



# **Handbook for the 2011 Annual Meeting of Shareholders**

(TRANSLATION)

**Meeting Date: June 15, 2011**

# Table of Contents

<b>1. Procedure for the 2011 Annual Meeting of Shareholders</b>	<b>2</b>
<b>2. Agenda of Annual Meeting of Shareholders</b>	<b>3</b>
(1). Report Items	4
(2). Acknowledgements	6
(3). Proposal and Discussion	7
(4). Other Business and Special Motion	8
<b>3. Attachments</b>	<b>9</b>
(1). MediaTek Inc. 2010 Business Report	10
(2). Supervisors' Report	11
(3). Independent Auditors' Report	12
(4). Independent Auditors' Report – MediaTek Inc. & Subsidiaries	17
(5). Share Swap Agreement	22
(6). Independent Expert Opinion	38
(7). Comparison of the Original Text and the Amended Text in "Operating Procedures of Outward Loans to Others"	45
(8). Comparison of the Original Text and the Amended Text in "Operating Procedures of Endorsement/Guarantee"	47
(9). Comparison of the Original Text and the Amended Text in "Articles of Incorporation"	49
(10). Comparison of the Original Text and the Amended Text in "Rules for Election of Directors and Supervisors"	50
<b>4. Appendix</b>	<b>51</b>
(1). MediaTek Inc. Articles of Incorporation	52
(2). MediaTek Inc. Rules and Procedures of Shareholders' Meeting	58
(3). Shareholdings of All Directors and Supervisors	60
(4). Effect of Stock Dividends Resolved at this Shareholders' Meeting on Operating Performance & Earnings Per Share	60

**MediaTek Inc.**  
**Procedure for the 2011 Annual Meeting of Shareholders**

1. Call the meeting to order
2. Chairman takes chair
3. Chairman's opening remarks
4. Report Items
5. Acknowledgements
6. Proposals and Discussion
7. Other Business and Special Motion
8. Meeting Adjourned

**MediaTek Inc.**  
**Year 2011**  
**Agenda of Annual Meeting of Shareholders**

**Time:** 9:00 a.m., June 15, 2011 (Wednesday)

**Venue:** The Labor Recreational Center Auditorium  
No. 2, Hsin-An Road, Hsinchu Science-based Industrial Park, Hsinchu, Taiwan, R.O.C.

**Agenda:**

1. Call the meeting to order
2. Chairman's opening remarks
3. Report Items
  - (1). 2010 Business Report
  - (2). Supervisors' Review Report on the 2010 Financial Statements
  - (3). Report on the Company's endorsements and guarantees
4. Acknowledgements
  - (1). Adoption of the 2010 Business Report and Financial Statements
  - (2). Adoption of the Proposal for Distribution of 2010 Profits
5. Proposals and Discussion
  - (1). Proposal for issuance of new shares in exchange for 100% of Ralink's outstanding shares
  - (2). Amendment to the Company's "Operating Procedures of Outward Loans to Others" and "Operating Procedures of Endorsement/Guarantee"
  - (3). Amendment to the Company's "Articles of Incorporation"
  - (4). Amendment to the Company's "Rules for Election of Directors and Supervisors"
6. Other Business and Special Motion
7. Meeting Adjourned

## Report Items

### Report item (1)

Proposed by the Board of Directors

Subject: MediaTek's 2010 Business Report. Please resolve your decision.

Descriptions: MediaTek's 2010 Business Report is attached as page 10, Attachment 1.

### Report item (2)

Proposed by the Board of Directors

Subject: The Supervisors have duly reviewed MediaTek's 2010 Business Report, Financial Statements, and earnings allocation. Please accept the above-mentioned Business Report and Financial Statements.

Descriptions: The 2010 Supervisors' Review Report is attached as page 11, Attachment 2.

### Report item (3)

Proposed by the Board of Directors

Subject: Report on the Company's endorsements and guarantees. Please resolve your decision.

Description: Detailed items and amounts are listed below (as of December 31, 2010)

Endorsee	Relationship with MediaTek Inc. (Note 1)	Outstanding amount of the endorsement	Note
MediaTek Wireless Inc. (USA)	100% owned subsidiary	NTD\$91,301,000 (USD\$3,139,661)	Lease contract guarantee
MTK Wireless Limited (UK)	100% owned subsidiary	NTD\$25,082,000 (GBP\$556,194)	

Note 1:

The Company's Board of Directors authorized the Chairman of the Board to provide endorsements or guarantees for amounts under NT\$300 million, but the endorsee or guarantee is limited to the company's 100% owned subsidiaries.

Note 2:

For the year ended December 31, 2010, net increase of endorsement amounted for MediaTek Wireless Limited (UK) is GBP 176,250.

# Acknowledgements

## Acknowledgement item (1)

Proposed by the Board of Directors

Subject: Adoption of the 2010 Business Report and Financial Statements

Descriptions:

- (1). MediaTek's 2010 Financial Statements, including the balance sheets, income statement, statements of changes in shareholders' equity, and statements of cash flows, were audited by independent auditors Shao-Pin Kuo and Hsin-Min Hsu of Ernst & Young. The report issued by the independent auditors has been approved at the 12th meeting of the 5<sup>th</sup> Board of Directors.
- (2). For 2010 Business Report, Independent Auditors' Report, and the aforementioned Financial Statements, please refer to page 10, Attachment 1, page 12-16, Attachment 3, and page 17-21, Attachment 4.

Resolution:

## Acknowledgement item (2)

Proposed by the Board of Directors

Subject: Adoption of the Proposal for Distribution of 2010 Profits

Descriptions:

- (1). The Board has adopted a Proposal for Distribution of 2010 Profits.
- (2). Please refer to the 2010 profit distribution table below:

Descriptions	Amount (NTD)	Remarks
Net profit of 2010	\$30,961,437,031	
Less: Legal reserve	3,096,143,703	
Less: Special reserve	3,842,990,772	
2010 Earnings available for distribution	24,022,302,556	
Plus: Unappropriated retained earnings of previous years	42,777,569,855	
Earnings available for distribution	66,799,872,411	
Distribution items:		
Dividend to common shareholders	21,999,457,280	Cash dividend of NT\$20 per share; No stock dividend.
Unappropriated retained earnings	44,800,415,131	

**Note:**

1. MediaTek's 2010 net profit was after expensing employee cash bonus of NT\$ 3,863,296,066.
2. Remuneration to Directors and Supervisors was NT\$48,044,605 (0.20% of 2010 earnings available for distribution). There is a difference of NT\$23,583,253 with the estimated Directors' compensation. The estimate was calculated based on 0.298% of the distributable earnings while the actual compensation was calculated based on 0.20% of the distributable earnings. The difference shall be accounted as "cumulative effect of changes in accounting principles" and be booked in the next fiscal year's financial report, after being approved in the annual shareholders' meeting.
3. The Board of Directors is authorized to determine the cash dividend payout date.
4. The Board of Directors shall be authorized by the annual meeting of shareholders to adjust the dividend payout ratio, shall that ratio be impacted by events such as share buybacks, the transfer or cancellation of treasury stocks, or the exercise of employee stock options.

Chairman: Ming-Kai Tsai

President: Ching-Jiang Hsieh

Chief Financial Officer: David Ku

Resolution:

# Proposals and Discussion

## Proposal (1)

Proposed by the Board of Directors

Subject: Proposal for issuance of new shares in exchange for 100% of Ralink's outstanding shares. Please proceed to discuss.

Descriptions:

- (1). For the purpose of integrating overall resources and expanding operation scale to enhance business performance and competitiveness, the Company proposes to enter into a strategic alliance with Ralink by means of a "share swap" as specified in Article 29 of the Business Mergers and Acquisitions Act. After the share swap, Ralink will become a wholly-owned subsidiary of the Company.
- (2). According to Article 3 of the Share Swap Agreement, new shares of the Company shall be issued to the shareholders of Ralink at the ratio of 1 common share of the Company for every 3.15 common shares of Ralink. The swap ratio is calculated based on accountants' reviewed financial reports as of March 31, 2011 from both parties and taking into account of the parties' business operation, stock price, earnings per share, net asset value per share, company outlooks, dividend distribution in the recent year, and the independent experts' opinions on the reasonableness of the swap ratio, among other factors. However, the actual swap ratio will be adjusted according to Article 4 of the Share Swap Agreement. The Company will issue new shares at one time to the shareholders of Ralink. When making the swap, fractional shares (i.e., less than one share) will be converted to cash based on the par value of the shares (rounded off to the nearest dollar), and the Chairman of the Company is authorized to sell such fractional shares to a person designated by the Chairman. The Company estimates to issue share capital of NT\$556,338,180 at NT\$10 per share for 55,633,818 shares for the project. However, the actual number of new shares to be issued and receivers shall be determined by the swap ratio negotiated by boards of directors of both parties according to Article 4 of the Share Swap Agreement and Ralink's shareholders roster on the closing date. The rights and obligations associated with the new share issues by the Company are identical to those associated with the other issued common shares of the Company.
- (3). Planned schedule: The closing date for share swap is scheduled for October 1, 2011.
- (4). For the Share Swap Agreement and independent expert opinion for the share swap, please refer to page 22, Attachment 5 and page 38, Attachment 6.
- (5). It is proposed to authorize the Chairman and/or his designated representative to represent the Company in signing the Share Swap Agreement and other associated contracts and/or documents and to exercise full discretion in matters not specified in the project and/or making adjustments as required or ordered by the competent authority.

Resolution:

## Proposal (2)

Proposed by the Board of Directors

**Subject:** Amendment to the Company's "Operating Procedures of Outward Loans to Others" and "Operating Procedures of Endorsement/Guarantee". Please proceed to discuss.

**Descriptions:**

- (1). The Company plans to amend "Operating Procedures of Outward Loans to Others" and "Operating Procedures of Endorsement/Guarantee", in accordance with guidelines announced by the Financial Supervisory Commission of Executive Yuan on March 19<sup>th</sup>, 2010 (Regulation No. 0990011375). The Company's amendments have been approved in the 7<sup>th</sup> and 9<sup>th</sup> meetings of the 5<sup>th</sup> Board of Directors.
- (2). For the comparison table of articles being amended, please refer to page 45, Attachment 7, and page 47, Attachment 8.

**Resolution:**

## Proposal (3)

Proposed by the Board of Directors

**Subject:** Amendment to the Company's "Articles of Incorporation". Please proceed to discuss.

**Descriptions:**

- (1). The competent authority dictated companies with paid-in capital of NT\$10 billion or above to adopt the independent director system. Therefore, the Company's "Articles of Incorporation" should be amended to reflect the regulatory changes. The amendments have been approved at the 12<sup>th</sup> meeting of the 5<sup>th</sup> Board of Directors.
- (2). For the comparison table of articles being amended, please refer to page 49, Attachment 9.

**Resolution:**

## Proposal (4)

Proposed by the Board of Directors

**Subject:** Amendment to the Company's "Rules for Election of Directors and Supervisors". Please proceed to discuss.

**Descriptions:**

- (1). To comply with the requirements of the competent authority regarding the adoption of the independent director system, the Company's "Rules for Election of Directors and Supervisors" should be amended. The amendments have been approved at the 12<sup>th</sup> meeting of the 5<sup>th</sup> Board of Directors.
- (2). For the comparison table of articles being amended, please refer to page 50, Attachment 10.

**Resolution:**

# **Other Business and Special Motion**

## **Meeting Adjourned**

# Attachment

## Attachment 1

# MediaTek Inc. 2010 Business Report

Dear Shareholders:

2010 was a year of rapid changes in the IC design industry, and challenges and fierce competition in the market were abounded. In addition to competition from both domestic and overseas companies, new products were also constantly introduced to the market. Affected by the intense competition and product life cycle, prices of ICs also had to be adjusted accordingly to keep pace with market conditions. In such a severe environment, the entire MediaTek staff was nevertheless able to produce good results for the company with their hard work and dedicated efforts. The consolidated net revenue for the year totaled NT\$113.5 billion, with an earnings per share of NT\$28.44, making MediaTek the top ranking company in Taiwan's IC design industry.

Regarding new products, in the past year, MediaTek adopted advanced manufacturing processes and successfully launched 3D TV chipsets, Smart TV chips, highly integrated Blu-ray DVD player chips, mobile handsets chipsets for 3G and Android smartphone solutions. MediaTek not only strengthened its leading position in optical storage, Blu-ray DVD players, and mid-to-high-end DTV chips, it also successfully helped its clients in the mobile handset industry to launch smartphones with highly competitive prices and to expand their presence in emerging markets. These new products and newly developed markets will help to fuel MediaTek's future growth.

