the past. Pursuant to a written personal guarantee agreement, Mr. Yang personally guarantees to our lenders up to \$10 million of the outstanding accounts receivable from Classic.

During the years ended December 31, 2005, 2004, and 2003, we purchased inventory of \$6,007,185, \$5,867,150, and \$4,159,300, respectively, from Classic, which offset the outstanding accounts receivable

28

from Classic. As of December 31, 2005 and 2004, we had net outstanding accounts receivable from Classic totaling \$2,175,736 and \$4,714,057, respectively.

We leased one of our facilities and Mr. Yang's personal residency from Classic. Lease agreements for the one facility expire on November 30, 2006 while the lease agreement for Mr. Yang's personal residency expires on March 31, 2008. Monthly lease payments for these 2 leases totaled \$6,684. We incurred and paid rent expense of \$83,250, \$88,462, and \$56,731 to Classic for the years ended December 31, 2005, 2004, and 2003, respectively.

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

During the years ended December 31, 2004 and 2003, certain Classic's employees performed work on behalf of Atlantic and their salaries were allocated to Atlantic's operations and charged to expenses in the accompanying consolidated financial statements. Such expenses approximated \$57,820 for 2005, \$0 for 2004, and \$248,000 for 2003.

In December 2003, we relieved our account receivable from Classic by transferring \$1,048,604 of outstanding amounts we owed to its stockholder/director.

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 ACL TECHNOLOGY PTE LTD.

During the years ended December 31, 2005, 2004, and 2003, we sold \$0, \$0, \$901,430, respectively, to ACL Technology Pte Ltd. ("ACLT"). Outstanding accounts receivable totaled \$0 as of December 31, 2005 and 2004, respectively. We have not experienced any bad debt from this customer in the past.

During the years ended December 31, 2005, 2004, and 2003, we purchased inventories of \$0, \$2,049,474, and \$700,126, respectively, from ACLT. As of December 31, 2005 and 2004, there were no outstanding accounts payable to ACLT.

In December 2003, we relieved our account receivable from ACLT by transferring \$374,988 of outstanding amounts it owed to its stockholder/director.

In 2004, we paid a commission of \$392,434 to ACLT related to sales brought in by this entity.

In 2004, we loaned \$318,983 to ACLT, which is classified as loans receivable from related parties in the accompanying consolidated balance sheet. The loan is unsecured, bears no interest and fully repaid in 2005.

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

TRANSACTIONS WITH KADATCO COMPANY LTD.

During the years ended December 31, 2005, 2004, and 2003, we sold \$5,072,858, \$166,152, and \$0, respectively, to Katatco Company Ltd. ("Katatco"). Outstanding accounts receivable totaled \$0 as of December 31, 2005 and 2004. We have not experienced any bad debt from this customer in the past.

Mr. Yang is the sole beneficial owner of the equity interest of Katatco.

29

TRANSACTIONS WITH RAMBO TECHNOLOGIES LTD.

During the years ended December 31, 2005, 2004, and 2003, we sold \$165,225, \$7,682,072, and \$5,134,160, respectively, to Rambo Technologies Ltd. ("Rambo"). Outstanding accounts receivable totaled \$0 as of December 31, 2005 and 2004. We have not experienced any bad debt from this customer in the past.

During the years ended December 31, 2005, 2004, and 2003, we purchased \$874,553, \$339,605, and \$229,781, respectively, from Rambo. Outstanding accounts payable due to Rambo totaled \$0 and \$61,360 as of December 31, 2005 and 2004.

Mr. Ben Wong, one of our directors, is a 60% shareholder of Rambo. The remaining

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

40% of Rambo is owned by a non-related party. Mr. Yang is a director of Rambo.

TRANSACTIONS WITH ARISTO COMPONENTS LTD.

During the years ended December 31, 2005, 2004, and 2003, we sold \$71,402, \$90, and \$62,268, respectively, to Aristo Components Ltd. ("Aristo"). Outstanding accounts receivable totaled \$0 as of December 31, 2005 and 2004. We have not experienced any bad debt from this customer in the past.

