Alchip Technologies, Limited and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2010 and 2009 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Alchip Technologies, Limited

We have audited the accompanying consolidated balance sheets of Alchip Technologies, Limited (the "Corporation") and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alchip Technologies, Limited and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the consolidated financial statements, effective January 1, 2009, the Corporation and subsidiaries adopted the newly revised Statement of Financial Accounting Standards No. 10 - "Accounting for Inventories." The adoption resulted in a decrease of NT$8,338 thousand in net income and a decrease of NT$0.99 in after income tax basic earnings per share for the year ended December 31, 2009.

January 31, 2011

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language Auditors' report and consolidated financial statements shall prevail.

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2010 AND 2009
(In Thousands of U.S. Dollars or New Taiwan Dollars, Except Par Value)

	2010				2009			
ASSETS	**US$**	**%**	**NT$**	**%**	**US$**	**%**	**NT$**	**%**
CURRENT ASSETS								
Cash (Note 4)	$ 19,896	32	$ 579,581	32	$ 5,600	14	$ 179,146	14
Accounts receivable, net (Notes 2, 5 and 8)	9,080	15	264,505	15	9,244	23	295,708	23
Inventories, net (Notes 2 and 6)	7,667	12	223,337	12	3,425	9	109,556	9
Other receivables (Notes 2 and 8)	6,037	10	175,853	10	-	-	-	-
Prepaid expenses	2,082	3	60,657	3	1,207	3	38,614	3
Deferred income tax assets - current (Notes 2 and 13)	899	1	26,182	1	204	1	6,524	1
Other current assets	1,141	2	33,230	2	201	-	6,433	-
Total current assets	46,802	75	1,363,345	75	19,881	50	635,981	50
PROPERTIES AND EQUIPMENT (Notes 2, 7 and 17								
Cost								
Buildings	-	-	-	-	6,458	17	206,331	16
Machinery equipment	21,903	35	638,039	35	13,316	34	425,985	34
Computer equipment	2,192	4	63,848	4	2,074	5	66,362	5
Office equipment	264	1	7,675	1	226	1	7,229	1
Leasehold improvements	241	-	7,007	-	158	-	5,307	1
Transportation equipment	139	-	4,061	-	135	-	4,305	-
Total cost	24,739	40	720,630	40	22,367	57	715,519	57
Less: Accumulated depreciation	(13,397)	(22)	(390,250)	(22)	(8,271)	(21)	(264,587)	(21)
Prepayments for equipment	-	-	-	-	312	1	9,982	1
Net properties and equipment	11,342	18	330,380	18	14,408	37	460,914	37
INTANGIBLE ASSETS (Notes 2 and 9)	2,991	5	87,122	5	3,535	9	113,103	9
OTHER ASSETS								
Refundable deposits	288	-	8,395	-	208	1	6,639	1
Deferred charges	6	-	178	-	10	-	311	-
Deferred income tax assets - noncurrent (Notes 2 and 13)	1,075	2	31,317	2	1,272	3	40,710	3
Total other assets	1,369	2	39,890	2	1,490	4	47,660	4
TOTAL	$ 62,504	100	$ 1,820,737	100	$ 39,314	100	$ 1,257,658	100

	2010				2009			
LIABILITIES AND STOCKHOLDERS' EQUITY	**US$**	**%**	**NT$**	**%**	**US$**	**%**	**NT$**	**%**
CURRENT LIABILITIES								
Short-term loans (Notes 10 and 17)	$ -	-	$ -	-	$ 1,000	3	$ 31,990	3
Accounts payable	7,040	11	205,078	11	4,773	12	152,676	12
Income tax payable (Notes 2 and 13)	1,190	2	34,661	2	6	-	206	-
Accrued expenses (Note 11)	2,505	4	72,976	4	5,906	15	188,927	15
Received in advance	50	-	1,471	-	6,347	16	203,041	16
Other current liabilities (Notes 2 and 17)	516	1	15,017	1	351	1	11,221	1
Total current liabilities	11,301	18	329,203	18	18,383	47	588,061	47
LONG-TERM LIABILITIES								
Liability component of preferred shares - noncurrent (Notes 2 and 12)	-	-	-	-	26,069	66	833,952	66
OTHER LIABILITIES								
Deferred income (Notes 2 and 17)	37	-	1,086	-	-	-	-	-
Other liabilities	55	-	1,605	-	194	1	6,199	1
Total other liabilities	92	-	2,691	-	194	1	6,199	1
Total liabilities	11,393	18	331,894	18	44,646	114	1,428,212	114
STOCKHOLDERS' EQUITY (Notes 2 and 12)								
Capital stock								
Common shares - NT$10 par value per share in 2010 and US$0.0005 par value per share in 2009 Authorized: 100,000 thousand shares in 2010 and 2009 Issued - 53,871 thousand shares in 2010 and 8,469 thousand shares in 2009	16,736	27	538,713	30	4	-	135	-
Preferred shares	-	-	-	-	10	-	321	-
Total capital stock	16,736	27	538,713	30	14	-	456	-
Capital surplus	21,899	35	637,910	35	16,969	43	542,836	43
Retained earnings (or accumulated deficit)	8,766	14	255,345	14	(24,106)	(61)	(771,150)	(61)
Cumulative translation adjustments	3,710	6	56,875	3	1,791	4	57,304	4
Total stockholders' equity	51,111	82	1,488,843	82	(5,332)	(14)	(170,554)	(14)
TOTAL	$ 62,504	100	$ 1,820,737	100	$ 39,314	100	$ 1,257,658	100

Note: All of assets, liabilities and stockholders' equity are converted to New Taiwan dollars using exchange rate of NT29.13 and NT31.99 in 2010 and 2009, respectively, except common shares with NT$10 par value are converted using historical rate.

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated January 31, 2011)

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of U.S. Dollars or New Taiwan Dollars, Except Earnings Per Share)

	2010			2009		
	US$	NT$	%	US$	NT$	%
OPERATING REVENUE (Note 2)	$ 83,246	$ 2,424,978	100	$ 29,649	$ 948,465	100
OPERATING COST (Notes 2, 6 and 15)	60,060	1,749,566	72	13,029	416,812	44
GROSS PROFIT	23,186	675,412	28	16,620	531,653	56
OPERATING EXPENSES (Notes 2, 15 and 17)						
Selling expenses	2,259	65,822	3	2,178	69,675	7
General and administrative expenses	3,565	103,837	4	5,333	170,605	18
Research and development expenses	8,256	240,492	10	8,703	278,385	30
Total operating expenses	14,080	410,151	17	16,214	518,665	55
OPERATING INCOME	9,106	265,261	11	406	12,988	1
NONOPERATING INCOME AND GAINS						
Exchange gain, net (Note 2)	117	3,411	-	18	593	-
Interest income	64	1,875	-	17	562	-
Gain on disposal of properties and equipment (Notes 2 and 17)	-	6	-	3	87	-
Others	350	10,176	-	355	11,343	1
Total nonoperating income and gains	531	15,468	-	393	12,585	1
NONOPERATING EXPENSES AND LOSSES						
Interest expense (Note 17)	189	5,507	-	7	232	-
Loss on disposal of properties and equipment (Note 2)	21	608	-	459	14,698	1
Others	63	1,860	-	6	178	-
Total nonoperating expenses and losses	273	7,975	-	472	15,108	1
INCOME BEFORE INCOME TAX	9,364	272,754	11	327	10,465	1
INCOME TAX EXPENSE (BENEFIT) (Notes 2 and 13)	598	17,409	-	(137)	(4,387)	(1)
CONSOLIDATED NET INCOME	$ 8,766	$ 255,345	11	$ 464	$ 14,852	2
ATTRIBUTED TO STOCKHOLDERS OF PARENT	$ 8,766	$ 255,345	11	$ 464	$ 14,852	2

	2010				2009			
	Before Income Tax		After Income Tax		Before Income Tax		After Income Tax	
	US$	NT$	US$	NT$	US$	NT$	US$	NT$
EARNINGS PER SHARE (Note 14)								
Basic	$ 0.29	$ 0.27	$ 8.49	$ 7.95	$ 0.04	$ 0.05	$ 1.24	$ 1.76
Diluted	$ 0.18	$ 0.17	$ 5.36	$ 5.02	$ 0.01	$ 0.01	$ 0.23	$ 0.32

Note: All of income and expenses are converted to New Taiwan dollars using exchange rate of NT29.13 and NT31.99 in 2010 and 2009, respectively.