On the organizational front, MediaTek continued to invest in advanced technologies and actively expanded its R&D workforce, while proceeding to cultivate additional management talents that possess both technical strength and innovative visions for the next phase of growth. MediaTek continued its commitment to corporate social responsibility by sponsoring technology, environmental protection, and promotion of education. The Company received the "Corporate Citizenship Award" for the fourth consecutive year from CommonWealth Magazine, and was also awarded the "2010 Taiwan's Most Admired Company" designation, which it has also earned eight years in a row. Furthermore, the Wall Street Journal selected MediaTek as one of the top 10 companies in its "200+ Most Respected Companies in Asia" list for 2010. In terms of research and development, MediaTek continued to capture the attention of domestic and overseas professional organizations, and was the only Taiwanese company to publish its papers in the International Solid State Circuits Conference (ISSCC) for eight consecutive years, in addition to being awarded No. 12 in BusinessWeek's The Tech 100 list. The Ministry of Economic Affairs also awarded the Company the Distinguished Industrial Contribution Award last year.

Since its founding, MediaTek has been building strong R&D and innovation capacities, making it the number one company in the world in shipments of chips in optical storage, home media players and communications. Although the growth of certain mature product lines have slowed due to competition and market saturation, MediaTek has a solid product portfolio, operational efficiency, intellectual properties, human capital and customer relationships. Going forward, the Company will continue to accelerate its pace in technological innovation and product upgrades, enhance added values, and advance toward industry leadership position.

Looking forward, the continued growth of the world economy has led to an expeditious increase in consumer purchasing power, which is driving tremendous demand for entertainment, communication, and information products/services. This trend, in turn, is forming a huge market and presenting us with new opportunities. However, rapid technological developments and innovation of new business models also bring new challenges and a competitive landscape. Faced with new challenges and customer demand, integrity, respect and customer-oriented practice remain MediaTek's basic tenets. We will continue to employ innovative and deep thinking before taking decisive actions. With continuous learning and close team work, we aim to achieve the best results and performance. We are confident that the prospect of our mid-to-long-term development remains robust and we will be able to generate outstanding results for our shareholders, customers and employees. Once again we thank our shareholders for the great support.

Chairman: Ming-Kai Tsai

President: Ching-Jiang Hsieh

Chief Financial Officer: David Ku

**Attachment 2**

**MediaTek Inc.  
Supervisors' Report**

The Financial Statements of MediaTek Inc. in fiscal year 2010 have been duly audited by Ernst & Young and are believed to fairly represent the financial standing, operation results and cash flows of MediaTek Inc. We, the Supervisors, have duly reviewed the Financial Statements along with the Business Report and proposal for profits distribution and hereby verify that they comply with the requirements of Company Law and relevant regulations. This report is duly submitted in accordance with Article 219 of the Company Law, and we hereby submit this report.

To MediaTek Inc. 2011 Annual General Shareholders' Meeting

MediaTek Inc.

Supervisor: Paul Wang (MediaTek Capital Corp., representative)

Supervisor: Chung-Lang Liu (National Tsing Hua University, representative)

Supervisor: Yan-Kuin Su (National Cheng Kung University, representative)

March 21, 2011

## Attachment 3

# Independent Auditors' Report

(English translation of a report originally issued in Chinese)

To the Board of Directors and Shareholders  
of MediaTek Inc.

We have audited the accompanying balance sheets of MediaTek Inc. as of December 31, 2010 and 2009, and the related statements of income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MediaTek Inc. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with requirements of the Business Entity Accounting Act and Regulation on Business Entity Accounting Handling with respect to financial accounting standards, Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the R.O.C.

The Company has prepared consolidated financial statements as of December 31, 2010 and 2009 and for the years then ended. We have expressed an unqualified opinion on those consolidated financial statements.

Ernst & Young  
CERTIFIED PUBLIC ACCOUNTANTS  
March 10, 2011  
Taipei, Taiwan  
Republic of China

---

### Notice to Readers

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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

## MEDIATEK INC.

## BALANCE SHEETS

As of December 31, 2010 and 2009

(Amounts in thousands of New Taiwan Dollars)

ASSETS		Notes	2010	2009	LIABILITIES AND SHAREHOLDERS' EQUITY		Notes	2010	2009
<b>Current assets</b>					<b>Current liabilities</b>				
Cash and cash equivalents	2, 4(1)		\$ 43,169,400	\$ 57,885,158	Accounts payable		\$ 5,944,114	\$ 7,101,013	
Held-for-trading financial assets	2, 4(2)		46,271	16,042	Payables to related parties	5	378,408	427,576	
Financial assets designated as at fair value through profit or loss-current	2, 4(3)		122,100	-	Income tax payable	2, 4(21)	940,351	847,228	
Available-for-sale financial assets-current	2, 4(4)		2,236,473	1,931,724	Accrued expenses	2, 4(17)	14,503,360	15,089,802	
Accounts receivable, net	2, 4(5)		3,970,346	2,829,829	Payables to contractors and equipment suppliers		9,293	9,293	
Receivables from related parties, net	5		45,165	60,581	Other current liabilities		383,775	292,660	
Other receivables	4(7)		985,513	788,724	Total current liabilities		22,159,301	23,767,572	
Inventories, net	2, 3, 4(8)		6,442,692	5,069,753	<b>Other liabilities</b>				
Prepayments			1,981,284	153,778	Accrued pension liabilities	2, 4(12)	107,227	87,415	
Other current assets			492,113	301,961	Deposits received		876	876	
Deferred income tax assets-current	2, 4(21)		71,887	145,910	Deferred income tax liabilities-noncurrent	2, 4(21)	659,967	190,958	
Restricted assets-current	6		9,917	6,917	Total other liabilities		768,070	279,249	
Total current assets			59,573,161	69,190,377	Total liabilities		22,927,371	24,046,821	
<b>Funds and investments</b>									
Financial assets designated as at fair value through profit or loss-noncurrent	2, 4(9)		879,477	-	<b>Shareholders' equity</b>				
Available-for-sale financial assets-noncurrent			1,489,399	1,770,736	Capital	4(13)	10,999,317	10,901,189	
Bond portfolios with no active market-noncurrent			1,000,000	1,000,000	Common stock		365	-	
Investments accounted for using the equity method			56,166,531	45,436,996	Capital collected in advance		11,051,733	7,385,442	
Total funds and investments			59,535,407	48,207,732	Treasury stock transaction	4(15)	785,420	583,194	
<b>Property, plant and equipment</b>									
Land	2, 4(10)		888,722	-	Capital reserve		1,260	1,260	
Buildings and facilities			5,609,034	4,922,453	Additional paid-in capital	4(15)	207,315	169,422	
Machinery and equipment			99,449	116,374	Treasury stock transaction	2, 4(9), 4(16)	213,676	128,508	
Computer and telecommunication equipment			643,376	393,034	Donated assets		12,259,404	8,267,826	
Testing equipment			1,905,310	1,790,871	Long-term investment transaction	4(14)	18,613,978	14,943,414	
Miscellaneous equipment			157,549	232,867	Employee stock option	4(17)	355,131	273,489	
Total cost			9,303,440	7,455,599	Total capital reserve	4(17)	73,739,007	74,894,668	
Less : Accumulated depreciation			(2,758,795)	(2,253,149)	Retained earnings		(4,380,730)	(527,304)	
Add : Construction in progress			116,079	631,211	Legal reserve	2, 4(9)	182,608	172,173	
Prepayments for equipment			83,522	62,506	Special reserve	2, 4(18)	(55,970)	(55,970)	
Property, plant and equipment, net			6,744,246	5,896,167	Undistributed earnings		111,713,110	108,869,485	
<b>Intangible assets</b>									
Patents	2, 4(11)		265,526	306,184	Other adjustments				
Software			221,684	267,794	Cumulative translation adjustments				
Goodwill			6,817,211	6,817,211	Unrealized gain (loss) on financial instruments				
IPs and others			1,318,669	1,989,520	Treasury stock				
Total intangible assets			8,623,090	9,380,709	Total shareholders' equity				
<b>Other assets</b>									
Refundable deposits			164,577	241,321	<b>Total liabilities and shareholders' equity</b>				
Total other assets			164,577	241,321			\$ 134,640,481	\$ 132,916,306	
<b>Total assets</b>			<b>\$ 134,640,481</b>	<b>\$ 132,916,306</b>					

The accompanying notes are an integral part of these financial statements.

Chairman : Ming-Kai Tsai

President : Ching-Jiang Hsieh

Chief Financial Officer : David Ku

## MEDIATEK INC.

## STATEMENTS OF INCOME

For the years ended December 31, 2010 and 2009

(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2010	2009
<b>Gross sales</b>		\$ 79,274,483	\$ 83,948,316
Less : Sales returns		(670)	(9,117)
Sales discounts		(7,285,383)	(6,628,447)
Net sales	2, 4(19), 5	71,988,430	77,310,752
<b>Cost of goods sold</b>	4(20), 5	(32,726,157)	(31,191,078)
<b>Gross profits</b>		39,262,273	46,119,674
<b>Operating expenses</b>	2, 4(20)		
Selling expenses		(2,645,089)	(2,680,358)
General and administrative expenses		(2,362,311)	(3,116,862)
Research and development expenses		(16,987,827)	(18,875,858)
Total operating expenses		(21,995,227)	(24,673,078)
<b>Operating income</b>		17,267,046	21,446,596
<b>Non-operating income and gains</b>			
Interest income		347,417	420,185
Gain on equity investments, net	2, 4(9)	14,445,432	15,121,930
Foreign exchange gain, net	2	92,380	40,954
Valuation gain on financial assets	2, 4(2)	-	54,974
Others		86,351	207,212
Total non-operating income and gains		14,971,580	15,845,255
<b>Non-operating expenses and losses</b>			
Loss on disposal of property, plant and equipment	2	(27,465)	(1,234)
Loss on disposal of investments	2	-	(12,608)
Valuation loss on financial assets	2, 4(2)	(17,482)	-
Others		-	(66)
Total non-operating expenses and losses		(44,947)	(13,908)
<b>Income from continuing operations before income tax</b>		32,193,679	37,277,943
<b>Income tax expense</b>	2, 4(21)	(1,232,242)	(572,303)
<b>Net income</b>		\$ 30,961,437	\$ 36,705,640
Basic Earnings Per Share (in New Taiwan Dollars)	2, 4(22)	Before tax    After tax	Before tax    After tax
Net income		\$ 29.57    \$ 28.44	\$ 34.58    \$ 34.05
<b>Pro-forma data: (Assuming that the Company's shares owned by its subsidiary were not treated as treasury stock)</b>			
Basic Earnings Per Share (in New Taiwan Dollars)	2, 4(22)		
Net income		\$ 29.55    \$ 28.42	\$ 34.43    \$ 33.91
Diluted Earnings Per Share (in New Taiwan Dollars)	2, 4(22)		
Net income		\$ 29.01    \$ 27.90	\$ 33.68    \$ 33.17

The accompanying notes are an integral part of these financial statements.