During the years ended December 31, 2005, 2004, and 2003, we purchased \$0, \$500, and \$28,053, respectively, from Aristo. There are no outstanding accounts payable due to Aristo as of December 31, 2004 and 2003.

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

TRANSACTIONS WITH ATLANTIC NETCOM LTD.

During the years ended December 31, 2005, 2004, and 2003, we sold \$1,652, \$14,985, and \$0, respectively, to Atlantic Netcom Ltd. ("Atlantic Netcom"). Outstanding accounts receivable totaled \$0 as of December 31, 2005 and 2004, respectively. We have not experienced any bad debt from this customer in the past.

Mr. Alan Yang, the Company's Chief Executive Officer, majority shareholder and a director, is a 60% shareholder and director of Atlantic Netcom. The remaining 40% of Atlantic Netcom is owned by a non-related party.

TRANSACTIONS WITH SOLUTION SEMICONDUCTOR (CHINA) LTD.

During the years ended December 31, 2005, 2004, and 2003, we sold \$55,122, \$513,698, and \$523,809, respectively, to Solution Semiconductor (China) Ltd. ("Solution"). Outstanding accounts receivable totaled \$0 as of December 31, 2005 and 2004. We have not experienced any bad debt from this customer in the past.

During the years ended December 31, 2005, 2004, and 2003, we purchased \$22,019, \$8,387, and \$0, respectively, from Solution. There are no outstanding accounts payable due to Solution as of December 31, 2005 and 2004.

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.

30

TRANSACTIONS WITH SYSTEMATIC INFORMATION LTD.

During the years ended December 31, 2005, 2004, and 2003, we sold \$61,910, \$1,941,298, and \$137,482, respectively, to Systematic Information Ltd. ("Systematic Information"). There are no outstanding accounts receivable due from Systematic Information as of December 31, 2005 and 2004. We have not experienced any bad debt from this customer in the past.

During the years ended December 31, 2005, 2004, and 2003, we purchased \$0, \$154,460, and \$0, respectively, from Systematic Information. There are no outstanding accounts payable due to Systematic Information as of December 31, 2005 and 2004.

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 per month. The lease agreement for this

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

residency expires on September 30, 2008. Monthly lease payment for this lease totaled \$3,205. We incurred and paid an aggregate rent expense of \$38,462 and \$28,846 to Systematic Information during the year ended December 31, 2005 and 2004.

Mr. Alan 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, 2005, 2004, and 2003, we sold \$2,544,995, \$0, and \$0, respectively, to Aristo Technologies Ltd. ("Aristo"). Outstanding accounts receivable totaled \$0 as of December 31, 2005 and 2004, respectively. We have not experienced any bad debt from this customer in the past.

During the years ended December 31, 2005, 2004, and 2003, we purchased inventories of \$100,822, \$0, and \$0, respectively, from Aristo. As of December 31, 2005 and 2004, there were no outstanding accounts payable to Aristo.

Mr. Alan 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, 2005, 2004, and 2003, we sold \$19,074, \$427,004, and \$0, respectively, to Global Mega Development Ltd. ("Global"). Outstanding accounts receivable totaled \$0 as of December 31, 2005 and 2004, respectively. We have not experienced any bad debt from this customer in the past.

During the years ended December 31, 2005, 2004, and 2003, we received management fee \$2,564, \$0, and \$0, respectively, from Global. As of December 31, 2005 and 2004, there were no outstanding accounts receivable from Global.

Mr. Alan 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 TFT TECHNOLOGIES LTD.

During the years ended December 31, 2005, 2004, and 2003, we sold \$1,460, \$0, and \$0, respectively, to TFT Technologies Ltd. ("TFT"). Outstanding accounts receivable totaled \$0 as of December 31, 2005 and 2004, respectively. We have not experienced any bad debt from this customer in the past.

31

Mr. Alan Yang the Company's Chief Executive Officer, majority shareholder and a director, is a director and 51% shareholder of TFT. The remaining 49% of TFT is owned by a non-related party.

TRANSACTIONS WITH INTELLIGENT NETWORK TECHNOLOGY LTD.

During the years ended December 31, 2005, 2004, and 2003, we received management fee \$2,564, \$0, and \$0, respectively, from Intelligent Network Technology Ltd. ("Intelligent"). As of December 31, 2005 and 2004, there were no outstanding accounts receivable from Intelligent.