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated January 31, 2011)

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	Capital Stock			Capital Surplus			Retained Earnings (or Accumulated Deficit)	Cumulative Translation Adjustments	Total Stockholders' Equity
	Ordinary Shares	Preference Shares	Total	Additional Paid-in Capital	Warrants	Total			
BALANCE, JANUARY 1, 2009	$ 139	$ 329	$ 468	$ 555,870	$ 1,386	$ 557,256	$ (805,903)	$ 52,379	$ (195,800)
Exercise of employee stock options	-	-	-	18	-	18	-	-	18
Difference between market price and exercisable price of liability component of preferred shares	-	-	-	(677)	-	(677)	-	-	(677)
Consolidated net income in 2009	-	-	-	-	-	-	14,852	-	14,852
Change in cumulative translation adjustments due to long-term investment	-	-	-	-	-	-	-	6,218	6,218
Effect of exchange rate changes	(4)	(8)	(12)	(13,743)	(18)	(13,761)	19,901	(1,293)	4,835
BALANCE, DECEMBER 31, 2009	135	321	456	541,468	1,368	542,836	(771,150)	57,304	(170,554)
Conversion of preferred shares - June 24, 2010	631	(291)	340	1,213,076	-	1,213,076	-	-	1,213,416
Exercise of employee stock options and warrants	13,150	-	13,150	100,463	-	100,463	-	-	113,613
Stock-based compensation	-	-	-	-	5,887	5,887	-	-	5,887
Consolidated net income in 2010	-	-	-	-	-	-	255,345	-	255,345
Off-set accumulative deficit out of APIC	-	-	-	(702,207)	-	(702,207)	702,207	-	-
Issuance of preferred shares from capital surplus	523,365	-	523,365	(523,365)	-	(523,365)	-	-	-
Change in cumulative translation adjustments due to long-term investment	-	-	-	-	-	-	-	55,889	55,889
Effect of exchange rate changes	1,432	(30)	1,402	1,342	(122)	1,220	68,943	(56,318)	15,247
BALANCE, DECEMBER 31, 2010	$ 538,713	$ -	$ 538,713	$ 630,777	$ 7,133	$ 637,910	$ 255,345	$ 56,875	$ 1,488,843

Note: All of stockholder's equity are converted to New Taiwan dollars using exchange rate of NT29.13 and NT31.99 in 2010 and 2009, respectively, except common shares with NT$10 par value are converted using historical rate.

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated January 31, 2011)

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of U.S. Dollars)

	Capital Stock			Capital Surplus			Retained Earnings (or Accumulated Deficit)	Cumulative Translation Adjustments	Total Stockholders' Equity
	Ordinary Shares	Preference Shares	Total	Additional Paid-in Capital	Warrants	Total			
BALANCE, JANUARY 1, 2009	$ 4	$ 10	$ 14	$ 17,150	$ 43	$ 17,193	$ (24,570)	$ 1,597	$ (5,766)
Exercise of employee stock options	-	-	-	-	-	-	-	-	-
Difference between market price and exercisable price of liability component of preferred shares	-	-	-	(224)	-	(224)	-	-	(224)
Consolidated net income in 2009	-	-	-	-	-	-	464	-	464
Change in cumulative translation adjustments due to long-term investment	-	-	-	-	-	-	-	194	194
BALANCE, DECEMBER 31, 2009	4	10	14	16,926	43	16,969	(24,106)	1,791	(5,332)
Conversion of preferred shares - June 24, 2010	22	(10)	12	41,644	-	41,644	-	-	41,656
Exercise of employee stock options and warrants	451	-	451	3,449	-	3,449	-	-	3,900
Stock-based compensation	-	-	-	-	202	202	-	-	202
Consolidated net income in 2010	-	-	-	-	-	-	8,766	-	8,766
Off-set accumulative deficit out of APIC	-	-	-	(24,106)	-	(24,106)	24,106	-	-
Issuance of preferred shares from capital surplus	16,259	-	16,259	(16,259)	-	(16,259)	-	-	-
Change in cumulative translation adjustments due to long-term investment	-	-	-	-	-	-	-	1,919	1,919
BALANCE, DECEMBER 31, 2010	$ 16,736	$ -	$ 16,736	$ 21,654	$ 245	$ 21,899	$ 8,766	$ 3,710	$ 51,111

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated January 31, 2011)

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of U.S. Dollars and New Taiwan Dollars)

	2010		2009	
	US$	NT$	US$	NT$
CASH FLOWS FROM OPERATING ACTIVITIES				
Consolidated net income	$ 8,766	$ 255,345	$ 464	$ 14,852
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	6,698	195,106	3,723	119,083
Deferred income tax	(498)	(14,487)	(181)	(5,788)
Provision for loss on inventories	367	10,681	326	10,423
Stock-based compensation	202	5,887	-	-
Realization of deferred income	(181)	(5,286)	-	-
(Recovery of) provision for doubtful accounts	(44)	(1,285)	495	15,830
Loss on disposal of properties and equipment, net	21	602	456	14,611
Amortization of discount of liability component of preferred shares	8	239	7	210
Loss on physical inventory	-	-	-	4
Net changes in operating assets and liabilities				
Accounts receivable	207	6,050	(6,039)	(193,175)
Inventories	(4,292)	(125,031)	(2,490)	(79,657)
Other receivables	(6,037)	(175,853)	-	-
Prepaid expenses	(944)	(27,493)	32	1,025
Other current assets	(939)	(27,373)	(69)	(2,197)
Accounts payable	2,267	66,051	2,236	71,540
Accrued expenses	(1,018)	(29,656)	1,874	59,955
Income tax payable	1,184	34,455	6	206
Other current liabilities	(16)	(464)	(331)	(10,596)
Other liabilities	(141)	(4,093)	3	87
Net cash provided by operating activities	5,610	163,395	512	16,413
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of properties and equipment	(9,489)	(276,403)	(7,137)	(228,328)
Acquisition of intangible asset	(1,642)	(47,844)	(2,790)	(89,258)
(Increase) decrease in refundable deposits	(81)	(2,349)	89	2,860
Proceeds from disposal of properties and equipment	1	16	6	196
Received in advance for disposal of buildings	-	-	6,347	203,041
Net cash used in investing activities	(11,211)	(326,580)	(3,485)	(111,489)

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ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of U.S. Dollars and New Taiwan Dollars)

	2010		2009	
	US$	**NT$**	**US$**	**NT$**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of series E preferred shares	$ 15,578	$ 453,782	$ -	$ -
Proceeds from exercise of employee stock options	3,020	87,978	-	18
(Decrease) increase in short-term loans	(1,000)	(29,130)	1,000	31,990
Exercise of employee stock option - common shares	880	25,635	-	-
Exercise of employee stock option - preferred shares	-	-	700	22,393
Net cash provided by financing activities	18,478	538,265	1,700	54,401
EFFECT OF EXCHANGE RATE CHANGES	1,419	25,355	(381)	(18,116)
NET INCREASE (DECREASE) IN CASH	14,296	400,435	(1,654)	(58,791)
CASH, BEGINNING OF YEAR	5,600	179,146	7,254	237,937
CASH, END OF YEAR	$ 19,896	$ 579,581	$ 5,600	$ 179,146
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION				
Interest paid	$ 181	$ 5,268	$ -	$ -
Income taxes paid	$ 20	$ 581	$ -	$ 1
CASH AND NONCASH INVESTING ACTIVITIES				
Increase in properties, equipment and intangible assets	$ (8,748)	$ (254,842)	$ (10,312)	$ (329,874)
Add: Accounts payable in beginning of year	(2,703)	(86,454)	(2,377)	(76,043)
Less: Accounts payable in end of year	320	9,321	2,703	86,454
Effect of exchange rate changes	-	7,728	59	1,877
Purchase of properties, equipment and intangible assets	$ (11,131)	$ (324,247)	$ (9,927)	$ (317,586)

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ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of U.S. Dollars and New Taiwan Dollars)

	2010		2009	
	US$	**NT$**	**US$**	**NT$**
NONCASH INVESTING AND FINANCING ACTIVITIES				
Conversion of preferred shares to common shares (Note 12)	$ 22	$ 631	$ -	$ -

Note: All items in Consolidated Statements of Cashflows are converted to New Taiwan dollars using exchange rate of NT29.13 and NT31.99 in 2010 and 2009, respectively.

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated January 31, 2011) (Concluded)

1. ORGANIZATION AND OPERATIONS

Alchip Technologies, Limited was in incorporated in the Cayman Islands (the "Company") on February 27, 2003. The Company is mainly engaged in silicon design services and fables application specific integrated circuit and SOC and provide related services.

The Company's shares have been traded on the Emerging Stock Market of the Taiwan GreTai Securities Market since December 2010.

As of December 31, 2010 and 2009, the Company and subsidiaries had 176 and 206 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulation") and accounting principles generally accepted in the Republic of China (ROC). In conformity with these guidelines and principles, the Company and subsidiaries (hereinafter referred to as the "Group") are required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, provision for loss on inventories, depreciation of properties and equipment, amortization of intangible assets and deferred charges, impairment on assets, income tax, bonuses to employees and directors, etc. Actual results may differ from these estimates.

Consolidation

a. Basis of consolidation

The consolidated financial statements have been prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 7 - "Consolidated Financial Statements," and included the financial statements of the Company and its subsidiaries with at least 50% shareholding and other investees controlled by the Company.

The Company's financial statements are prepared using its functional currency of U.S. dollars, and the financial statements of the consolidated subsidiaries are prepared using their respective functional currencies. Foreign currencies are translated into U.S. dollars at the following exchange rates:

1) Assets and liabilities - at exchange rates prevailing on the balance sheet date;
2) Shareholders' equity - at historical exchange rates;
3) Income and expenses - at average exchange rates for the year.

Exchange differences arising from the translation of the financial statements of foreign subsidiaries are recognized as a separate component of shareholders' equity. Such exchange differences are recognized in profit or loss in the year of disposal.