Chairman : Ming-Kai Tsai

President : Ching-Jiang Hsieh

Chief Financial Officer : David Ku

## MEDIATEK INC.

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2010 and 2009

(Amounts in thousands of New Taiwan Dollars)

Description	Common stock		Capital reserve	Retained earnings			Cumulative translation adjustments	Unrealized gain (loss) on financial instruments	Treasury stock	Total
	Common stock	Capital collected in advance		Legal reserve	Special reserve	Undistributed earnings				
Balance as of January 1, 2009	\$ 10,731,523	\$ -	\$ 2,757,311	\$ 13,024,414	\$ -	\$ 55,427,112	\$ (17,915)	\$ (255,574)	\$ (55,970)	\$ 81,610,901
Appropriation and distribution of 2008 earnings (Note 1):										
Legal reserve	-	-	-	1,919,000	-	(1,919,000)	-	-	-	-
Special reserve	-	-	-	-	273,489	(273,489)	-	-	-	-
Cash dividends	-	-	-	-	-	(15,024,132)	-	-	-	(15,024,132)
Stock dividends	21,463	-	-	-	-	(21,463)	-	-	-	-
Bonus to employees - in stock	148,203	-	5,294,683	-	-	-	-	-	-	5,442,886
Net income for the year ended December 31, 2009	-	-	-	-	-	36,705,640	-	-	-	36,705,640
Unrealized gain (loss) on financial instruments	-	-	-	-	-	-	-	427,747	-	427,747
Employee stock option distributed to subsidiaries' employees	-	-	87,864	-	-	-	-	-	-	87,864
The effects of subsidiaries' shareholding of the Company's stock recorded as treasury stock	-	-	108,682	-	-	-	-	-	-	108,682
Adjustment arising from changes in the percentage of ownership in investees	-	-	19,286	-	-	-	-	-	-	19,286
Cumulative translation adjustments	-	-	-	-	-	-	(509,389)	-	-	(509,389)
Balance as of December 31, 2009	10,901,189	-	8,267,826	14,943,414	273,489	74,894,668	(527,304)	172,173	(55,970)	108,869,485
Appropriation and distribution of 2009 earnings (Note 2):										
Legal reserve	-	-	-	3,670,564	-	(3,670,564)	-	-	-	-
Special reserve	-	-	-	-	81,642	(81,642)	-	-	-	-
Cash dividends	-	-	-	-	-	(28,343,090)	-	-	-	(28,343,090)
Stock dividends	21,802	-	-	-	-	(21,802)	-	-	-	-
Bonus to employees - in stock	74,855	-	3,593,106	-	-	-	-	-	-	3,667,961
Net income for the year ended December 31, 2010	-	-	-	-	-	30,961,437	-	-	-	30,961,437
Unrealized gain (loss) on financial instruments	-	-	-	-	-	-	-	10,435	-	10,435
Employee stock option distributed to subsidiaries' employees	-	-	91,476	-	-	-	-	-	-	91,476
Issuance of stock from exercising employee stock options	1,471	365	66,877	-	-	-	-	-	-	68,713
The effects of subsidiaries' shareholding of the Company's stock recorded as treasury stock	-	-	202,226	-	-	-	-	-	-	202,226
Adjustment arising from changes in the percentage of ownership in investees	-	-	37,893	-	-	-	-	-	-	37,893
Cumulative translation adjustments	-	-	-	-	-	-	(3,853,426)	-	-	(3,853,426)
Balance as of December 31, 2010	\$ 10,999,317	\$ 365	\$ 12,259,404	\$ 18,613,978	\$ 355,131	\$ 73,739,007	\$ (4,380,730)	\$ 182,608	\$ (55,970)	\$ 111,713,110

Note1: Directors' and supervisors' remuneration of NT\$42,494 thousand and employees' bonuses of NT\$6,403,395 thousand had been charged against earnings from 2008.

Note2: Directors' and supervisors' remuneration of NT\$65,907 thousand and employees' bonuses of NT\$12,226,536 thousand had been charged against earnings from 2009.

The accompanying notes are an integral part of these financial statements.

Chairman : Ming-Kai Tsai

President : Ching-Jiang Hsieh

Chief Financial Officer : David Ku

## MEDIATEK INC.

## STATEMENTS OF CASH FLOWS

For the years ended December 31, 2010 and 2009

(Amounts in thousands of New Taiwan Dollars)

Description	2010	2009
<b>Cash flows from operating activities :</b>		
Net income	\$ 30,961,437	\$ 36,705,640
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	691,378	685,141
Amortization	1,406,083	1,726,090
Bad debt provision	129,666	16,938
Amortization of financial assets discount or premium	296	(32,841)
Cash dividends from equity investees	123,710	28,815
Inventory loss provision	969,798	930,262
Net loss on disposal of property, plant and equipment	27,465	1,234
Net gain on equity investments	(14,445,432)	(15,121,930)
Adjustment of valuation on financial assets and liabilities	(53,306)	14,192
Loss on disposal of investments	-	12,608
Deferred income tax	543,032	440,665
Employees' bonuses	3,863,296	12,226,536
Changes in operating assets and liabilities:		
Held-for-trading financial assets	-	150,000
Financial assets designated as at fair value through profit or loss	(978,500)	862,000
Accounts receivable	(1,874,645)	(317,586)
Receivables from related parties	15,416	(40,256)
Other receivables	407,673	(267,986)
Inventories	(2,342,737)	(2,617,174)
Prepayments	(1,827,506)	90,420
Other current assets	(190,152)	(44,272)
Accounts payable	(1,156,899)	3,657,130
Payables to related parties	(49,168)	63,644
Income tax payable	93,123	129,553
Accrued expenses	(781,777)	(1,461,861)
Other current liabilities	91,115	(214,815)
Accrued pension liabilities	19,812	5,249
Net cash provided by operating activities	<u>15,643,178</u>	<u>37,627,396</u>
<b>Cash flows from investing activities :</b>		
Increase in restricted deposits	(3,000)	(5,117)
Increase in available-for-sale financial assets	(563,917)	-
Purchase of property, plant and equipment	(1,573,425)	(1,432,161)
Proceeds from disposal of property, plant and equipment	894	921
Proceeds from disposal of available-for-sale financial assets	621,000	1,787,997
Proceeds from disposal of held-to-maturity financial assets	-	242,498
Increase in intangible assets	(642,855)	(835,958)
Decrease (increase) in refundable deposits	76,744	(226,588)
Net cash used in investing activities	<u>(2,084,559)</u>	<u>(468,408)</u>
<b>Cash flows from financing activities :</b>		
Decrease in deposits received	-	(146)
Cash dividends	(28,343,090)	(15,024,132)
Proceeds from exercise of employee stock options	68,713	-
Net cash used in financing activities	<u>(28,274,377)</u>	<u>(15,024,278)</u>
Net (decrease) increase in cash and cash equivalents	(14,715,758)	22,134,710
Cash and cash equivalents at the beginning of the year	57,885,158	35,750,448
Cash and cash equivalents at the end of the year	<u>\$ 43,169,400</u>	<u>\$ 57,885,158</u>
<b>Supplemental disclosures of cash flow information :</b>		
Income tax paid during the year	<u>\$ 596,087</u>	<u>\$ 497,937</u>
<b>Activities partially effected cash flows :</b>		
Purchase of property, plant and equipment	\$ 1,573,425	\$ 1,352,051
Add: decrease in payables to contractors and equipment suppliers	-	80,110
Cash paid for the purchase of property, plant and equipment	<u>\$ 1,573,425</u>	<u>\$ 1,432,161</u>
<b>Non-cash activities :</b>		
Stock dividends and employees' bonuses capitalized (including additional paid-in capital)	<u>\$ 3,689,763</u>	<u>\$ 5,464,349</u>
Change in unrealized gain (loss) on financial instruments	<u>\$ 10,435</u>	<u>\$ 427,747</u>
Cumulative translation adjustments	<u>\$ (3,853,426)</u>	<u>\$ (509,389)</u>
Adjustment arising from changes in percentage of ownership in investees	<u>\$ 37,893</u>	<u>\$ 19,286</u>
Adjustment of cash dividends distributed to subsidiaries holding the Company's stock	<u>\$ 202,226</u>	<u>\$ 108,682</u>

The accompanying notes are an integral part of these financial statements.

## **Independent Auditors' Report: MediaTek Inc. & Subsidiaries**

(English translation of a report originally issued in Chinese)

To the Board of Directors and Shareholders  
of MediaTek Inc.

We have audited the consolidated balance sheets of MediaTek Inc. and its subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company'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 Auditing and Certification of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China (R.O.C.). These standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 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 consolidated financial position of MediaTek Inc. and its subsidiaries as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with requirements of the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the R.O.C.

Ernst & Young  
CERTIFIED PUBLIC ACCOUNTANTS  
March 10, 2011  
Taipei, Taiwan  
Republic of China

---

#### **Notice to Readers**

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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

English Translation of Financial Statements Originally Issued in Chinese  
**MEDIATEK INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**As of December 31, 2010 and 2009**  
(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	2010	2009	LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2010	2009
<b>Current assets</b>				<b>Current liabilities</b>			
Cash and cash equivalents	2, 4(1)	\$ 85,927,357	\$ 94,647,892	Accounts payable		\$ 7,389,844	\$ 10,008,850
Held-for-trading financial assets	2, 4(2)	46,271	16,042	Payables to related parties	5	1,029,160	1,785,494
Financial assets designated as at fair value through profit or loss-current	2, 4(3)	510,422	-	Income tax payable	2, 4(21)	1,068,950	985,199
Available-for-sale financial assets-current	2, 4(4)	5,588,972	2,183,335	Accrued expenses	2, 4(17)	15,668,939	16,317,295
Accounts receivable, net	2, 4(6)	7,164,346	7,266,916	Payables to contractors and equipment suppliers		16,488	9,648
Other receivables	4(7)	1,174,831	901,195	Other current liabilities		612,875	347,879
Inventories, net	2, 3, 4(8)	9,387,649	8,172,723	Total current liabilities		25,786,256	29,454,365
Prepayments		2,169,960	272,609				
Other current assets		493,288	302,704				
Deferred income tax assets-current	2, 4(21)	119,215	260,964	<b>Other liabilities</b>			
Restricted assets-current	6	13,043	13,889	Accrued pension liabilities	2, 4(12)	107,227	87,415
Total current assets		112,595,354	114,038,269	Deposits received		973	983
				Deferred income tax liabilities-noncurrent	2, 4(21)	426,901	159,920
<b>Funds and investments</b>	2, 4(9)			Total other liabilities		535,101	248,318
Financial assets designated as at fair value through profit or loss-noncurrent		2,233,070	1,041,745	Total liabilities		26,321,357	29,702,683
Available-for-sale financial assets-noncurrent		1,720,495	2,101,700				
Financial assets carried at cost-noncurrent		1,083,608	931,566	<b>Shareholders' equity</b>			
Bond portfolios with no active market-noncurrent		1,000,000	1,000,000	Equity attributable to shareholders of the parent			
Investments accounted for using the equity method		1,658,511	1,586,583	Capital			
Prepayments for long-term investments		38,773	-	Common stock	4(13)	10,999,317	10,901,189
Total funds and investments		7,734,457	6,661,594	Capital collected in advance		365	-
				Capital reserve			
<b>Property, plant and equipment</b>	2, 4(10)			Additional paid-in capital	4(15)	11,051,733	7,385,442
Land		888,722	-	Treasury stock transaction	4(15)	785,420	583,194
Buildings and facilities		5,738,474	5,059,545	Donated assets	4(15)	1,260	1,260
Machinery and equipment		204,516	227,738	Long-term investment transaction	4(15)	207,315	169,422
Computer and telecommunication equipment		1,436,518	944,953	Employee stock option	4(15), 4(16)	213,676	128,508
Testing equipment		2,439,991	2,156,548	Total capital reserve		12,259,404	8,267,826
Miscellaneous equipment		689,195	818,049	Retained earnings			
Total cost		11,397,416	9,206,833	Legal reserve	4(14)	18,613,978	14,943,414
Less : Accumulated depreciation		(3,833,975)	(3,016,901)	Special reserve	4(17)	355,131	273,489
Add : Construction in progress		125,951	635,650	Undistributed earnings	4(17)	73,739,007	74,894,668
Prepayments for equipment		118,425	63,247	Other adjustments			
Property, plant and equipment, net		7,807,817	6,888,829	Cumulative translation adjustments	2	(4,380,730)	(527,304)
				Unrealized gain (loss) on financial instruments	2	182,608	172,173
<b>Intangible assets</b>	2, 4(11)			Treasury stock	4(18)	(55,970)	(55,970)
Patents		267,490	309,971	Total shareholders' equity attributable to parent company		111,713,110	108,869,485
Software		333,053	303,469	Minority interests		225	21,118
Goodwill		6,863,129	6,837,672	Total shareholders' equity		111,713,335	108,890,603
IPs and others		2,108,663	3,171,781				
Total intangible assets		9,572,335	10,622,893	<b>Total liabilities and shareholders' equity</b>		\$ 138,034,692	\$ 138,593,286
<b>Other assets</b>							
Refundable deposits		261,488	328,579				
Deferred assets		45,897	33,756				
Restricted assets-noncurrent	6	17,344	19,366				
Total other assets		324,729	381,701				
<b>Total assets</b>		\$ 138,034,692	\$ 138,593,286				

The accompanying notes are an integral part of these financial statements.