Mr. Alan 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.

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

TRANSACTIONS WITH SYSTEMATIC SEMICONDUCTOR LTD.

During the years ended December 31, 2005, 2004, and 2003, we received management fee \$2,564, \$0, and \$0, respectively, from Systematic Semiconductor Ltd. ("Systematic"). As of December 31, 2005 and 2004, there were no outstanding accounts receivable from Systematic.

Mr. Alan 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, 2005, 2004, and 2003, we purchased inventories \$306,432, \$0, and \$0, respectively, from First World Logistic Ltd. ("First"). As of December 31, 2005 and 2004, there were no outstanding accounts receivable from First.

Mr. Alan 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 CITY ROYAL LTD.

In August 2004, we were in negotiation with The Dah Sing Bank Limited (the "Dah Sing Bank") for an additional amount of its available line of credit. As a condition to the extension of additional credit to us, Dah Sing Bank requested additional collateral to secure the increased amount on the line. In order to meet the increased security requirement, we loaned \$611,446 to City Royal Limited to pay off the mortgage loan on a residential property owned by City Royal Limited and pledged to Dah Sing Bank as collateral to secure our borrowings from Dah Sing Bank. In consideration thereof, Dah Sing Bank made available additional borrowings of HK\$10 million (approximately US\$1,282,000). The loan is unsecured and bears no interest. In February 2005, City Royal Limited sold the residential property and has repaid the loan through transferring the entire proceeds from the sale of HK\$8,000,000 (approximately \$1,025,641) to Dah Sing Bank as collateral for the Company's line.

The loan to City Royal Limited is non-interest bearing, in consideration of which City Royal Limited did not charge an arrangement fee to us in respect of the security pledge in favor of Dah Sing Bank. The primary purpose of the loan, from our perspective, was to advance our business by enabling us to secure additional lines of financing in excess of the loan amount from Dah Sing Bank. We settled this loan in February 2005 and received payment in the full amount of \$611,446. City Royal loaned \$414,195 to the Company during the three months ended March 31, 2005 and the Company repaid \$86,276 and \$327,919 to City Royal during the three months ended June 30 and December 2005. There are no outstanding loan balance due to City Royal as of December 31, 2005. The Company believe that the above-referenced loan to City Royal in 2004 does not violate the general prohibition against loans made by publicly-traded

32

companies to its directors and executive officers set forth in Section 402 of the Sarbanes-Oxley Act of 2002 ("Section 402") as its primary purpose was to advance our business. However, no assurance can be given that the Securities and Exchange Commission or U.S. federal government will agree with our position and, in the event such loan is determined to be a violation of Section 402, the criminal penalties of the Securities Exchange Act of 1934, as amended, could apply.

Mr. Yang's wife and Mr. Yang's mother-in-law are shareholders of City Royal

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

Limited, owning 100% of the capital stock thereof.

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.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The following table presents fees, including reimbursements for expenses, for professional audit services rendered by Stonefield Josephson, Inc. for the audits of our annual financial statements and interim reviews of our quarterly financial statements for the years ended December 31, 2005 and December 31, 2004 and fees billed for other services rendered by Stonefield Josephson, Inc. during those periods.

	FISCAL 2005	FISCAL 2004
Audit Fees (1)	\$ 162,650	\$ 221,047
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 Stonefield Josephson, Inc. 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 2005 or 2004.

(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 2005 or 2004.

(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 2005 or 2004.

33

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULES.

(a) Documents filed as part of this Report

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

(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.

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.
- 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.

Edgar Filing: ACL SEMICONDUCTOR INC - Form 10-K

- 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.
- 10.20 2006 Incentive Equity Stock Plan*
- 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.
- 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 17, 2006

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 ----- Chung-Lun Yang	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	April 17, 2006
/s/ KENNETH LAP-YIN CHAN ----- Kenneth Lap-Yin Chan	Chief Financial Officer, (Principal Financial and Accounting Officer)	April 17, 2006
/s/ BEN WONG ----- Ben Wong	Director	April 17, 2006