The expressional currency of the Company’s consolidated financial statement is New Taiwan dollars. All items were converted to U.S. dollars using exchange rate at balance sheet date, except the common shares with NT$10 par value per share, the difference was stated as cumulative translation adjustments. The exchange rate was one U.S. dollars converted to NT$29.13 and NT$31.99 in 2010 and 2009, respectively.

b. The consolidated subsidiaries included the following:

Investor	Subsidiary	Nature of Business	Percentage of Ownership as of December 31 2010	2009	Description
The Company	Alchip Technologies, Limited (registered in Hong Kong) (Alchip HK)	Investments	100%	100%	-
	AlChip Technologies, Inc. (registered in U.S.A.) (Alchip USA)	Sales of ASIC and SOC	100%	100%	-
	Alchip Technologies, KK (registered in Japan) (Alchip KK)	Research, development and design of ASIC and SOC and provide related services	100%	100%	-
	Alchip Technologies, Inc. (registered in Taiwan) (Alchip TW)	Research, development and design of ASIC and SOC and provide related services	100%	100%	-
Alchip HK	Alchip Technologies (Shanghai) (registered in china) (Alchip SH)	Research, development and design of ASIC and SOC and provide related services	100%	100%	-

c. The subsidiaries not included in the consolidated financial statements: None.

d. Significant transactions between the Company and subsidiaries were eliminated in the consolidated financial statements.

Significant accounting policies are summarized as follows:

Current and Noncurrent Assets and Liabilities

Current assets include cash, and those assets held primarily for trading purpose or to be realized, sold or consumed within one year from the balance sheet date. Properties and equipment, intangible assets and those not classified as current assets are non-current assets. Current liabilities are obligations incurred for trading purpose or to be settled within one year from the balance sheet date. All other liabilities are classified as non-current liabilities.

Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated cost of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost.

Properties and Equipment

Properties and equipment are stated at cost less accumulated depreciation. Major additions and improvements are capitalized, while repairs and maintenance are expensed currently.

Depreciation is provided on a straight-line basis over estimated useful lives as follows: Machinery and equipment - 3 to 6 years; computer equipment - 3 to 5 years; office equipment - 3 to 15 years; leasehold improvements - 3 to 15 years; transportation equipment - 5 years. Properties and equipment still in use beyond their original estimated useful lives are further depreciated over their newly estimated useful lives.

The related cost and accumulated depreciation are derecognized from the balance sheet upon assets disposal. Any gain or loss on disposal of the asset is included in nonoperating gains or losses in the year of disposal.

Intangible Assets

Intangible assets consist of intellectual property and software cost, acquired are initially recorded at cost and are amortized on a straight-line basis over 3 to 5 years.

Asset Impairment

If the recoverable amount of an asset (mainly properties and equipment and intangible assets) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings. If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings.

Income Tax

The Company applies the intra-year and inter-year allocation methods to its income tax, whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures are recognized using the flow-through method.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Pension Cost

The Group applied a defined contribution plan. Contributions made under a defined contribution plan are recognized as pension cost during the year in which employees render services.

Unrealized Gain/Loss on Sale and Leaseback

Gain/loss on disposal of assets are deferred and amortized on straight-line basis during expected leased term.

Accounting of Financial Instrument

The Company recognizes a financial asset, financial liability or equity on its balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. The accounting of financial instrument should be covered by SFAS No. 34, "Financial Instruments: Recognition and Measurement."

Stock-based Compensation

Employee stock options granted between January 1, 2008 and December 31, 2009 were accounted for in accordance with Rule No. 0960065898 issued by the Financial Supervisory Commission (FSC) under the Executive Yuan on December 12, 2007. Thus, the stock options granted were initially measured at their intrinsic value and then adjusted at each reporting date for any change in intrinsic value until the date of final settlement. The intrinsic value above is the difference between fair value and exercise price, and the fair value for non-publicly traded stocks and stocks traded in Emerging stock Market is stated at net asset value.

Employee stock options granted on or after January 1, 2010 are accounted for in accordance with Rule No. 0990006370 issued by FSC on March 15, 2010. Under the FSC's requirement, the value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

Employee stock options granted between January 1, 2004 and December 31, 2007 were accounted for under the interpretations issued by the Accounting Research and Development Foundation ("ARDF"). The Company adopted the intrinsic value method, under which compensation cost was recognized on a straight-line basis over the vesting period.

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Company and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates. Revenue is not recognized until the ownership and risk of delivered materials transferred to customers. For accounts receivable due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

Service revenue is determined by the completion of contracts, and is recognized under generally accepted accounting principles.

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Company assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables.

Foreign Currencies

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Accounting for Inventories

On January 1, 2009, the Company adopted the newly revised SFAS No. 10, "Accounting for Inventories". The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the period in which they are incurred; and (3) abnormal costs, write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period. The adoption resulted in a decrease of NT$8,338 thousand (US$261 thousand) in net income and a decrease of NT$0.99 (US$0.03) in after income tax basic earnings per share for the year ended December 31, 2009.

4. CASH

	December 31			
	2010		2009	
	US$	NT$	US$	NT$
Demand deposits	$ 16,501	$ 480,684	$ 3,582	$ 114,607
Time deposits	3,000	87,390	1,981	63,371
Checking accounts	391	11,397	31	987
Cash on hand	4	110	6	181
	$ 19,896	$ 579,581	$ 5,600	$ 179,146

5. ACCOUNTS RECEIVABLE, NET

	December 31			
	2010		2009	
	US$	NT$	US$	NT$
Accounts receivable	$ 9,214	$ 268,420	$ 9,623	$ 307,835
Less: Allowance for doubtful accounts	134	3,915	379	12,127
	$ 9,080	$ 264,505	$ 9,244	$ 295,708

6. INVENTORIES, NET

	December 31			
	2010		2009	
	US$	NT$	US$	NT$
Raw materials	$ 2,378	$ 69,275	$ 1,041	$ 33,287
Work in process	5,245	152,781	2,288	73,179
Finished goods	44	1,281	96	3,090
	$ 7,667	$ 223,337	$ 3,425	$ 109,556

As of December 31, 2010 and 2009, the allowance for inventory devaluation was NT$43,845 thousand (US$1,505 thousand) and NT$33,937 thousand (US$1,061 thousand), respectively.

The cost of inventories recognized as cost of goods sold in the years ended December 31, 2010 and 2009 was NT$1,593,328 thousand (US$54,697 thousand) and NT$230,690 thousand (US$7,211 thousand), respectively, which included NT$10,681 thousand (US$367 thousand) and NT$10,423 thousand (US$326 thousand), respectively, due to write-downs of inventories.

7. ACCUMULATED DEPRECIATION

	December 31			
	2010		2009	
	US$	NT$	US$	NT$
Buildings	$ -	$ -	$ 580	$ 18,569
Machinery equipment	11,323	329,828	5,777	184,820
Computer equipment	1,539	44,833	1,453	46,477
Office equipment	247	7,200	215	6,862
Leasehold improvements	173	5,037	158	5,038
Transportation equipment	115	3,352	88	2,821
	$ 13,397	$ 390,250	$ 8,271	$ 264,587

8. OTHER RECEIVABLES

As of December 31, 2010, the information about sale of accounts receivable was as follows:

Transaction Party	Amount	Amount Collected	Amount Paid in Advance	Limited US$	Limited NT$
Standard Chartered Bank	$ 704,589	$ 528,736	$ -	$ 6,750	$ 196,628

The above amount of accounts receivable sold by the Company is net of related expenses and sold without the risk of unrecovery.

9. INTANGIBLE ASSETS

	December 31			
	2010		2009	
	US$	NT$	US$	NT$
Intellectual property	$ 2,887	$ 84,087	$ 3,416	$ 109,266
Software cost	83	2,425	89	2,860
Others	21	610	30	977
	$ 2,991	$ 87,122	$ 3,535	$ 113,103

10. SHORT-TERM LOANS

	December 31, 2009	
	US$	NT$
Short-term loans	$ 1,000	$ 31,990

In December 2009, the Company borrowed US$1,000 thousand from its shareholder We Sure Inc. to short-term financing. The interest rate was 12% and the due date of the loan was December 31, 2010. The Company granted We Sure Inc. 500,000 warrants shares, which shall be converted into common shares of the Company within 3 years from December 2009 at US$1.5 exercise price. The loans were paid off before June 2010.