Chairman : Ming-Kai Tsai

President : Ching-Jiang Hsieh

Chief Financial Officer : David Ku

**MEDIATEK INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**For the years ended December 31, 2010 and 2009**

(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2010	2009		
<b>Gross sales</b>		\$ 122,374,147	\$ 124,142,262		
Less : Sales returns		(45,445)	(75,573)		
Sales discounts		(8,806,744)	(8,555,064)		
Net sales	2, 4(19), 5	113,521,958	115,511,625		
<b>Cost of goods sold</b>	4(20), 5	(52,613,892)	(47,694,235)		
<b>Gross profits</b>		60,908,066	67,817,390		
<b>Operating expenses</b>	4(20), 5				
Selling expenses		(3,160,968)	(3,279,185)		
General and administrative expenses		(3,357,947)	(3,966,155)		
Research and development expenses		(23,310,531)	(24,184,886)		
Total operating expenses		(29,829,446)	(31,430,226)		
<b>Operating income</b>		31,078,620	36,387,164		
<b>Non-operating income and gains</b>					
Interest income		586,492	494,593		
Gain on equity investments, net	2, 4(9)	180,041	198,857		
Gain on disposal of investments	2, 4(9)	7,917	9,091		
Foreign exchange gain, net	2	28,366	122,238		
Valuation gain on financial assets	2, 4(2)	35,667	115,600		
Others		414,927	284,569		
Total non-operating income and gains		1,253,410	1,224,948		
<b>Non-operating expenses and losses</b>					
Interest expense		-	(625)		
Loss on disposal of property, plant and equipment	2	(44,113)	(4,661)		
Impairment loss	2, 4(9)	-	(99,449)		
Others		-	(87,291)		
Total non-operating expenses and losses		(44,113)	(192,026)		
<b>Income from continuing operations before income tax</b>		32,287,917	37,420,086		
<b>Income tax expense</b>	2, 4(21)	(1,351,314)	(724,620)		
<b>Consolidated net income</b>		\$ 30,936,603	\$ 36,695,466		
<b>Income Attributable to :</b>					
Shareholders of the parent		\$ 30,961,437	\$ 36,705,640		
Minority interests		(24,834)	(10,174)		
Consolidated net income		\$ 30,936,603	\$ 36,695,466		
<b>Basic Earnings Per Share (in New Taiwan Dollars)</b>	2, 4(22)	<u>Before tax</u>	<u>After tax</u>	<u>Before tax</u>	<u>After tax</u>
Consolidated net income		\$ 29.66	\$ 28.42	\$ 34.71	\$ 34.04
Net loss attributable to minority interests		0.02	0.02	0.01	0.01
Net income attributable to the parent		\$ 29.68	\$ 28.44	\$ 34.72	\$ 34.05
<b>Diluted Earnings Per Share (in New Taiwan Dollars)</b>	2, 4(22)	<u>Before tax</u>	<u>After tax</u>	<u>Before tax</u>	<u>After tax</u>
Consolidated net income		\$ 29.10	\$ 27.88	\$ 33.81	\$ 33.16
Net loss attributable to minority interests		0.02	0.02	0.01	0.01
Net income attributable to the parent		\$ 29.12	\$ 27.90	\$ 33.82	\$ 33.17

The accompanying notes are an integral part of these financial statements.

Chairman : Ming-Kai Tsai

President : Ching-Jiang Hsieh

Chief Financial Officer : David Ku

English Translation of Financial Statements Originally Issued in Chinese

**MEDIATEK INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

For the years ended December 31, 2010 and 2009

(Amounts in thousands of New Taiwan Dollars)

Description	Common stock		Capital reserve	Retained Earnings			Cumulative translation adjustments	Unrealized gain (loss) on financial instruments	Treasury stock	Total shareholder's equity attributable to parent company	Minority interests	Total shareholder's equity
	Common stock	Capital collected in advance		Legal reserve	Special reserve	Undistributed earnings						
Balance as of January 1, 2009	\$ 10,731,523	\$ -	\$ 2,757,311	\$ 13,024,414	\$ -	\$ 55,427,112	\$ (17,915)	\$ (255,574)	\$ (55,970)	\$ 81,610,901	\$ 147,962	\$ 81,758,863
Appropriation and distribution of 2008 earnings (Note 1):												
Legal reserve	-	-	-	1,919,000	-	(1,919,000)	-	-	-	-	-	-
Special reserve	-	-	-	-	273,489	(273,489)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(15,024,132)	-	-	-	(15,024,132)	-	(15,024,132)
Stock dividends	21,463	-	-	-	-	(21,463)	-	-	-	-	-	-
Bonus to employees - in stock	148,203	-	5,294,683	-	-	-	-	-	-	5,442,886	-	5,442,886
Net income attributable to parent company for the year ended												
December 31, 2009	-	-	-	-	-	36,705,640	-	-	-	36,705,640	-	36,705,640
Unrealized gain (loss) on financial instruments	-	-	-	-	-	-	-	427,747	-	427,747	-	427,747
Employee stock option distributed to subsidiaries' employees	-	-	87,864	-	-	-	-	-	-	87,864	-	87,864
The effects of subsidiaries' shareholding of the Company's stock recorded as treasury stock	-	-	108,682	-	-	-	-	-	-	108,682	-	108,682
Adjustment arising from changes in the percentage of ownership in investees	-	-	19,286	-	-	-	-	-	-	19,286	-	19,286
Cumulative translation adjustments	-	-	-	-	-	-	(509,389)	-	-	(509,389)	-	(509,389)
Decrease in minority interests	-	-	-	-	-	-	-	-	-	-	(126,844)	(126,844)
Balance as of December 31, 2009	10,901,189	-	8,267,826	14,943,414	273,489	74,894,668	(527,304)	172,173	(55,970)	108,869,485	21,118	108,890,603
Appropriation and distribution of 2009 earnings (Note 2):												
Legal reserve	-	-	-	3,670,564	-	(3,670,564)	-	-	-	-	-	-
Special reserve	-	-	-	-	81,642	(81,642)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(28,343,090)	-	-	-	(28,343,090)	-	(28,343,090)
Stock dividends	21,802	-	-	-	-	(21,802)	-	-	-	-	-	-
Bonus to employees - in stock	74,855	-	3,593,106	-	-	-	-	-	-	3,667,961	-	3,667,961
Net income attributable to parent company for the year ended												
December 31, 2010	-	-	-	-	-	30,961,437	-	-	-	30,961,437	-	30,961,437
Unrealized gain (loss) on financial instruments	-	-	-	-	-	-	-	10,435	-	10,435	-	10,435
Employee stock option distributed to subsidiaries' employees	-	-	91,476	-	-	-	-	-	-	91,476	-	91,476
Issuance of stock from exercising employee stock options	1,471	365	66,877	-	-	-	-	-	-	68,713	-	68,713
The effects of subsidiaries' shareholding of the Company's stock recorded as treasury stock	-	-	202,226	-	-	-	-	-	-	202,226	-	202,226
Adjustment arising from changes in the percentage of ownership in investees	-	-	37,893	-	-	-	-	-	-	37,893	-	37,893
Cumulative translation adjustments	-	-	-	-	-	-	(3,853,426)	-	-	(3,853,426)	-	(3,853,426)
Decrease in minority interests	-	-	-	-	-	-	-	-	-	-	(20,893)	(20,893)
Balance as of December 31, 2010	\$ 10,999,317	\$ 365	\$ 12,259,404	\$ 18,613,978	\$ 355,131	\$ 73,739,007	\$ (4,380,730)	\$ 182,608	\$ (55,970)	\$ 111,713,110	\$ 225	\$ 111,713,335

Note1: Directors' and supervisors' remuneration of NT\$42,494 thousand and employees' bonuses of NT\$6,403,395 thousand had been charged against earnings from 2008.

Note2: Directors' and supervisors' remuneration of NT\$65,907 thousand and employees' bonuses of NT\$12,226,536 thousand had been charged against earnings from 2009.

The accompanying notes are an integral part of these financial statements.

Chairman :Ming-Kai Tsai

President : Ching-Jiang Hsieh

Chief Financial Officer : David Ku

**MEDIATEK INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2010 and 2009**  
(Amounts in thousands of New Taiwan Dollars)

Description	2010	2009
<b>Cash flows from operating activities :</b>		
Consolidated net income	\$ 30,936,603	\$ 36,695,466
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,107,081	1,072,887
Amortization	1,870,604	2,172,122
Bad debt provision	46,388	87,826
Employee stock option distributed	91,476	87,864
Employees' bonuses	3,863,296	12,226,536
Amortization of financial assets discount or premium	296	(37,173)
Inventory loss provision	2,113,727	624,584
Net gain on equity investments	(180,041)	(198,857)
Net loss on disposal of property, plant and equipment	44,113	4,661
Gain on disposal of investment (including interest income)	(7,917)	(23,994)
Impairment loss	-	99,449
Cash dividends from equity investees	123,713	28,815
Adjustment of valuation of financial assets and liabilities	(106,455)	(45,372)
Deferred income tax	409,696	320,147
Changes in operating assets and liabilities:		
Held-for-trading financial assets	-	150,000
Financial assets designated as at fair value through profit or loss	(1,683,443)	755,084
Accounts receivable	(181,042)	(1,884,208)
Other receivables	406,563	(99,951)
Inventories	(3,536,726)	(3,331,392)
Prepayments	(1,896,674)	74,125
Other current assets	(202,897)	994,208
Accounts payable	(2,620,019)	5,779,249
Payables to related parties	(756,334)	1,151,820
Income taxes payable	83,751	145,718
Accrued expenses	(807,962)	(1,060,198)
Other current liabilities	270,071	(554,392)
Accrued pension liabilities	19,812	5,249
Net cash provided by operating activities	<u>29,407,680</u>	<u>55,240,273</u>
<b>Cash flows from investing activities :</b>		
Decrease in restricted assets	2,868	1,770
Increase in available-for-sale financial assets	(3,697,357)	-
Proceeds from disposal of available-for-sale financial assets	649,486	4,085,394
Proceeds from disposal of held-to-maturity financial assets	-	413,073
Increase in financial assets carried at cost	(221,354)	(221,124)
Proceeds from disposal of financial assets carried at cost	3,325	122,127
Proceeds from disposal of investments accounted for using the equity method	13,081	-
Increase in prepaid long-term investments	(38,773)	-
Net cash outflow from acquisition of subsidiaries	(114,214)	(32,345)
Purchase of property, plant and equipment	(2,122,234)	(1,573,525)
Proceeds from disposal of property, plant and equipment	9,661	1,573
Decrease (increase) in refundable deposits	67,101	(229,648)
Increase in intangible assets and deferred assets	(825,939)	(798,574)
Net cash (used in) provided by investing activities	<u>(6,274,349)</u>	<u>1,768,721</u>
<b>Cash flows from financing activities :</b>		
Decrease in deposits received	(10)	(39)
Decrease in lease payable	-	(1,392)
Proceeds from exercise of employee stock options	68,713	-
Cash dividends	(28,343,090)	(15,024,132)
Cash dividends distributed to subsidiaries holding the Company's stock	202,226	108,682
Change in minority interests	(815)	27,838
Net cash used in financing activities	<u>(28,072,976)</u>	<u>(14,889,043)</u>
Effect of exchange rate	(3,780,890)	(493,603)
Net (decrease) increase in cash and cash equivalents	(8,720,535)	41,626,348
Cash and cash equivalents at the beginning of the year	94,647,892	53,021,544
Cash and cash equivalents at the end of the year	<u>\$ 85,927,357</u>	<u>\$ 94,647,892</u>
<b>Supplemental disclosures of cash flow information :</b>		
Interest paid during the year	\$ -	\$ 625
Income tax paid during the year	\$ 688,054	\$ 722,879
<b>Activities partially effected cash flows :</b>		
Purchase of property, plant and equipment	\$ 2,129,074	\$ 1,493,770
Add: (increase) decrease in payables to contractors and equipment suppliers	(6,840)	79,755
Cash paid for the purchase of property, plant and equipment	<u>\$ 2,122,234</u>	<u>\$ 1,573,525</u>
<b>Non-cash activities :</b>		
Stock dividends and employees' bonuses capitalized (including additional paid-in capital)	\$ 3,689,763	\$ 5,464,349
Change in unrealized gain (loss) on financial instruments	\$ 10,435	\$ 427,747

The accompanying notes are an integral part of these financial statements.

Chairman : Ming-Kai Tsai

President : Ching-Jiang Hsieh

Chief Financial Officer : David Ku

## Attachment 5

# Share Swap Agreement

This Share Swap Agreement (hereinafter referred to as the "**Agreement**") is executed by the following parties on May 5, 2011:

**MediaTek Inc.** (hereinafter referred to as "**MediaTek**"), a company duly incorporated under the laws of the Republic of China, having its principal place of business at No. 1, Dusing Rd. 1, Hsinchu Science Park, Hsinchu City; and

**Ralink Technology Corporation** (hereinafter referred to as "**Ralink**"), a company duly incorporated under the laws of the Republic of China, having its principal place of business at 5F.-1, No.5, Taiyuan 1st St., Zhubei City, Hsinchu County.

WHEREAS, the parties executed a Merger Agreement on March 16, 2011. After Ralink's reevaluation of the deal structure of merger versus share swap by taking into account the inconvenience caused to Ralink's and its shareholders' financial/tax planning, the complicated tax process and cost, and the need of customers and suppliers during the integration of business resulted from Ralink's dissolution in a merger, in order to ensure that this transaction will be approved by the shareholders' meeting, Ralink believed that it is better to change the deal structure to share swap, and decided to request for MediaTek's consent toward the change of deal structure. After MediaTek's evaluation, MediaTek believed that the deal structure of share swap is compatible with the goal that the merger intends to achieve, and may integrate overall resources, expand operation to enhance business performance and competitiveness. Therefore, both parties agree to conduct this transaction by means of a share swap in accordance with the Business Mergers and Acquisitions Act and other related laws or regulations, and MediaTek will issue common stock to Ralink's shareholders as a compensation for acquiring Ralink's all of issued and outstanding shares (hereinafter referred to as the "**Transaction**" or "**Share Swap**"). After the completion of share swap, Ralink will become wholly-owned subsidiary of MediaTek. Both parties agree to terminate the above Merger Agreement and agree to the terms and conditions of this Share Swap Agreement as follows.

### Article 1: The Share Swap

MediaTek and Ralink agree to, in accordance with the Business Mergers and Acquisitions Act and other related laws or regulations, by the way of share swap, transfer Ralink's all of issued shares to MediaTek and use such as compensation for Ralink shareholders' acquisition of MediaTek's newly issued common stocks. After the completion of share swap, Ralink will become wholly-owned subsidiary of MediaTek. After share swap, MediaTek's authorized capital stipulated in its Articles of Incorporation is NT\$ 12,000,000,000.

### Article 2: The Capital, Outstanding Shares and Types of Issued Shares Prior to the Share Swap

1. On the date of execution of this Agreement, the authorized capital of MediaTek is NT\$12,000,000,000, consisted of 1,200,000,000 shares of common stock with a par value of NT\$10 per share, which may be issued in installment. The paid-in capital of MediaTek is NT\$10,999,681,840, consisting of 1,099,968,184 shares with a par value of NT\$10 per share. Except for the following employee stock options, on the date of execution of this Agreement MediaTek does not issued any equity-type securities which is valid and exercisable:

- (1) On March 31, 2008, MediaTek granted 1,134,119 employee stock options, and each option would be entitled to subscribe for one share of common stock. As of the date of this Agreement, the exercise price of the employee stock options is NT\$378.6 per share, and there are 604,280 options remain valid and exercisable.
  - (2) On August 28, 2008, MediaTek granted 1,640,285 employee stock options, and each option would be entitled to subscribe for one share of common stock. As of the date of this Agreement, the exercise price of the employee stock options is NT\$362 per share, and there are 984,775 options remain valid and exercisable.
  - (3) On August 18, 2009, MediaTek granted 1,382,630 employee stock options, and each option would be entitled to subscribe for one share of common stock. As of the date of this Agreement, the exercise price of the employee stock options is NT\$468.8 per share, and there are 941,488 options remain valid and exercisable.
  - (4) On August 27, 2010, MediaTek granted 1,605,757 employee stock options, and each option would be entitled to subscribe for one share of common stock. As of the date of this Agreement, the exercise price of the employee stock options is NT\$436.5 per share, and there are 1,259,966 options remain valid and exercisable.
  - (5) On November 4, 2010, MediaTek granted 65,839 employee stock options, and each option would be entitled to subscribe for one share of common stock. As of the date of this Agreement, the exercise price of the employee stock options is NT\$402 per share, and there are 21,522 options remain valid and exercisable.
2. On the date of execution of this Agreement, the authorized capital of Ralink is NT\$2,000,000,000, consisted of 200,000,000 shares of common stock with a par value of NT\$10 per share, which may be issued in installment. The paid-in capital of Ralink (including the portion pending for corporate amendment registration) is NT\$1,752,465,280 consisted of 175,246,528 shares with a par value of NT\$10 per share. Except for the following employee stock options, on the date of execution of this Agreement Ralink does not issued any equity-type securities which is valid and exercisable, nor does Ralink has any treasury stock:
- (1) On June 30, 2006, Ralink granted 1,575 employee stock options, and each option would be entitled to subscribe for one share of common stock. As of the date of this Agreement, the exercise price of the employee stock options is NT\$14.3 per share, and there are 1,575 options remain valid and exercisable.
  - (2) On September 30, 2006, Ralink granted 164,228 employee stock options, and each option would be entitled to subscribe for one share of common stock. As of the date of this Agreement, the exercise price of the employee stock options is NT\$14.3 per share, and there are 13,699 options remain valid and exercisable.
  - (3) On December 31, 2006, Ralink granted 3,936 employee stock options, and each option would be entitled to subscribe for one share of common stock. As of the date of this Agreement, the exercise price of the employee stock options is NT\$14.3 per share, and there are 3,936 options remain valid and exercisable.
  - (4) On March 31, 2007, Ralink granted 24,878 employee stock options, and each option would be entitled to subscribe for one share of common stock. As of the date of this Agreement, the exercise price of the employee stock options is NT\$15.7 per share, and there are 11,967 options remain valid and exercisable.
  - (5) On June 30, 2007, Ralink granted 118,403 employee stock options, and each option would be entitled to subscribe for one share of common stock. As of the date of this Agreement, the exercise price of the employee stock options is NT\$15.7 per share, and there are 41,066 options remain valid and exercisable.
  - (6) On September 30, 2007, Ralink granted 334,425 employee stock options, and each option would be entitled to subscribe for one share of common stock. As of the date of this Agreement, the exercise price of the employee stock options is NT\$15.7 per share, and there are 153,032 options remain valid and exercisable.
  - (7) On December 30, 2007, Ralink granted 1,889 employee stock options, and each option would be entitled to subscribe for one share of common stock. As of the date of this Agreement, the exercise price of the employee stock options is NT\$15.7 per share, and there are 944 options remain valid and exercisable.

- (8) On December 31, 2007, Ralink granted 602,089 employee stock options, and each option would be entitled to subscribe for one share of common stock. As of the date of this Agreement, the exercise price of the employee stock options is NT\$16.7 per share, and there are 285,992 options remain valid and exercisable.
3. In this Transaction, the number of shares of Ralink's shareholders to be transferred to MediaTek shall be determined based on the actual number of issued shares on the Closing date of Share Swap (as defined in Article 5). As of the date of this Agreement, the total number of common shares issued and outstanding (including the portion pending for corporate amendment registration) is 175,246,528 shares.

### **Article 3: Share Exchange Ratio**

1. Both parties agree that, based on their respective accountants' reviewed financial reports as of March 31, 2011 (hereinafter referred to as the "**Basic Financial Report**"), and taking into account of the parties' business operation, stock price, earnings per share, net asset value per share, company outlooks, dividend distribution in the recent year, and the independent experts' opinions on the reasonableness of the swap ratio, among other factors, the share swap ratio shall be tentatively set at 3.15 shares of Ralink common stock for one share of MediaTek common stock. However, the actual swap ratio will be adjusted according to Article 4 of this Agreement.
2. In order to execute the share swap, the number of shares of common stock to be issued by MediaTek is 55,633,818 shares, with a par value of NT\$10 per share, and total par value of NT\$556,338,180 for all the newly issued shares, provided that the number of shares actually to be issued by MediaTek shall be calculated based on the total number of issued shares of Ralink on the Closing Date of Share Swap and calculated in accordance with the share swap ratio. The rights and obligation of the MediaTek's newly issued shares shall be the same as those attached to MediaTek's common stock which are issued and listed on the stock exchange market.
3. Any fractional shares (i.e., less than one share) of the newly issued MediaTek stock shall be converted to cash based on the par value of the shares (rounded off to the nearest dollar), and the chairman of MediaTek is authorized to sell such fractional shares to a person designated by the chairman.

### **Article 4: Adjustment to the Exchange Ratio**

1. If any of the following situations occurs, both parties agree to authorize its respective board of directors to negotiate and determine, no later than August 3, 2011, the adjustment required for adjusting the share swap ratio, and there is no need to convene shareholders' meeting. If any of the following situations occurs after August 3, 2011 (except for employees' exercise of employee stock option), both parties is required, within 10 working days of the occurrence of the event, to authorize its respective board of directors to negotiate and determine the matter concerning the adjustment of share swap ratio and there is no need to convene shareholders' meeting. In these cases, both parties agree to negotiate and determine the formula used to adjust the share swap ratio in writing.
  - (1) MediaTek or Ralink engages in capitalization from surplus earnings or from capital reserve, capital reduction, distribution of stock dividend, capitalization from employee bonus, cash injection, issuance of convertible bond, stock bonus, issuance of warrant bond, preferred shares with warrants, employee stock option and other equity-type securities;
  - (2) MediaTek or Ralink disposes its material assets or conducts acts which have material effect on companies' finance or business;
  - (3) MediaTek or Ralink encounters major disaster, material change in techniques or other material adverse change which affect the shareholders' interest or stock price of the companies;
  - (4) MediaTek or Ralink redeem treasury stocks (for the avoidance of doubt, this sub-paragraph does not include the situation where MediaTek' or Ralink's redemption of shares from objecting shareholders in accordance with related laws);

- (5) The subject companies or the total number of companies participate in this Transaction increase, decrease or change;
  - (6) The stock dividend for 2010 to be distributed by MediaTek or Ralink reaches 60% (inclusive) or more of the distributable surplus for 2010;
  - (7) There is a necessity to adjust the share swap ratio due to the compulsory/prohibitory regulations of law, change in laws or regulation, or instructions from relevant competent authorities.
2. The term "material" referred to in subparagraphs (2) and (3) of the preceding paragraph means the negative or positive impact caused by the event on the respective party's financial report is a difference of 3.5% (inclusive) or more increase or decrease on the accumulated (from the date of execution of this Agreement to the Closing Date) net value of the company stated in the respective Basic Financial Report.

## **Article 5: Closing Date**

After this Transaction is approved by the respective shareholders' meeting of MediaTek and Ralink and obtains the permit or approval from the relevant competent authorities, the Closing Date of this Transaction shall be jointly determined by the board of directors of both parties. The parties agree that the Closing Date shall be tentatively set as October 1, 2011. However, if (1) the Share Swap fails to be approved by the relevant competent authorities (including the combination approval of the Fair Trade Commission of the Executive Yuan, the approval of the Taiwan Stock Exchange concerning the increase in capital and issuance of new shares to be listed after the Share Swap, the approval of the Financial Supervisory Commission of the Executive Yuan concerning increase in capital and issuance of new shares for the Share Swap, and approvals from other relevant competent authorities); or (2) either party believes that it is necessary to change the Closing Date due to other circumstances, the boards of directors of both parties shall negotiate and determine the Closing Date jointly.

## **Article 6: Schedule of the Share Swap**

1. Both parties shall proceed with the closing schedule of this Share Swap in accordance with this Agreement. In the event that either party is unable to convene shareholders' meeting (or meeting of board of directors) to approve this Transaction and other matters necessary for the consummation of this Transaction on or prior to June 30, 2011, so that the Transaction cannot be closed on the Closing Date tentatively set, the parties' board of directors shall jointly discuss to make necessary changes.
2. After the closing of this Transaction Ralink will be delisted in accordance with relevant laws or regulations. If requested by relevant laws or regulation and if approved by the Financial Supervisory Commission of the Executive Yuan and the Taiwan Stock Exchange, Ralink will be delisted from the Taiwan Stock Exchange on the Closing Date.

## **Article 7: Representations and Warranties of MediaTek**

MediaTek represents and warrants to Ralink that the following is true and accurate as of the date of this Agreement:

1. **Valid Incorporation and Existence:** MediaTek is a company limited by shares duly incorporated and registered pursuant to the Company Act of the Republic of China and is valid existing, and has obtained all necessary licenses, approvals, permits, and documents to carry out its businesses. MediaTek is not subject to any valid resolution to dissolve, liquidate, file for bankruptcy, composition or reorganization initially, is not dissolved, composed, reorganized or been declared bankruptcy pursuant to a court ruling, order or in accordance with related laws and regulations, is not been ordered to cease business or dissolve the company by the competent authorities, nor subject to cancelation of permit for establishment or revocation of business license.