11. ACCRUED EXPENSES

	December 31			
	2010		2009	
	US$	NT$	US$	NT$
Salaries and bonus	$ 1,039	$ 30,255	$ 820	$ 26,236
Professional service fee	473	13,790	1,395	44,632
Software cost	320	9,321	1,185	37,908
License fee	241	7,011	691	22,099
Equipment	-	-	1,518	48,546
Others	432	12,599	297	9,506
	$ 2,505	$ 72,976	$ 5,906	$ 188,927

12. STOCKHOLDERS' EQUITY

a. Convertible preferred shares

Information about convertible preferred shares issued by the Company was as follows:

	Issuance Date	Issuance Price Per Share (US)	Authorized Shares	Issued and Outstanding Shares	Conversion Price	Conversion Rate	Common Shares
Equity							
Series A	2003.2.27	$0.20	2,500,000	1,250,000	$0.185	1.08	1,346,914
Series B	2003.4.10-2003.8.18	0.40	8,750,000	8,750,000	0.370	1.08	9,428,125
Series C	2004.10.18	1.32	10,052,000	10,052,000	1.226	1.08	10,831,346
Subtotal			21,302,000	20,052,000			21,606,385
Liability							
Series B	2008.5.12	0.40	2,750,000	2,452,991	0.370	1.08	2,643,449
Series D	2006.1.12-2006.3.31	3.50	3,864,668	3,864,668	2.330	1.50	5,806,705
Series D-1	2006.1.12-2006.3.31	3.50	3,099,616	3,099,616	1.598	2.19	6,777,570
Series C-1	2009.2.20-2009.10.1	1.50	666,666	480,770	1.390	1.08	519,231
Series E	2010.06.17	2.60	6,000,000	6,000,000	2.600	1.00	6,000,000
Subtotal			16,380,950	15,898,045			21,746,955
			37,682,950	35,950,045			43,353,340

In April 2010, the Company recategorized 6,964,284 outstanding shares of Series D into 3,864,668 shares of Series D and 3,099,616 shares of Series D-1, and amended some of its rights and obligations with the approval of the stockholders in their meeting.

On June 24, 2010, the Company's convertible preferred shares were all converted into common shares with par value of US$0.0005 per share using conversion price stipulated in the articles of incorporation. On July 9, 2010, the Company converted 52,421 thousand outstanding shares with par value of US$0.0005 per share into par value of NT$10 per share with the approval of the stockholders in their meeting.

The holders of preferred shares have various rights and obligation as follows:

1) Redemption

Series A: No redemption

Series B - At any time after April 10, 2010, if the holders of a majority of the Series B preferred shares demand in writing that the Company redeems all, and no less than all, of the Series B preferred shares, the Company shall effect such redemption within 45 days after receipt of the Series B redemption request by paying in cash therefore, all declared by unpaid dividends with respect to the Series B preferred shares plus the greater of (1) the original issue price for each series B preferred shares, or (2) the fair market value of Series B reference shares as determined by the Board. If on the date of redemption the number of Series B preferred shares that may be redeemed by the Company is less than all of the Series B preferred shares then outstanding, the Series B preferred shares shall be redeemed on a pro rata basis as determined by the Board and any unredeemed Series B preferred shares shall be redeemed as soon as the Company is legally able to do so.

Series C - At any time after October 18, 2009, if the holders of a majority of the Series C and Series C-1 preferred shares demand in writing that the Company redeems all, and no less than all, of the Series C and the Series C-1 preferred shares then outstanding, the Company shall effect such redemption within 45 days after receipt of the Series C and Series C-1 preferred share by paying in cash, the original issue price plus all declared by unpaid dividends. If on the date of redemption the number of Series C and Series C-1 preferred shares that may be redeemed by the Company is less than all of the Series C and Series C-1 preferred shares then outstanding, the preferred shares shall be redeemed on a pro rata basis as determined by the Board and any unredeemed Series C and Series C-1 preferred shares shall be redeemed as soon as the Company is legally able to do so.

Series D and Series D-1 - Five years after issuance date, if the holders of a majority of the Series D and Series D-1 preferred shares demand in writing that the Company redeems all, and no less than all, of the Series D and Series D-1 preferred shares then outstanding, the Company shall effect such redemption within 45 days after receipt of the Series D and Series D-1 preference share by paying in cash, the original issue price plus all declared by unpaid dividends. If on the date of redemption the number of Series D and Series D-1 preferred shares that may be redeemed by the Company is less than all of the Series D and Series D-1 preferred shares then outstanding, the preferred shares shall be redeemed on a pro rata basis as determined by the Board and any unredeemed Series D and Series D-1 preferred shares shall be redeemed as soon as the Company is legally able to do so.

Series E - Seven years from issuance date, if the holders of a majority of the Series E preferred shares demand in writing that the Company redeems all, and no less than all, of the Series E preferred shares, the Company shall effect such redemption within 45 days after receipt of the Series E redemption request by paying in cash therefore, all declared by unpaid dividends with respect to the Series E preferred shares plus the greater of (1) the original issue price for each series E preferred shares, or (2) the fair market value of Series E reference shares as determined by the Board. If on the date of redemption the number of Series E preferred shares that may be redeemed by the Company is less than all of the Series E preferred shares then outstanding, the Series E preferred shares shall be redeemed on a pro rata basis as determined by the Board and any unredeemed Series E preferred shares shall be redeemed as soon as the Company is legally able to do so.

2) Voting

The holders of preferred shares are entitled to the number of votes equal to the number of votes of common shares into which the preferred shares can be converted.

3) Liquidation

In the event of any liquidation, dissolution or winding up of the Company, the holders of Series B, C, C-1, D, D-1 and E preferred shares then outstanding shall be entitled to be paid first out of the assets of the Company available for distribution among the holders as follows: A liquidation preference in the amount equal to the original purchase price applicable to such preferred shares plus all declared or accrued but unpaid dividends. Subject to the payment of all the amounts above, the balance shall be distributed pro rata amongst the holders of common shares and the holders of preferred shares on an as if converted basis. In the event that the assets available for distribution are insufficient to pay the liquidation preference in full, the holders of preferred shares then outstanding shall be entitled to be paid first out of the assets of the Company available for distribution among the holders as follows: An amount equal to that holder's total liquidation preference entitled, divided by the aggregate of all such holders' entitlements, multiplied by the aggregate amount available for distribution.

Any transaction or series of related transactions that would result in (1) a sale or conveyance by the Company of all or substantially all of its assets; (2) any acquisition of the Company by means of merger or other form of corporate reorganization in which outstanding shares are exchanged for securities or other consideration issued by the acquiring company; or (3) any other transaction deemed winding up event, shall be treated as a liquidation, dissolution or winding up of the Company so that the shareholder receives the liquidation preference whether by dividend or redemption of shares.

4) Conversion

Each holder of preferred shares shall be entitled to convert any or all its preferred shares at any time into such number of fully paid common shares per preferred share as is determined by dividing the original purchase price by the conversion price in effect at the time of conversion. The conversion price shall initially be the original purchase price. The conversion price shall be subject to adjustment in order to adjust the number of common shares into which each class or series of preferred shares is convertible. The conversion price adjustment is provided to the Series B, C, C-1, D, D-1 and E preferred shares and the conversion price will be adjusted downward when the Company issues common shares at a price lower then the conversion price before adjustment. In addition, the conversion price will be adjusted to all preferred shares in the events of equity restructuring. Upon conversion, all accrued or declared and unpaid share dividends on the preferred shares shall be paid in shares and all declared or accrued and unpaid cash dividends on the preferred shares shall be paid in cash or by the issuance of further common shares, at the option of the holders of the preferred shares.

Preferred shares are automatically converted into common shares at the effective conversion price upon (a) the closing of an underwritten public offering that on a pre-offering basis values the Company at no less than US$300,000 thousand and with aggregate proceeds to the Company of not less than US$100,000 thousand, or (b) the written approval of at least 2/3 of the preferred shareholders voting to convert their shares at the effective conversion price.

b. Appropriation of earnings and dividend policy

Under the Company's Article of Incorporation, the Company makes appropriations of the earnings for each fiscal year after offsetting losses from previous years, the Company may set aside special reserve upon the resolution of stockholders in their meeting. The appropriation of the remaining balances as bonuses, dividends, or other distributions, should be proposed by the Board and resolved by the stockholders in their meeting. The bonus to directors shall not be more than 2% of total appropriation and bonus to employees shall not be less than 1% of total appropriation. As of December 31, 2010, the Company had not declared any earnings appropriation.

For the years ended December 31, 2010, the bonus to employees and the remuneration to directors and supervisors were NT$2,533 thousand (US$88 thousand) and zero, respectively. The bonus to employees and remuneration to directors and supervisors represented 1%, of net income (net of the bonus and remuneration). Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the year of Board of Directors resolution. If the actual amounts subsequently resolved by the stockholder differ from the proposed amounts, the differences are recorded in the year of stockholder' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the audited net asset value per share in the latest financial statements.

In September 2010, the stockholders resolved to use and used NT$1,889,262 thousand (US$58,570 thousand) paid-in capital to offset NT$771,077 thousand (US$24,106 thousand) deficit as of June 30, 2010. The stockholders also resolved in their meeting the transfer of NT$523,365 thousand (US$16,259 thousand) of paid-in capital to common shares.

c. Stock option plan

In March 2003, Alchip Technologies, Limited adopted the stock option plan resolved by the Board of Directors, the Company modified each outstanding stock option to be exercisable to subscribe for one common share of the Company. The options were granted to qualified employees, directors and consultants of the Company. The options granted are valid for 10 years and vest 25% one year after the date of grant and the remaining balance vests 1/48 in equal monthly installments over the following 36 months. The options were granted at an exercise price equal to the fair value of the Company's common shares on the grant date. For any subsequent changes in the Company's common shares, the exercise price and the number of options will be adjusted accordingly.

In January 2004, the Board approved employees other than People's Republic of China ("PRC") Nationals be allowed for early-exercise of the stock option grants. The early exercise option provision provides that the option may be exercised in whole or in part at any time as to shares that have not yet vested at the election of the optionee. As a condition to exercising this option for unvested shares, the optionee shall execute a restricted share purchase agreement. The restricted share purchase agreement offers the Company a repurchase option. If a purchaser's status as a service provider is terminated for any reason, the Company shall have the right and option to purchase from the purchaser all of the purchaser's unvested shares as of the date of such termination at the original price paid by the purchaser. The repurchase option shall terminate in accordance with the vesting schedule contained in optionee's option agreement.