2. **Authorized and Paid-in Capital:** MediaTek's authorized and paid-in capital is as represented under Article 2 of this Agreement. On the date of execution of this Agreement, all of MediaTek's issued shares are duly authorized and issued, with share price paid in full. Except for those stipulated in Article 2 of this Agreement, MediaTek does not issue any equity-type securities, nor does MediaTek issue, undertake or execute other options, warrant, convertible or exchangeable securities, preemptive right to buy, preemptive right to subscribe, or other legal commitment which entitle the other to acquire MediaTek's shares. MediaTek does not commit or provide any right of profit-sharing or similar right to a third party which will allow a third party to enjoy the rights and interest the same as the one enjoyed by MediaTek's common stock shareholders. Except for those stipulated in Article 2 of this Agreement, MediaTek does not have any obligation to redeem, buy-back or in any way repurchase its own stocks.
3. **The Board of Directors' Resolution and Authorization:** On or prior to the date of this Agreement, the Board of Directors of MediaTek has resolved to approve this Share Swap Agreement and authorized its chairman or his authorized representative to enter into this Agreement on behalf of MediaTek.
4. **Validity of this Agreement:** The execution and the performance of this Agreement does not violate:
  - (1) any current laws and regulations,
  - (2) judgment, order, or disposition of any court or related competent authorities,
  - (3) MediaTek's Articles of Incorporation, or
  - (4) any contract, agreement, representation, promise, guarantee, warranty, covenant or other obligations that are lawfully binding on MediaTek.
5. **Financial Statements and Financial Information:** The Basic Financial Report provided by MediaTek is prepared in accordance with the Business Accounting Act and the Generally Accepted Accounting Principles of the Republic of China, is sufficient to properly represent the financial and business status for the period covered in the report, and is not false, concealing or misleading.
6. **Litigious and Non-litigious Matters:** As of the date of this Agreement, except for those disclosed to Ralink prior to the date of this Agreement, there are no litigious, arbitrational, non-litigious or administrative disputes or criminal investigation that may have material adverse effect on MediaTek or MediaTek's business, finance, property, operation or shareholders' interest, nor, to be knowledge of MediaTek, written request or claim which may materially affect the finance, business or other interest of MediaTek. In addition, to the knowledge of MediaTek, except for those disclosed to Ralink prior to the date of this Agreement, so far there is no third party filing lawsuit, arbitration, non-litigious or administrative dispute, criminal investigation or written claim against MediaTek's director, supervisor or manager based on the latter's performance of duty. As of the date of this Agreement, MediaTek does not subject to any disposition, judgment or order, which may affect MediaTek or MediaTek's goodwill under reasonable circumstances.
7. **Assets and Liabilities:** MediaTek's assets and liabilities are as set forth in the Basic Financial Statements, and MediaTek has legitimate ownership, right to use or other legal right on all of MediaTek's assets listed therein. Except for those constraints or restrictions disclosed in MediaTek's Basic Financial Report or its footnotes, MediaTek may freely use, profit from or dispose those assets without being subject to any constraints or restrictions, excluding the constraints or restrictions which do not have material adverse effect on MediaTek's operation, business, or financial status.
8. **Contingent Liabilities:** Except for those disclosed to Ralink in the Basic Financial Report of MediaTek or otherwise disclosed to Ralink prior to the date of the Agreement, there is no other contingent liabilities that will have a material adverse effect on MediaTek's business or finances.
9. **Miscellaneous:** As of the date of this Agreement, MediaTek has not violated any laws or regulations, nor lost credit worthiness, nor fails to pay tax due, that can materially affect the continuing operation of MediaTek.

10. To the reasonable knowledge of MediaTek and its subsidiaries, except for those disclosed to Ralink during the due diligence process, so far no third party has asserted with a governmental patent authority and/or a court challenging the validity and/or the enforceability of MediaTek's patent, which may affect the continuing operation of MediaTek. Except for those disclosed to Ralink in the Basic Financial Report or during the due diligence process, no third party has asserted that MediaTek or its subsidiaries has infringed a third party's patent, which may affect the continuing operation of MediaTek.
11. Disclosure of events after the reporting period: If MediaTek discovers any mistake, omission, falseness or inaccuracy on the representations and warranties made under Article 7 of this Agreement or on the matters disclosed during the due diligence process, and the mistake, omission, falseness or inaccuracy is likely to have material adverse effect on MediaTek's operation, which is sufficient to affect Ralink's evaluation toward MediaTek in this Transaction, MediaTek shall notify Ralink immediately in writing and correct or update the matters disclosed. The matters corrected or updated by MediaTek will not affect Ralink's right or remedy available to Ralink according to the laws or to this Agreement. If, after the execution of this Agreement and prior to the Closing Date, certain event occurs to MediaTek which leads to mistake, omission, falseness or inaccuracy of the representations and warranties made by MediaTek under Article 7 or of the matters disclosed by MediaTek, MediaTek shall notify Ralink immediately to supplement or update the information originally provided or matters originally disclosed.

#### **Article 8: Representations and Warranties of Ralink**

Ralink represents and warrants to MediaTek that the following is true and accurate as of the date of this Agreement:

1. Valid Incorporation and Existence: Ralink is a company limited by shares duly incorporated and registered pursuant to the Company Act of the Republic of China and is valid existing, and has obtained all necessary licenses, approvals, permits, and documents to carry out its businesses. Ralink is not subject to any valid resolution to dissolve, liquidate, file for bankruptcy, composition or reorganization initially, is not dissolved, composed, reorganized or been declared bankruptcy pursuant to a court ruling, order or in accordance with related laws and regulations, is not been ordered to cease business or dissolve the company by the competent authorities, nor subject to cancelation of permit for establishment or revocation of business license.
2. Authorized and Paid-in Capital: Ralink's authorized and paid-in capital is as represented under Article 2 of this Agreement. On the date of execution of this Agreement, all of Ralink's issued shares are duly authorized and issued, with share price paid in full. Except for those stipulated in Article 2 of this Agreement, Ralink does not issue any equity-type securities, nor does Ralink issue, undertake or execute other options, warrant, convertible or exchangeable securities, preemptive right to buy, preemptive right to subscribe, or other legal commitment which entitle the other to acquire Ralink's shares. Ralink does not commit or provide any right of profit-sharing or similar right to a third party which will allow a third party to enjoy the rights and interest the same as the one enjoyed by Ralink's common stock shareholders. Except for those stipulated in Article 2 of this Agreement, Ralink does not have any obligation to redeem, buy-back or in any way repurchase its own stocks.
3. The Board of Directors' Resolution and Authorization: On or prior to the date of this Agreement, the Board of Directors of Ralink has resolved to approve this Share Swap Agreement and authorized its chairman or his authorized representative to enter into this Agreement on behalf of Ralink.
4. Validity of this Agreement: The execution and the performance of this Agreement does not violate:
  - (1) any current laws and regulations,
  - (2) judgment, order, or disposition of any court or related competent authorities,

- (3) Ralink's Articles of Incorporation, or
  - (4) any contract, agreement, representation, promise, guarantee, warranty, covenant or other obligations that are lawfully binding on Ralink.
5. Financial Statements and Financial Information: The Basic Financial Report provided by Ralink is prepared in accordance with the Business Accounting Act and the Generally Accepted Accounting Principles of the Republic of China, is sufficient to properly represent the financial and business status for the period covered in the report, and is not false, concealing or misleading.
6. Litigious and Non-litigious Matters: As of the date of this Agreement, except for those disclosed to MediaTek prior to the date of this Agreement, there are no litigious, arbitrational, non-litigious or administrative disputes or criminal investigation that may have material adverse effect on Ralink or Ralink's business, finance, property, operation or shareholders' interest, nor, to be knowledge of Ralink, written request or claim which may materially affect the finance, business or other interest of Ralink. In addition, to the knowledge of Ralink, except for those disclosed to MediaTek prior to the date of this Agreement, so far there is no third party filing lawsuit, arbitration, non-litigious or administrative dispute, criminal investigation or written claim against Ralink's director, supervisor or manager based on the latter's performance of duty. As of the date of this Agreement, Ralink does not subject to any disposition, judgment or order, which may affect Ralink or Ralink's goodwill under reasonable circumstances.
7. Assets and Liabilities: Ralink's assets and liabilities are as set forth in the financial statements provided to MediaTek, and Ralink has legitimate ownership, right to use or other legal right on all of Ralink's assets listed therein. Except for those constraints or restrictions disclosed in Ralink's Basic Financial Report or its footnotes, Ralink may freely use, profit from or dispose those assets without being subject to any constraints or restrictions, excluding the constraints or restrictions which do not have material adverse effect on Ralink's operation, business, or financial status.
8. Contingent Liabilities: Except for those disclosed to MediaTek in Ralink's financial statements, Ralink has no other contingent liabilities that will have a material adverse effect on Ralink's business or finances.
9. Contracts and Commitments: All of its signed, agreed, or committed major contracts, agreements, representations, warranties, guarantees, covenants, or other obligations in any form as of the date of this Agreement have been provided in writing or orally communicated to MediaTek without any falsehood, concealment, or untruthfulness. As of the date of this Agreement, to the knowledge of Ralink, Ralink does not breach all of Ralink's effective major contracts. As of the date of this Agreement, all the contract executed, arrangement or transaction (including but not limited to purchase, sale, lease, investment, service or management and other related transactions) made by Ralink with its affiliates, directors, supervisor, managers, shareholders or other related party, or the third party who hold ownership or financial interest on the related party comply with related laws or regulation and therefore does not involve any transactions that are other than at arm's length. As of the date of this Agreement, except for those disclosed in Ralink's Basic Financial Report or its footnotes, Ralink is not in breach of any blockage, mortgage, trust, loan or other contracts under which Ralink is a contract party, Ralink is bounded, or Ralink's property is the subject of the contracts, excluding those breach which does not have material adverse effect on Ralink's operation, business or financial status.
10. Labor Disputes: As of the date of this Agreement: (1) All the policy, plan, program or agreement concerning the salary or benefit of employees' hiring or retirement adopted by Ralink comply with the laws or regulations in the Republic of China. Ralink has duly recognized the accrued but not yet due pension and employee welfare fund in the related financial report in accordance with related laws or regulations in the Republic of China or set aside in accordance with related laws or regulation; (2) Except for those disclosed in Ralink's Basic Financial Report or its footnotes, Ralink does not have any labor disputes or violate any law laws or been imposed of penalty by labor competent authorities. There is no strike or suspension of work initiated against Ralink; and (3) Ralink is not a party to a collective bargaining agreement, nor enters into any labor contract with union or labor organization.

11. Environmental Matters: Ralink has conducted its business by obtaining the necessary permits for the placement of a contaminating facility or for the release of pollution in accordance with the relevant environmental protection laws, or has paid pollution prevention fees or has established dedicated units of environmental protection officers in accordance with the laws and regulations. Except for those disclosed to MediaTek, there are no environmental pollution incidents or penalties assessed by the relevant environmental protection authorities pertaining to environmental pollution that will cause material adverse effect on Ralink's business and finances.
12. Miscellaneous: As of the date of this Agreement, Ralink has not violated any laws or regulations, nor lost credit worthiness, that can materially affect the continuing operation of Ralink.
13. All the documents provided by Ralink to MediaTek, including but not limited to this Agreement, the appendix to this Agreement, disclosure schedule, related transaction documents, financial report or other information contained in the certificate issued by Ralink, have duly disclosed all the contracts or other documents which may cause adverse effect on Ralink or otherwise restrict Ralink's rights and interest, and are true and correct in all respect without any falsehood, concealment, or untruthfulness.
14. All information provided by Ralink concerning its intellectual properties (including but not limited to patents, trademark, copyright and/or trade secret), including the one owned by Ralink and its subsidiaries, granted or pending for approval, are true and accurate, and are provided without concealment or omission for the portion provided. Ralink and its subsidiaries are indeed legal owner of those intellectual properties. There is no mortgage, pledge, or similar security interest of any kind or encumbrance over the intellectual properties. Except for those disclosed to MediaTek during the due diligence process or otherwise executed licensing agreements previously, Ralink has not transferred, licensed, trust or otherwise disposed its intellectual properties.
15. To the reasonable knowledge of Ralink and its subsidiaries, except for those disclosed to MediaTek during the due diligence process, no third party has asserted with a governmental intellectual properties authority and/or a court challenging the validity and/or the enforceability of Ralink's intellectual properties (including but not limited to patents, trademark, copyright and/or trade secret). Except for those disclosed to MediaTek during the due diligence process, no third party has asserted that Ralink or its subsidiaries has infringed a third party's intellectual properties, or otherwise raised objection. The computer software currently used by Ralink and its subsidiaries are legally authorized to use, and does not infringe right or interest of third party.
16. Taxation: As of the date of this Agreement:
  - (1) Ralink has duly filled all tax reports, and those reports are complete and accurate according to relevant tax laws or regulation of the Republic of China. Ralink has duly paid all the tax due prior to the Closing Date.
  - (2) Ralink has duly withheld tax in accordance with related tax laws or regulations.
  - (3) Currently Ralink does not have any tax dispute with competent government authorities. The investigation or review conducted by competent authorities do not impose any unpaid tax liability on Ralink. The competent authorities do not claim that Ralink fails to file tax report or evade tax due.
  - (4) Ralink does not subject to a constraint imposed by a contract or arrangement concerning tax entered into or made with competent authorities.
  - (5) All the assertion claiming that Ralink fails to duly pay tax has been settled or resolved.
  - (6) Ralink is not a contract party or an obligor under a tax sharing, compensation or similar contracts.
  - (7) Ralink or anyone acting on behalf of Ralink does not request for extension of the deadline for filing tax report, does not voluntarily extend the deadline of pressing payment of tax, and does not waive any completion of extinctive prescription.
  - (8) Except for as requested by laws, Ralink does not change its accounting or taxation principles, or agree to any settlement in taxation dispute which will have adverse effect on Ralink's taxation treatment in the future.

17. Insurance: As of the date of this Agreement: (1) All of Ralink's currently effective insurance policies or binder are not notified of been rescinded, terminated, revoked or restricted, nor is Ralink been notified of invalidity of the policies; (2) For all the insurances there is no pending cases where insurance companies refuse to pay settlement, and, to the knowledge of Ralink, there is no case where insurance companies is likely to refuse to pay settlement; and (3) For all the insurance policies or binder Ralink does not delay in requesting settlement payment from insurance companies.
18. Internet and system: As of the date of this Agreement, the internet and system currently used by Ralink does not involve in any dispute.
19. Legal compliance: As of the date of this Agreement, except for those disclosed in Ralink's Basic Financial Report or its footnotes, Ralink's business and operation duly comply with the related laws of the Republic of China and the ruling or orders issued by the competent authorities, and none of the following situations exists:
  - (1) There is a situation which may lead to Ralink's violation of relevant laws or regulation of the Republic of China and the ruling or order issued by competent authorities.
  - (2) Ralink receives a notice claiming Ralink's failure to comply with relevant laws or regulation or ruling issued by competent authorities, and knows the existence of (potential) investigation made against Ralink's business or operation.
  - (3) Ralink knows that governmental agencies imposed a warning or other more serious penalty against Ralink's business or operation in the most recent three years.
  - (4) Ralink executes or is subject to order, acknowledgement, arrangement or instruction which may cause material effect on Ralink's operation.
20. Legal reporting or filing documents: As of the date of this Agreement, Ralink has duly and timely filed report, registration or other documents in accordance with related laws or regulation of the Republic of China, and have duly making all the fees due. All of Ralink's documents legally filed or reported comply with the related laws or regulation, and does not contain false statement or intentional concealment.
21. Disclosure of evens after the reporting period: If Ralink discovers any mistake, omission, falseness or inaccuracy on the representations and warranties made under Article 8 of this Agreement or disclosed therein, Ralink shall notify MediaTek immediately in writing and correct or update the matters disclosed. The matters corrected or updated by Ralink will not affect MediaTek's right or the remedy available to MediaTek according to the laws or to this Agreement. If, after the execution of this Agreement and prior to the Closing Date, certain event occurs to Ralink which leads to mistake, omission, falseness or inaccuracy of the representations and warranties made by Ralink under Article 8 or of the matters disclosed by Ralink, Ralink shall notify MediaTek immediately to supplement or update the information originally provided or matters originally disclosed.

## **Article 9: Covenants made by MediaTek**

Unless otherwise agreed in this Agreement, MediaTek make the following covenants to Ralink during the period from the date of this Agreement to the Closing Date:

1. When making public any information concerning this Agreement or this Transaction, MediaTek shall obtain Ralink's prior written consent. But if according to the opinion of MediaTek's legal counsel the publication of the related information is necessary as required by law, it is not required to obtain Ralink's written consent, provided that both parties shall do their best endeavor to confirm the content of related information with the counter party prior to the disclosure of the information.
2. MediaTek shall proceed with the legal procedure required for this Transaction as soon as possible, including but not limited to:

- (1) In the premise of Ralink's providing necessary assistance, MediaTek shall file a combination filing with the Fair Trade Commission of the Executive Yuan (if applicable); and
  - (2) MediaTek shall convene a shareholders' meeting to approve this Transaction and to approve this Agreement and all of the related documents.
3. MediaTek shall take, in accordance with the laws and regulations and under principles of good faith and honesty, all necessary action as appropriate or proper to complete the condition precedent stipulated in Article 15 of this Agreement so as to close this Transaction in accordance with this Agreement. Unless stipulated otherwise in this Agreement or consented by Ralink in writing, MediaTek may not take any action or inaction, which will lead to or reasonably be expected to lead to one of the following situations: (1) As of the Closing Date, MediaTek's representations and warranties made under Paragraphs (1), (3), (4), (5), (9) and (11) of Article 7 will become untrue, or otherwise materially breach of MediaTek's covenant or obligation stipulated in this Agreement, or (2) MediaTek's failure to comply with or satisfy the condition precedent stipulated in Article 15 of this Agreement. Prior to the Closing Date, if there is any fact, change, circumstance or event which will make MediaTek unable to comply or satisfy any condition precedent that MediaTek is obliged to comply under this Agreement, MediaTek shall notify Ralink immediately in writing, but such notification will not affect Ralink's rights or interest under this Agreement.
4. If, pursuant to any of its existing valid agreements with a third party, MediaTek is obligated to notify a third party or obtain the consent of the third party to complete this Transaction, and the failure of which will cause the Transaction to fail, then MediaTek shall notify such third party in accordance with the relevant provisions thereunder and obtain the consent from such third party on the this Transaction.
5. Upon the occurrence of any event specified in this Agreement requiring an adjustment of the share swap ratio, MediaTek shall immediately notify Ralink and provide all necessary information.
6. Starting from the date of this Agreement until the Closing Date, MediaTek may not take any of the following actions, unless Ralink's prior written consent is obtained:
- (1) enter into, agree to enter into, discuss or negotiate contracts for lease of MediaTek's business in whole, or for entrusting all of the business to a third party for operation;
  - (2) transfer the whole or essential part of its business or assets to a third party;
  - (3) directly or indirectly reveal the non-public information known to MediaTek due to this Transaction to a third party, other than to MediaTek's directors, consultant (including but not limited to accounting, finance or legal consultant), major shareholders and employees who are necessary to know for the performance of this Agreement.

#### **Article 10: Covenants made by Ralink**

Unless otherwise agreed in this Agreement, Ralink make the following covenant to MediaTek during the period from the date of this Agreement to the Closing Date:

1. When making public any information concerning this Agreement or this Transaction, Ralink shall obtain MediaTek's prior written consent. But if according to the opinion of Ralink's legal counsel the publication of the related information is necessary as required by law, it is not required to obtain MediaTek's written consent, provided that both parties shall do their best endeavor to confirm the content of related information with the counter party prior to the disclosure of the information.
2. Ralink shall proceed with the legal procedure required for this Transaction as soon as possible, including but not limited to:
  - (1) Ralink shall provide necessary assistance to MediaTek so that MediaTek may file a combination filing with the Fair Trade Commission of the Executive Yuan (if applicable); and
  - (2) Ralink shall convene a shareholders' meeting to approve this Transaction and to approve this Agreement and all of the related documents.

3. Ralink shall take, in accordance with related laws or regulations and acting under the principle of good faith, all necessary action as appropriate or proper to complete the condition precedent stipulated in Article 15 of this Agreement so as to close this Transaction in accordance with this Agreement. Unless stipulated otherwise in this Agreement or consented by MediaTek in writing, Ralink may not take any action or inaction, which will lead to or reasonably be expected to lead to one of the following situations: (1) As of the Closing Date, Ralink's representations and warranties made under Article 8 will become untrue, or otherwise materially breach of Ralink's covenant or obligation stipulated in this Agreement, or (2) Ralink's failure to comply with or satisfy the condition precedent stipulated in Article 15 of this Agreement. Prior to the Closing Date, if there is any fact, change, circumstance or event which will make Ralink unable to comply or satisfy any condition precedent that Ralink is obliged to comply under this Agreement, Ralink shall notify MediaTek immediately in writing, but such notification will not affect MediaTek's rights or interest under this Agreement.
4. If, pursuant to any of its existing valid agreements with a third party, Ralink is obligated to notify a third party or obtain the consent of the third party to complete this Transaction, and the failure of which will cause the Transaction to fail, then Ralink shall notify such third party in accordance with the relevant provisions thereunder and obtain the consent from such third party on the this Transaction.
5. Upon the occurrence of any event specified in this Agreement requiring an adjustment of the share swap ratio, Ralink shall immediately notify MediaTek and provide all necessary information.
6. Ralink shall, as appropriate, maintain, manage, improve and preserve the original value and function of their respective assets (including any tangible and intangible assets) owned or used by Ralink. Ralink shall not, whether through gross negligence or willful misconduct, destroy, damage, or diminish the value of its assets.
7. Ralink shall compile and maintain all documents relating to the accounting, finance, business transactions, litigations, and other documents with respect to the assets and operation of the company in accordance with the laws and regulations and under principles of good faith and honesty.
8. Ralink shall continue to operate and manage their businesses in accordance with their ordinary and reasonable business practices with the due care of a good administrator and under the principles of good faith and honesty, and comply with the relevant laws and regulations, their Articles of Incorporation and bylaws. Ralink shall comply with related laws or regulation of the Republic of China and the ruling issued by governmental agencies, and to maintain the relationship with client or employee exercising reasonable business effort. If Ralink's condition (in terms of operation, finance or others), assets, obligation or revenue has material adverse change or have any behavior which breach this article, or Ralink knows the existence of litigation, arbitration, non-litigious matter, administrative proceeding, written request or investigation made against Ralink and/or Ralink's directors, supervisors, managers and/or employees due to their performance of duties, Ralink shall notify MediaTek immediately in writing.
9. Ralink shall continue to maintain and manage any license, approval, and permit obtained by Ralink prior to the date of this Agreement such that the aforementioned license, approval, and permit can continue to be valid and utilized after the Share Swap.
10. For the purpose of ensuring that MediaTek may continue to operate Ralink's business after the Closing Date, Ralink agrees to assist MediaTek in good faith to understand Ralink's business operation status, and provide the necessary information. To the extent permitted by laws, both parties shall form working groups to proceed with the integration of business operation. The member of the groups, their duties, operation mode and other details shall be negotiated by the parties separately based on the principles of good faith and honesty.
11. Unless otherwise agreed, to the extent permitted by law, during the period from the date on which the shareholders of Ralink approve this Agreement to the Closing Date, Ralink agrees that

the representative appointed by MediaTek may present at Ralink's meeting of board of directors to observe the relevant procedure proceed at the meeting. In addition, when Ralink sends meeting notice, agenda, meeting minutes and other information or documents to its directors, Ralink is required to send a copy to MediaTek simultaneously.