In July 2010, the Company adopted the modified stock option plan resolved by the Board of Directors. The Company modified each outstanding stock option to be exercisable to subscribe for one common share of the Company. The options were granted to qualified employees of the Company, subsidiaries, and branch under the approval of the Board. The options granted are valid for 10 years and vest 25% one year after the date of grant and the remaining balance vests 1/48 in equal monthly installments over the following 36 months. Before the Company became a listed company, the exercise price was determined by the Board of Directors by using as reference data of other companies in the same industry, and the exercise price cannot be less than the net asset value per share in the latest financial statements audited by independent auditors. After the Company was listed, the exercise price cannot be less than the closing price of the Company's common shares on the day of issue. For any subsequent changes in the Company's common shares, the exercise price and the number of options will be adjusted accordingly. The number of options granted to each employee shall not be more than 20% of total stock options issued each time, and the number of options exercised by each employee in every fiscal year shall not be more than 1% of total issued shares at year end. Information about stock options was as follows:

	Year Ended December 31			
	2010		**2009**	
	Number of Options	**Weighted-average Exercise Price (US$)**	**Number of Options**	**Weighted-average Exercise Price (US$)**
Balance, beginning of year	7,389,135	$2.30	6,959,930	$3.36
Options granted	531,000	2.60	1,275,000	2.60
Options exercised	(1,499,500)	2.01	(14,000)	0.04
Options expired	(1,267,469)	2.55	(831,795)	2.57
Balance, end of year	5,153,166	2.36	7,389,135	2.30
Options exercisable, end of year	3,526,456	2.24	7,187,102	2.29

Information about outstanding options and exercisable options as of December 31, 2010 was as follows:

Exercise Price (US$)	**Outstanding Shares**	**Weighted-average Remaining Contractual Life (Years)**	**Exercisable Shares**
$0.04	235,000	2.95	235,000
0.99	147,650	3.93	147,650
2.00	601,500	4.50	601,500
2.20	143,000	4.66	143,000
2.60	4,026,016	7.30	2,399,306
	5,153,166	6.61	3,526,456

In January 2009, the Board of directors resolved that the exercise price of outstanding options which is more than US$2.6 is adjusted downward to US$2.6, and this adjustment had no effect on net income for the year 2009.

As of December 31, 2010, there is no exercised shares due to unvested option. According to the Company's stock option plan, the Company has the repurchase right to the early exercise share.

Options granted during the year ended December 31, 2010 were priced using Black-Scholes pricing model and the inputs to the model were as follows:

Grant-date share price	US$2.6
Exercise price	US$2.6
Expected volatility	65%
Expected life	5 years
Expected dividend yield	0%
Risk-free interest rate	2.17%-2.44%

Stock-based compensation cost recognized was NT$5,887 thousand (US$202 thousand) for the year ended December 31, 2010. For the year ended December 31, 2010, termination of employment resulted in forfeiture of stock options at 17%. As of December 31, 2010, the estimated percentage of forfeiture due to termination of employment over the remaining vesting period was 16%. Stock-based compensation cost recognized was zero for the year ended December 31, 2009.

d. Warrants

Information about warrants was as follows;

	Year Ended December 31			
	2010		2009	
	Number of Warrants	Weighted-average Exercise Price (US$)	Number of Warrants	Weighted-average Exercise Price (US$)
Balance, beginning of year	970,000	$2.65	370,000	$4.41
Warrants granted	-	-	630,000	1.65
Warrants exercised	(550,000)	1.60	-	-
Warrants expired	(420,000)	3.98	(30,000)	3.40
Balance, end of year	-	-	970,000	2.65
Option exercisable, end of year	-	-	970,000	2.65

As of June 30, 2010, there were 670,000 outstanding warrants, 550,000 of which were exercisable to convert to common shares before July 9, 2010, and the holders of remaining 120,000 warrants signed the agreement to forfeite.

The pro forma information for the years ended December 31, 2010 and 2009 assuming employee stock options and warrant granted before January 1, 2008 were accounted for under SFAS No. 39 is as follows:

	December 31			
	2010		2009	
	US$	NT$	US$	NT$
Net income	$ 8,278	$ 241,154	$ (283)	$ (9,078)
After income tax basic earnings per share	$ 0.26	$ 7.51	$ (0.01)	$ (0.20)

13. INCOME TAX

a. A reconciliation of income tax expense (benefit) based on income before income tax at the statutory rate and income tax expense was as follows:

	Year Ended December 31			
	2010		2009	
	US$	NT$	US$	NT$
Income tax expense at the statutory rate	$ 2,315	$ 67,434	$ 422	$ 13,526
Tax effect on adjusting items				
Permanent differences	264	7,704	-	-
Temporary differences	140	4,077	(27)	(870)
Loss carryforwards used	(1,105)	(32,200)	(364)	(11,649)
Investment tax credits used	(515)	(15,009)	(31)	(1,007)
Additional 10% income tax on unappropriated earnings	124	3,614	-	-
Tax-exempt income	(21)	(599)	-	-
Additional income tax on the least tax	-	-	6	206
Current income tax payable	1,202	35,021	6	206
Deferred income tax expense	(498)	(14,487)	(181)	(5,788)
Adjustments for prior year's tax	(158)	(4,597)	-	-
Others	52	1,472	38	1,195
Income tax expense (benefit)	$ 598	$ 17,409	$ (137)	$ (4,387)

The amount of income tax payable in 2010 is net amount after deducted NT$360 thousand (US$12 thousand) of prepaid income tax.

b. Deferred income tax assets (liabilities) were as follows:

	December 31			
	2010		2009	
	US$	NT$	US$	NT$
Current				
Deferred income tax assets (liabilities)				
Investment tax credits	$ 515	$ 15,009	$ 233	$ 7,467
Loss carryforwards	276	8,050	-	-
Unrealized allowance for loss on inventories	174	5,069	-	-
Unrealized exchange gains	(66)	(1,946)	(30)	(991)
Employee benefit	-	-	1	48
	$ 899	$ 26,182	$ 204	$ 6,524
Noncurrent				
Deferred income tax assets				
Loss carryforwards	$ 576	$ 16,766	$ -	$ -
Investment tax credits	434	12,658	1,210	38,712
Depreciation expense	65	1,893	62	1,998
	$ 1,075	$ 31,317	$ 1,272	$ 40,710

c. As of December 31, 2010, loss carryforwards of Alchip SH comprised of:

Year	Remaining Creditable Amount	Expire Year
2008	$ 24,816	2013

d. As of December 31, 2010, investment tax credits of Alchip TW comprised of:

Year	Remaining Creditable Amount	Expire Year
2008	$ 13,188	2012
2009	14,479	2013
	$ 27,667	

e. Information about integrated income tax was as follows:

	2010	2009
The balance of the imputation credits which can be allocated to the stockholders	$ 581	$ 1
Unappropriated earnings generated before January 1, 1998	$ -	$ -
Unappropriated earnings generated on and after January 1, 1998	40,160	-
	$ 40,160	$ -

f. The tax returns have been assessed by the tax authorities through 2008.

14. EARNINGS PER SHARE

The numerators and denominators used in calculating basic and diluted EPS were as follows:

	Amounts (Numerator) (In US$ Thousands)			EPS (US$)	
	Before Income Tax	After Income Tax	Shares (Denominator) (In Thousands)	Before Income Tax	After Income Tax
Year ended December 31, 2010					
Basic EPS					
Income for the year attributable to common shareholders	$ 9,364	$ 8,765	32,117	$ 0.29	$ 0.27
Effect of dilutive potential common stock					
Convertible preferred shares	-	-	18,427		
Employee stock option	-	-	225		
Bonus to employees	-	-	93		
Diluted EPS					
Income for the year attributable to common shareholders plus effect of potential dilutive common stock	$ 9,364	$ 8,765	50,862	$ 0.18	$ 0.17

(Continued)

Year ended December 31, 2009	Amounts (Numerator) (In US$ Thousands) Before Income Tax	After Income Tax	Shares (Denominator) (In Thousands)	EPS (US$) Before Income Tax	After Income Tax
Basic EPS					
Income for the year attributable to common shareholders	$ 327	$ 464	8,458	$ 0.04	$ 0.05
Effect of dilutive potential common stock					
Convertible preferred shares	-	-	29,630		
Employee stock option	-	-	7,213		
Bonus to employees	-	-	923		
Diluted EPS					
Income for the year attributable to common shareholders plus effect of potential dilutive common stock	$ 327	$ 464	46,224	$ 0.01	$ 0.01

(Concluded)

	Amounts (Numerator) (In NT$ Thousands) Before Income Tax	After Income Tax	Shares (Denominator) (In Thousands)	EPS (NT$) Before Income Tax	After Income Tax
Year ended December 31, 2010					
Basic EPS					
Income for the year attributable to common shareholders	$ 272,754	$ 255,345	32,117	$ 8.49	$ 7.95
Effect of dilutive potential common stock					
Convertible preferred shares	-	-	18,427		
Employee stock option	-	-	225		
Bonus to employees	-	-	93		
Diluted EPS					
Income for the year attributable to common shareholders plus effect of potential dilutive common stock	$ 272,754	$ 255,345	50,862	$ 5.36	$ 5.02
Year ended December 31, 2009					
Basic EPS					
Income for the year attributable to common shareholders	$ 10,465	$ 14,852	8,458	$ 1.24	$ 1.76
Effect of dilutive potential common stock					
Convertible preferred shares	-	-	29,630		
Employee stock option	-	-	7,213		
Bonus to employees	-	-	923		
Diluted EPS					
Income for the year attributable to common shareholders plus effect of potential dilutive common stock	$ 10,465	$ 14,852	46,224	$ 0.23	$ 0.32

The ARDF issued Interpretation 2007-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Company may settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the audited net asset value per share at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

15. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31					
	2010 (In Thousands)			2009 (In Thousands)		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
	US$	US$	US$	US$	US$	US$
Personnel						
Salary	$ 631	$ 8,161	$ 8,792	$ 277	$ 8,810	$ 9,087
Insurance	40	252	292	17	372	389
Pension	30	183	213	12	204	216
Others	25	195	220	7	266	273
	$ 726	$ 8,791	$ 9,517	$ 313	$ 9,652	$ 9,965
Depreciation	$ 4,763	$ 458	$ 5,221	$ 1,859	$ 794	$ 2,653
Amortization	1,056	421	1,477	649	421	1,070

	Year Ended December 31					
	2010 (In Thousands)			2009 (In Thousands)		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
	NT$	NT$	NT$	NT$	NT$	NT$
Personnel						
Salary	$ 18,394	$ 237,738	$ 256,132	$ 8,859	$ 281,827	$ 290,686
Insurance	1,155	7,336	8,491	530	11,893	12,423
Pension	874	5,320	6,194	395	6,535	6,930
Others	726	5,678	6,404	235	8,519	8,754
	$ 21,149	$ 256,072	$ 277,221	$ 10,019	$ 308,774	$ 318,793
Depreciation	$ 138,739	$ 13,343	$ 152,082	$ 59,452	$ 25,399	$ 84,851
Amortization	30,745	12,279	43,024	20,763	13,469	34,232

16. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

   Please refer to audited consolidated balance sheets.

b. The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: Cash, accounts receivable, other receivables, short-term loans, accounts payable and accrued expenses.

   Liability component of preferred shares that exercised redemption is the estimated liquidated value upon exercise of redemption. For preferred shares that were unable to exercise redemption, liability component is stated at the present value of estimated liquidation value.

c. The fair values of financial assets and liabilities were not simultaneously determined by quoted prices in active markets and by estimations using valuation technique.

d. As of December 31, 2010 and 2009, financial assets exposed to fair value interest rate risk amounted to NT$87,390 thousand (US$3,000 thousand) and NT$63,371 thousand (US$1,981 thousand), respectively. As of December 31, 2009, financial liabilities exposed to fair value interest rate risk amounted to NT$865,942 thousand (US$27,069 thousand), and financial assets exposed to cash flow interest rate risk amounted to NT$480,684 thousand (US$16,501 thousand) and NT$114,607 thousand (US$3,583 thousand), respectively.

e. For the years ended December 31, 2010 and 2009, the interest income associated with financial assets (liabilities) other than those at fair value through profit or loss (“FVTPL”) amounted to NT$1,875 thousand (US$64 thousand) and NT$562 thousand (US$17 thousand), respectively, and the interest expense amounted to NT$5,507 thousand (US$189 thousand) and NT$232 thousand (US$7 thousand), respectively.

f. Financial risks

   1) Market risk

      The Group’s fair value of foreign currency financial assets and liabilities is exposed to exchange rate risk and price risk, and financial instruments at fair value through profit and loss is exposed to price risk.

   2) Credit risk

      Credit risk represents the potential loss that would be incurred by the Group if the counter-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties to the foregoing financial instruments are reputable financial institutions and business organizations. Management does not expect the Group’s exposure to default by those parties to be material.

   3) Liquidity risk

      The Group’s operating funds are deemed sufficient to meet cash flow demand; therefore, liquidity risk is not considered to be significant.

   4) Cash flow interest rate risk

      The Group is not exposed to material floating-rate risk; therefore, cash flow interest rate risk is not considered to be significant.

17. RELATED-PARTIES TRANSACTIONS

a. Related parties and their relationships with the Company

Related Party	Relationship with the Group
Gu-Chen Investment Company	Related party in substance
We Sure Inc.	Related party in substance

b. Significant transactions with related parties:

1) Interest expense

Related Party	December 31, 2010		
	US$	NT$	%
We Sure Inc.	$ 173	$ 5,029	91

2) Disposal of fixed assets

In January 2010, Alchip SH sold its building to Gu-Chen Investment Company for NT$203,162 thousand selling price that resulted in NT$13,885 thousand gain on disposal of fixed assets. The proceeds of the sale of the fixed asset had been fully collected in 2009 and reported as revenue received in advance. The Company had sale and leaseback transaction with Gu-Chen Investment Company, with the lease term from March 2010 to February 2012. Gain on the sale and leaseback was deferred and amortized against rent expense during the lease term. As of December 31, 2010, NT$5,286 thousand (US$181 thousand) of cumulative deferred gain was realized.

18. COMPENSATION OF DIRECTORS AND MANAGEMENT PERSONNEL

	Year Ended December 31			
	2010		2009	
	US$	NT$	US$	NT$
Salaries	$ 1,110	$ 32,338	$ 1,463	$ 46,789

19. COMMITMENTS

On September 27, 2010, Alchip SH cooperated with Wuxi Science Park and founded Wuxi branch which mainly designs and manufactures wafer. Wuxi Science Park offered RMB3 million operational fund to Wuxi subsidiary. Each NT$1 million will be granted when Wuxi branch is completely founded, when the number of trainers reached 15, and when employees reached 5, respectively. The Company should return the above operational fund if the subsidiary cannot be founded or get grants from other governments by 2011 or three months after being listed on the Taiwan GreTai Securities Market.

20. FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The material monetary assets and liabilities denominated in foreign currencies included in the consolidated financial statements were as follows:

(In Thousands of Foreign Currency and U.S. Dollars)

	2010			2009		
	Foreign Currencies	**Exchange Rate**	**U.S. Dollars**	**Foreign Currencies**	**Exchange Rate**	**U.S. Dollars**
Financial assets						
Monetary items						
NTD	$ 6,331	0.034329	$ 217	$ 1,361	0.031260	$ 43
RMB	11,954	0.151752	1,814	26,700	0.146477	3,911
JPY	12,865	0.012297	158	95,809	0.010853	1,040
Financial liabilities						
Monetary items						
NTD	20,411	0.034329	701	20,077	0.031260	628
RMB	1,617	0.151752	245	3,684	0.146477	540
JPY	9,243	0.012297	114	115,286	0.010853	1,251

21. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for the Company and its investees:

a. Financings provided: Table 1 (attached)

b. Endorsements/guarantees provided: None

c. Marketable securities held: Table 2 (attached)

d. Marketable securities acquired or disposed of at costs or prices of at least NT$100 million or 20% of the paid-in capital: None

e. Acquisition of individual real estate at costs of at least NT$100 million or 20% of the paid-in capital: None

f. Disposal of individual real estate at prices of at least NT$100 million or 20% of the paid-in capital: Table 3

g. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Table 4 (attached)

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 5 (attached)

i. Names, locations, and related information of investees over which the Company exercises significant influence: Table 6 (attached)

j. Derivative transactions of investees over which the Company has a controlling interest: None

k. Investments in Mainland China

There is no other investments in Mainland China except Table 7.

l. Business relationships and significant details between parent company and subsidiaries: Tables 8 and 9 (attached).

22. SEGMENT INFORMATION

a. Industry financial information: None

b. Geographic information

	2010 (In Thousands)				
	Taiwan (Included Cayman) US$	China US$	Others US$	Adjustment and Elimination US$	Consolidated US$
Net sales to third-party customers	$ 79,378	$ 665	$ 3,203	$ -	$ 83,246
Transfer between consolidated entities	43,806	4,663	1,574	(50,043)	-
Total operating revenues	$ 123,184	$ 5,328	$ 4,777	$ (50,043)	$ 83,246
Segment income	$ 7,711	$ 770	$ 625	$ -	$ 9,106
Nonoperating income and gains					531
Nonoperating expenses and losses					(273)
Income before income tax					$ 9,364
Identifiable assets	$ 59,917	$ 9,483	$ 4,321	$ (11,217)	$ 62,504
Long-term investment					-
Total assets					$ 62,504

	2009 (In Thousands)				
	Taiwan (Included Cayman) US$	China US$	Others US$	Adjustment and Elimination US$	Consolidated US$
Net sales to third-party customers	$ 21,553	$ 2,062	$ 6,034	$ -	$ 29,649
Transfer between consolidated entities	9,841	3,199	-	(13,040)	-
Total operating revenues	$ 31,394	$ 5,261	$ 6,034	$ (13,040)	$ 29,649
Segment income (loss)	$ 1,743	$ 441	$ (1,843)	$ 65	$ 406
Nonoperating income and gains					393
Nonoperating expenses and losses					(472)
Income before income tax					$ 327
Identifiable assets	$ 67,592	$ 12,692	$ 11,263	$ (52,233)	$ 39,314
Long-term investment					-
Total assets					$ 39,314

	2010 (In Thousands)				
	Taiwan (Included Cayman)	China	Others	Adjustment and Elimination	Consolidated
	NT$	NT$	NT$	NT$	NT$
Net sales to third-party customers	$ 2,312,289	$ 19,384	$ 93,305	$ -	$ 2,424,978
Transfer between consolidated entities	1,276,053	135,831	45,834	(1,457,718)	-
Total operating revenues	$ 3,588,342	$ 155,215	$ 139,139	$ (1,457,718)	$ 2,424,978
Segment income	$ 224,614	$ 22,442	$ 18,205	$ -	$ 265,261
Nonoperating income and gains					15,468
Nonoperating expenses and losses					(7,975)
Income before income tax					$ 272,754
Identifiable assets	$ 1,745,387	$ 276,247	$ 125,877	$ (326,774)	$ 1,820,737
Long-term investment					-
Total assets					$ 1,820,737

	2009 (In Thousands)				
	Taiwan (Included Cayman)	China	Others	Adjustment and Elimination	Consolidated
	NT$	NT$	NT$	NT$	NT$
Net sales to third-party customers	$ 689,480	$ 65,964	$ 193,021	$ -	$ 948,465
Transfer between consolidated entities	314,817	102,336	-	(417,153)	-
Total operating revenues	$ 1,004,297	$ 168,300	$ 193,021	$ (417,153)	$ 948,465
Segment income (loss)	$ 55,758	$ 14,114	$ (58,980)	$ 2,096	$ 12,988
Nonoperating income and gains					12,585
Nonoperating expenses and losses					(15,108)
Income before income tax					$ 10,465
Identifiable assets	$ 2,162,270	$ 406,010	$ 360,306	$ (1,670,928)	$ 1,257,658
Long-term investment					-
Total assets					$ 1,257,658

c. Export sales information: None

d. Customers accounting for at least 10% of the total revenues

	Year Ended December 31					
	2010			2009		
Customer	US$	NT$	% to Net Operating Revenue	US$	NT$	% to Net Operating Revenue
A	$ 44,603	$ 1,299,282	54	$ 14,736	$ 471,399	50
B	22,043	642,107	26	1,618	51,752	5

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

Lending Company	Borrowing Company	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Financing Purpose	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Lending Limit for Each Borrowing Company	Lending Company's Lending Amount Limits
										Item	Value		
The Company	Alchip TW	Other receivables	$ 155,808	$ 155,808	-	Short-term financing	$ -	Operational revolving fund	$ -	-	-	$ 148,884 (Note 1)	$ 595,537 (Note 2)
	Alchip USA	Other receivables	129,369	129,369	-	Short-term financing	-	Operational revolving fund	-	-	-		
	Alchip HK	Other receivables	384,701	384,701	-	Short-term financing	-	Operational revolving fund	-	-	-		

Note 1: According to the Company's Article, the limit must be less than 10% of audited net asset value.

Note 2: According to the Company's Article, the limit must be less than 40% of audited net asset value.

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investing Company	Marketable Securities Type and Name	Relationship with the Investing Company	Financial Statement Account	December 31, 2010			
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value (Note)
The Company	Stock						
	Alchip HK	Subsidiary of the Company	Credit balance of long-term investment	1,970	$ (127,625)	100	$ (127,625)
	Alchip USA	Subsidiary of the Company	Credit balance of long-term investment	1,000	(143,549)	100	(143,549)
	Alchip KK	Subsidiary of the Company	Long-term investment - equity method	2	47,662	100	47,662
	Alchip TW	Subsidiary of the Company	Long-term investment - equity method	25,000	499,335	100	499,335
Alchip HK	Option						
	Alchip SH	Subsidiary of Alchip HK	Long-term investment - equity method	-	252,725	100	252,725

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

DISPOSAL OF FIXED ASSETS AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

Company Name	Type of Property	Transaction Date	Acquisition Date	Carrying Value	Selling Price	Amount Collected	Gain(Loss) on Disposal	Transaction Party	Relationship	Purpose of Disposal	Price Reference	Other
Alchip SH	Building	2010.01.28	2007.05.31	$ 189,277	$ 203,162	Fully collected in the end of 2009	$ 13,885 (Note)	Gu-Chen Investment Company	-	Obtain operational fund	Appraisal report of fixed assets	-

Note: The Company had sale and leaseback agreement with Gu-Chen Investment Company, with leased term from March 2010 to February 2012. Gain on disposal of fixed assets were all deferred and deducted from rent expense during leased term.

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Payable or Receivable	
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment terms	Ending Balance	% to Total
The Company	Alchip TW	A subsidiary	Purchase	$ 1,245,987	84	Within 1 year	The same as regular terms	The same as regular terms	$ (50,693)	(21)
	Alchip SH	A subsidiary	Purchase	135,831	9	Within 1 year	The same as regular terms	The same as regular terms	(173,759)	(71)
Alchip TW	The Company	A subsidiary	Sale	(1,245,987)	(63)	Within 1 year	The same as regular terms	The same as regular terms	50,693	47
Alchip SH	The Company	A subsidiary	Sale	(135,831)	(63)	Within 1 year	The same as regular terms	The same as regular terms	173,759	99

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ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Alchip SH	The Company	Subsidiary of the Company	$ 173,759	1.09	$ -	-	$ -	$ -

TABLE 6

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars or Foreign Currency)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2010			Net Income of the Investee	Investment Income
				December 31, 2010	December 31, 2009	Shares (Thousands)	Percentage of Ownership	Carrying Value		
The Company	Alchip HK	Hong Kong	Investment	HK$ 7,861	HK$ 7,861	1,970	100	$ (127,625)	$ 46,457	$ 46,457
	Alchip USA	United States	Sale of ASIC and SOC	US$ 10	US$ 10	1,000	100	(143,549)	8,446	8,446
	Alchip KK	Japan	Research, development and design of ASIC and SOC	JPY 210,000	JPY 210,000	2	100	47,662	8,538	8,528
	Alchip TW	Taiwan	Same as above	250,000	250,000	25,000	100	499,335	191,845	191,845
Alchip HK	Alchip SH	China	Same as above	US$ 12,800	US$ 14,800	-	100	252,725	48,104	48,104

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2010	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2010	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2010	Accumulated Inward Remittance of Earnings as of December 31, 2010
					Outflow	Inflow					
Alchip SH	Research, development and design of ASIC and SOC	$ 372,864 (RMB 102,392)	Indirect investment in the Company in Mainland China through a investment company of third place	$ 431,124 (US$ 14,800)	$ -	$ 58,260 (US$ 2,000)	$ 372,864 (US$ 12,800)	100%	$ 48,104 (Note)	$ 252,725	$ -

Accumulated Investment in Mainland China as of December 31, 2010	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
$ -	-	$893,306

Note: The accrual basis is audited financial statement by Independent auditor as parent.

TABLE 8

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEAR ENDED DECEMBER 31, 2010
(In Thousands of U.S. Dollars)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
1	The Company	Alchip TW	1	Operating revenue	$ 18	Based on regular terms	-
		Alchip TW	1	Operating cost	42,773	Based on regular terms	52%
		Alchip TW	1	Accounts payable	1,740	Based on regular terms	3%
		Alchip TW	1	Other receivables	5,349	Based on regular terms	9%
		Alchip TW	1	Prepayment	2,133		3%
		Alchip KK	1	Accounts receivable	461	Based on regular terms	1%
		Alchip KK	1	Accounts payable	619	Based on regular terms	1%
		Alchip KK	1	Operating revenue	283	Based on regular terms	-
		Alchip KK	1	Operating cost	1,574	Based on regular terms	2%
		AlChip USA	1	Other receivables	4,441	Based on regular terms	7%
		Alchip HK	1	Other receivables	13,206	Based on regular terms	21%
		Alchip SH	1	Accounts payable	5,965	Based on regular terms	10%
		Alchip SH	1	Operating cost	4,663		6%
2	Alchip TW	The Company	2	Operating revenue	42,773	Based on regular terms	52%
		The Company	2	Operating cost	18	Based on regular terms	-
		The Company	2	Accounts receivable	1,740	Based on regular terms	3%
		The Company	2	Short-term loans - related parties	5,349	Based on regular terms	9%
		The Company	2	Sales revenue received in advance	2,133	Based on regular terms	3%
		AlChip USA	3	Operating revenue	732	Based on regular terms	1%
		AlChip USA	3	Accounts receivable	857	Based on regular terms	1%
		Alchip KK	3	Other receivables	6	Based on regular terms	-
3	AlChip USA	Alchip TW	3	Operating cost	732	Based on regular terms	1%
		Alchip TW	3	Accounts payable	857	Based on regular terms	1%
		The Company	2	Short-term loan - related parties	4,441	Based on regular terms	7%
		Alchip KK	3	Accounts payable	13	Based on regular terms	-
4	Alchip KK	The Company	2	Accounts receivable	2,181	Based on regular terms	3%
		The Company	2	Operating cost	283	Based on regular terms	-
		The Company	2	Operating revenue	1,574	Based on regular terms	2%
		The Company	2	Accounts payable	2,023	Based on regular terms	3%
		Alchip TW	3	Accounts payable	6	Based on regular terms	-
		Alchip USA	3	Other receivables	13	Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
5	Alchip SH	The Company	2	Accounts receivable	$ 5,965	Based on regular terms	10%
		The Company	2	Operating revenue	4,663	Based on regular terms	6%
6	Alchip HK	The Company	2	Short-term loans - related parties	13,206	Based on regular terms	21%

Note:
1. Parent to subsidiary.
2. Subsidiary to parent.
3. Between subsidiaries.

(Concluded)

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
1	The Company	Alchip TW	1	Operating revenue	$ 529	Based on regular terms	-
		Alchip TW	1	Operating cost	1,245,987	Based on regular terms	52%
		Alchip TW	1	Accounts payable	50,693	Based on regular terms	3%
		Alchip TW	1	Other receivables	155,808	Based on regular terms	9%
		Alchip TW	1	Prepayment	62,140		3%
		Alchip KK	1	Accounts receivable	13,424	Based on regular terms	1%
		Alchip KK	1	Accounts payable	18,034	Based on regular terms	1%
		Alchip KK	1	Operating revenue	8,221	Based on regular terms	-
		Alchip KK	1	Operating cost	45,834	Based on regular terms	2%
		AlChip USA	1	Other receivables	129,369	Based on regular terms	7%
		Alchip HK	1	Other receivables	384,701	Based on regular terms	21%
		Alchip SH	1	Accounts payable	173,759	Based on regular terms	10%
		Alchip SH	1	Operating cost	135,831		6%
2	Alchip TW	The Company	2	Operating revenue	1,245,987	Based on regular terms	52%
		The Company	2	Operating cost	529	Based on regular terms	-
		The Company	2	Accounts receivable	50,693	Based on regular terms	3%
		The Company	2	Short-term loans - related parties	155,808	Based on regular terms	9%
		The Company	2	Sales revenue received in advance	62,140	Based on regular terms	3%
		AlChip USA	3	Operating revenue	21,316	Based on regular terms	1%
		AlChip USA	3	Accounts receivable	24,957	Based on regular terms	1%
		Alchip KK	3	Other receivables	177	Based on regular terms	-
3	AlChip USA	Alchip TW	3	Operating cost	21,316	Based on regular terms	1%
		Alchip TW	3	Accounts payable	24,957	Based on regular terms	1%
		The Company	2	Short-term loans - related parties	129,369	Based on regular terms	7%
		Alchip KK	3	Accounts payable	374	Based on regular terms	-
4	Alchip KK	The Company	2	Accounts receivable	63,552	Based on regular terms	3%
		The Company	2	Operating cost	8,221	Based on regular terms	-
		The Company	2	Operating revenue	45,834	Based on regular terms	2%
		The Company	2	Accounts payable	58,942	Based on regular terms	3%
		Alchip TW	3	Accounts payable	177	Based on regular terms	-
		Alchip USA	3	Other receivables	374	Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
5	Alchip SH	The Company	2	Accounts receivable	$ 173,759	Based on regular terms	10%
		The Company	2	Operating revenue	135,831	Based on regular terms	6%
6	Alchip HK	The Company	2	Short-term loans- related parties	384,701	Based on regular terms	21%

Note:
1. Parent to subsidiary.
2. Subsidiary to parent.
3. Between subsidiaries.

(Concluded)

TABLE 9

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEAR ENDED DECEMBER 31, 2009
(In Thousands of U.S. Dollars)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
1	The Company	Alchip TW	1	Accounts receivable	$ 26	Based on regular terms	-
		Alchip TW	1	Operating revenue	589	Based on regular terms	2%
		Alchip TW	1	Other payable	11	Based on regular terms	-
		Alchip TW	1	Operating cost	8,468	Based on regular terms	29%
		Alchip TW	1	Accounts payable	4,318	Based on regular terms	11%
		Alchip TW	1	Other receivables	5,347	Based on regular terms	14%
		Alchip KK	1	Accounts receivable	114	Based on regular terms	-
		Alchip KK	1	Accounts payable	367	Based on regular terms	1%
		Alchip KK	1	Sales revenue received in advance	548	Based on regular terms	1%
		Alchip USA	1	Other receivables	4,441	Based on regular terms	11%
		Alchip HK	1	Other receivables	15,206	Based on regular terms	39%
		Alchip SH	1	Operating cost	3,199	Based on regular terms	11%
		Alchip SH	1	Accounts payable	2,349	Based on regular terms	6%
2	Alchip TW	The Company	2	Operating revenue	8,468	Based on regular terms	29%
		The Company	2	Operating cost	589	Based on regular terms	2%
		The Company	2	Accounts receivable	4,318	Based on regular terms	11%
		The Company	2	Accounts payable	26	Based on regular terms	-
		The Company	2	Short-term loans - related party	5,347	Based on regular terms	14%
		The Company	2	Other receivables	11	Based on regular terms	-
		Alchip USA	3	Operating revenue	784	Based on regular terms	3%
		Alchip USA	3	Accounts receivable	784	Based on regular terms	2%
		Alchip USA	3	Other payable	3	Based on regular terms	-
		Alchip KK	3	Other receivables	6	Based on regular terms	-
3	Alchip USA	Alchip TW	3	Operating cost	784	Based on regular terms	3%
		Alchip TW	3	Accounts receivable	3	Based on regular terms	-
		Alchip TW	3	Accounts payable	784	Based on regular terms	2%
		The Company	2	Short-term loans - related party	4,441	Based on regular terms	11%
		Alchip KK	3	Accounts payable	5	Based on regular terms	-
		Alchip KK	3	Short-term loans - related party	8	Based on regular terms	-
4	Alchip KK	The Company	2	Accounts receivable	801	Based on regular terms	2%
		Alchip USA	3	Other receivables	13	Based on regular terms	-
		Alchip TW	3	Other payable	6	Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
5	Alchip SH	The Company	2	Operating revenue	$ 3,199	Based on regular terms	11%
		The Company	2	Accounts receivable	2,349	Based on regular terms	6%
6	Alchip HK	The Company	2	Other payable	5,106	Based on regular terms	13%
		The Company	2	Short-term loans - related party	10,100	Based on regular terms	26%

Note:
1. Parent to subsidiary.
2. Subsidiary to parent.
3. Between subsidiaries.

(Concluded)

TABLE 9-1

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
1	The Company	Alchip TW	1	Accounts receivable	$ 840	Based on regular terms	-
		Alchip TW	1	Operating revenue	18,839	Based on regular terms	2%
		Alchip TW	1	Other payable	355	Based on regular terms	-
		Alchip TW	1	Operating cost	270,901	Based on regular terms	29%
		Alchip TW	1	Accounts payable	138,142	Based on regular terms	11%
		Alchip TW	1	Other receivables	171,053	Based on regular terms	14%
		Alchip KK	1	Accounts receivable	3,641	Based on regular terms	-
		Alchip KK	1	Accounts payable	11,732	Based on regular terms	1%
		Alchip KK	1	Sales revenue received in advance	17,526	Based on regular terms	1%
		Alchip USA	1	Other receivables	142,071	Based on regular terms	11%
		Alchip HK	1	Other receivables	486,451	Based on regular terms	39%
		Alchip SH	1	Operating cost	102,336	Based on regular terms	11%
		Alchip SH	1	Accounts payable	75,145	Based on regular terms	6%
2	Alchip TW	The Company	2	Operating revenue	270,901	Based on regular terms	29%
		The Company	2	Operating cost	18,839	Based on regular terms	2%
		The Company	2	Accounts receivable	138,142	Based on regular terms	11%
		The Company	2	Accounts payable	840	Based on regular terms	-
		The Company	2	Short-term loans - related party	171,053	Based on regular terms	14%
		The Company	2	Other receivables	355	Based on regular terms	-
		Alchip USA	3	Operating revenue	25,077	Based on regular terms	3%
		Alchip USA	3	Accounts receivable	25,077	Based on regular terms	2%
		Alchip USA	3	Other payable	87	Based on regular terms	-
		Alchip KK	3	Other receivables	201	Based on regular terms	-
3	Alchip USA	Alchip TW	3	Operating cost	25,077	Based on regular terms	3%
		Alchip TW	3	Accounts receivable	87	Based on regular terms	-
		Alchip TW	3	Accounts payable	25,077	Based on regular terms	2%
		The Company	2	Short-term loans - related party	142,071	Based on regular terms	11%
		Alchip KK	3	Accounts payable	155	Based on regular terms	-
		Alchip KK	3	Short-term loans - related party	256	Based on regular terms	-
4	Alchip KK	The Company	2	Accounts receivable	25,617	Based on regular terms	2%
		Alchip USA	3	Other receivables	411	Based on regular terms	-
		Alchip TW	3	Other payable	201	Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
5	Alchip SH	The Company	2	Operating revenue	$ 102,336	Based on regular terms	11%
		The Company	2	Accounts receivable	75,145	Based on regular terms	6%
6	Alchip HK	The Company	2	Other payable	163,352	Based on regular terms	13%
		The Company	2	Short-term loans - related party	323,099	Based on regular terms	26%

Note: 1. Parent to subsidiary.
2. Subsidiary to parent.
3. Between subsidiaries.

(Concluded)