12. From the date of execution of this Agreement to the Closing Date, Ralink and/or its subsidiaries (which meet the definition stipulated in chapter "Affiliated Enterprises" of the Company Act) may not take any of the following actions, unless MediaTek's prior written consent is obtained:
  - (1) Except for the performance of this Agreement, discuss, negotiate, enter into or accept any contacts or commitments with a third party that will cause material effect on the rights of Ralink and/or its subsidiaries, including but not limited to:
    - (A) strategic alliances, delegation of management rights, joint ventures or making investment;
    - (B) entering into, amending, or terminating the agreements concerning the leasing of its entire business operation, entrusting others with management of its business or recurrently co-managing with others;
    - (C) transferring the whole or essential part of its business or assets to a third party;
    - (D) assumption of all of the businesses or properties of others; or
    - (E) entering into other contracts not fall under the scope of Ralink's daily business, which is sufficient to materially affect Ralink's finance or business.
  - (2) Undertake major organizational changes to the company, including but not limited to: appointment, removal or reassignment of any managers, amendment of work rules, changing terms of contract or employment entered into with employees, managers, directors or supervisors (including but not limited to any increase in the wage, salary, compensation, remuneration, paycheck, bonus, incentives, employee stock option, employee insurances, pension, plan of lay-off and other employee benefits of its employees, managers, directors, or supervisors; except for the regular annual salary adjustment for employees scheduled for March to April 2011 and made within the scope agreed upon by both parties), add, increase or agree to increase employee benefit, or hire new employees who are not necessary by human resources to the company.
  - (3) Amend its Articles of Incorporation, except for those amendments that are necessary for the facilitation of this Transaction or in compliance with the requirement of the laws.
  - (4) Initiate any legal action, administrative proceeding, or remedial procedures against a third party; excluding those claims or suit made in response to any legal action, administrative proceeding, or remedial procedure initiated by a third party.
  - (5) Waive, forfeit or abandon any rights or interest that are valid existing, or settle any controversy, dispute or litigation with third party or take other action which has adverse effect on Ralink.
  - (6) License, transfer or create any encumbrance, offer for sale, dispose, sell or adopt other similar dispositions of any intangible property (such as intellectual properties), or take any action for the purpose of entering into the above contracts.
  - (7) Implement cash capital increase, issue of new shares, distribute stock dividend in any form (regardless of whether it is cash dividend, stock dividend, employee bonus and director/supervisor compensation, but exclude the ones which have been made public prior to the execution of this Agreement), issue corporate bond or stock bonus, issue convertible bond, issue warrant bond, issue preferred shares with warrants, deposit receipt, stock option certificate, call warrant, put warrant and other equity-type securities, except for exercise employee stock option in accordance with the Employees Stock Option Plan.
  - (8) Decide/execute matters not fall under CEO's authority according to Ralink's current table of authority; but the decision/execution of the following matters must be approved by MediaTek in writing in advance:
    - (A) lending money to any shareholders or third party;
    - (B) discussing, negotiating, accepting or executing contracts concerning management of Ralink;
    - (C) entering into contracts which restrict Ralink's primary business operation;

- (D) entering into settlement contract or contracts resolving dispute with third party, and the amount in a contract exceed NT\$3,000,000 or the accumulated amount of contracts exceed NT\$10,000,000;
  - (E) entering into contracts authorizing third party to use Ralink's intellectual properties (including but not limited to patent, trademark, copyrights and/or trade secrets);
  - (F) entering into contract with affiliated companies the amount of which exceed NT\$10,000,000 or the accumulated amount of which exceed NT\$100,000,000, except for those stipulated in this Agreement;
  - (G) entering into joint venture or long-term equity investment contract, the amount of single transaction exceed NT\$10,000,000 or the accumulated amount of transactions exceed NT\$100,000,000; and
  - (H) entering into loan agreement or increase the amount of loan, providing any tangible or intangible asset to be used as securities for the benefit of a third party, or providing guarantee or endorsement to a third party.
- (9) Change accounting method or accounting policies, excluding the situation where the change are made due to change of laws or regulations, ruling issued by competent authorities or the Generally Accepted Accounting Principles of the Republic of China.
  - (10) Terminate or cease to carry out any agency or other business, or mass redundancy of employees, or implement any early retirement or preferential retirement plan.
  - (11) Except for redeeming objecting shareholders' shares in accordance with this Transaction, redeem, by itself or through a third party, directly or indirectly, its own issued stock or equity-type securities, decrease capital or adopt resolutions to dissolve, liquidate, apply for reorganization, composition, bankruptcy or take other actions which will have material adverse effect on Ralink's cash flow, shareholders' interest, or financial structure.
  - (12) Directly or indirectly through its directors, supervisor, managers or employees, engage in contact, negotiate, discuss, offer for sale or accept any proposal related to Ralink's stock or management, or to merge with Ralink, or proposal concerning the sale, joint venture or forming partnership with respect to Ralink's important business or assets.
  - (13) Directly or indirectly reveal the non-public information known to Ralink due to this Transaction to a third party, other than to Ralink's directors, consultant (including but not limited to accounting, finance or legal consultant), major shareholders and employees who are necessary to know for the performance of this Agreement.

For those matter stipulated in Sub-paragraph (4), (5) or (8) of Paragraph 12 of this Article above and requiring MediaTek's consent, if Ralink is unable to perform due to MediaTek's delay in giving consent or failure to agree, MediaTek may claim that Ralink has a breach.

#### **Article 11: Handling Objecting Shareholders**

If the shareholders of either party object to this Share Swap in accordance with the laws and request for redemption of his/her shareholding, that party shall redeem such shareholding in accordance with relevant laws or regulations. The reception price shall be determined by court, unless otherwise agreed by that party with the objecting shareholder. The shares redeemed under this article shall be cancelled in accordance with related laws or regulations.

#### **Article 12: Directors and Supervisors of Ralink**

The directors, independent directors and supervisors of Ralink whose term is not yet expired on the Closing Date shall submit letters of unconditional resignation to Ralink effective on the Closing Date. The directors, independent directors and supervisors of Ralink shall be appointed by MediaTek in accordance with the laws and regulations starting from the Closing Date.

#### **Article 13: Ralink's Employee Stock Options**

1. After the Closing Date, the underlying asset of the employee stock options granted by Ralink which were approved by the competent governmental authority shall be replaced with the share of MediaTek, and the adjustment to the price and number of the employee stock options shall be made in accordance with the stock option plan of Ralink and the share swap ratio set under this Agreement. The execution details shall be handled by MediaTek in accordance with relevant laws or regulation and the instructions given by competent authorities.
2. Prior to the Closing Date, Ralink shall (1) revise the terms and conditions of its employee stock option plan so as to be compatible with the adjustment made to the exercise price and number of option in this Agreement, and (2) obtain written consent of all the employees who had been granted or is entitled to be granted employee stock options under Ralink's original plan, consenting to the amendment to the terms and conditions of the employee stock option plan as described in paragraph 2 of this Article.

#### **Article 14: Taxes and Fees**

Unless stipulated otherwise in this Agreement, all taxes or fees incurred as a result of the execution or performance of this Agreement shall be borne by the party that incurred such taxes or fees.

#### **Article 15: Conditions Precedent to the Completion of Share Swap**

Both parties agree that the conditions precedent to the completion of this share swap include:

1. This Agreement and this Transaction are approved by the resolutions adopted at the respective board of directors and/or shareholders' meeting of the parties.
2. Both parties obtain the consent or approval of the relevant governmental authorities, including but not limited to the combination approval of the Fair Trade Commission of the Executive Yuan (if necessary), the approval of the Taiwan Stock Exchange concerning the increase in capital and issuance of new shares to be listed after the Share Swap, the approval of the Financial Supervisory Commission of the Executive Yuan concerning increase in capital and issuance of new shares for this Transaction, and approvals from other relevant governmental authorities.
3. As of the Closing date, both parties have duly complied with the promise, obligations, and covenant, and the representations and warranties made are correct and true without any error. For the avoidance of doubt, neither party may refuse to complete this Transaction due to its failure to duly perform this Agreement.

#### **Article 16: Rescission of the Agreement**

Prior to the Closing Date, if any of the situations stated below occurs, this Agreement may be rescinded in accordance with this Article:

1. The parties agree in writing to rescind this Agreement.
2. If this Transaction is not approved by the shareholders' meetings of either party, either party may rescind this Agreement by giving written notice to the other party.
3. If a material breach to any terms of this Agreement takes place and the breaching party fails to rectify such breach within sixty (60) days of the non-breaching party's notice, then the non-breaching party may rescind this Agreement by giving written notice to the breaching party.
4. Where relevant governmental agencies compulsorily demand that the terms of this Agreement be amended in accordance with the laws, but the parties are unable to comply with such demand despite their commercially best efforts, then either party may rescind this Agreement by giving

written notice to the other party.

5. Where any event or result thereof stated under Paragraph 10, Article 18 of this Agreement occurs, and such occurrence causes either party to be unable to perform this Agreement, and such inability to perform lasts ninety (90) days or longer, then the other party may rescind this Agreement by giving written notice.

#### **Article 17: Consequence of Breach**

1. If this Agreement is rescinded in accordance with Paragraph 3, Article 16 of this Agreement, or either party fails to perform its obligation under this Agreement which causes the Share Swap cannot be completed, the breaching party shall compensate the non-breaching party the total amount of NT\$150,000,000 as damages.
2. After rescission of this Agreement, both parties shall take all the necessary actions to stop the process of this Transaction, and either party may request the other party to return or destroy documents, information, files, materials, plans, trade secret and other information obtained in accordance with this Agreement within fifteen (15) days of rescission of this Agreement, and may not make copies thereof or retain any of the above. Nonetheless, both parties may retain one copy of the documents, information, files, materials, plans, trade secret and other information obtained in accordance with this Agreement for the legal counsel delegated by that party for this Transaction.

#### **Article 18: Miscellaneous**

1. The interpretation, enforceability and the performance of this Agreement shall be governed by the laws of the Republic of China. Any matter not stated in this Agreement shall be handled in accordance with the relevant laws.
2. In the event that any provision of this Agreement is unenforceable due to its contravention with the relevant laws and regulations, such invalid or unenforceable provisions shall not in any way affect the enforceability of any other provisions hereof. In the event that it is necessary to amend any provision of this Agreement due to official instructions by relevant governmental authorities, the parties' respective board of directors shall amend the Agreement in accordance with such instructions.
3. It is mutually agreed that all disputes arising from this Agreement shall be submitted to the Taiwan Hsinchu District Court as the court of first instance.
4. This Agreement may only be amended or modified by a written document executed by both parties.
5. Any agreement, promise, or covenant made between the parties prior to the execution of this Agreement shall be superseded by this Agreement.
6. The headings in this Agreement have been inserted for convenience and reference only and shall not in any way affect the interpretation of this Agreement.
7. Except with the written consent of the other party, either party shall assign this Agreement nor the rights and obligations hereunder to a third party.
8. This Agreement shall bind each party's assignees and successors.
9. Any notice made under this Agreement shall be made by registered mail or personal delivery to the address stated below; otherwise the notice is invalid:

Party A: MediaTek Inc.  
Contact Person: David Ku  
Address: No. 1, Dusing Rd. 1, Hsinchu Science Park, Hsinchu City

Party B: Ralink Technology Corporation  
Contact Person: Bo Chen  
Address: 5F.-1, NO.5, Taiyuan 1st St., Zhubei City, Hsinchu County

If there is any change of the above contact information, that party shall notify the other party immediately in writing; otherwise the change is invalid against the other party.

10. If a party is unable to perform obligation under this Agreement or has delayed in performing obligation under this Agreement due to a judgment or order from a court, due to order or directive from relevant governmental authorities, or due to any event of force majeure, the affected party shall not be held responsible for any liabilities as a result thereof. In case of event of force majeure, the affected party shall notify the other party within five (5) days of becoming aware of such event(s), and shall immediately resume the performance of its obligations under this Agreement as soon as possible after such event(s) ends.
11. Unless otherwise required by relevant laws or regulations, or otherwise stipulated in this Agreement, it is agreed by both parties that prior to the Closing Date, all confidential documents, information, files, materials, plans, business secrets and other tangible and intangible information communicated or obtained from the other party for the purpose of this Transaction shall be kept as strictly confidential. The aforementioned confidentiality obligation shall remain in full force and effect after this Agreement is rescinded, revoked, terminated, or for whatever reasons becomes unenforceable.
12. After both parties' board of directors approve the share swap and make public the information related to this Transaction, if it is proposed to conduct merger, spin-off, acquisition, share swap or share purchase with other companies, the process or legal act completed in the merger, spin-off, acquisition, share swap or share purchase must be redo again by all the participating companies, except that the number of participating companies is less than the original number of participating companies and the shareholders' meeting has authorized the board of directors to change the deal structure, in the latter case there is no need to convene another shareholders meeting to make resolution again.
13. This Agreement shall be executed in duplicates, with each party holding one original.

Both parties hereto have executed this Agreement on the date first above written.

Party A: MediaTek Inc.

Chairman: M K Tsai

Address: No. 1, Dusing Rd. 1, Hsinchu Science Park, Hsinchu Cit

Party B: Ralink Technology Corporation

Chairman: Chris Kao

Address: 5F.-1, NO.5, Taiyuan 1st St., Zhubei City, Hsinchu County

Signed: May 5, 2011

**MediaTek Inc.**  
**and Ralink Technology Corporation**  
**Expert Opinion on Reasonableness of Share Swap Ratio**

## I 、 Case Background

Established in 1997, MediaTek Inc. (listed, code 2454, MediaTek) is a world leader in IC design which has long been committed to various technical fields including wireless communication and digital media. MediaTek offers chip integration system solutions including wireless communication, HD television, optical storage, DVD and Blue-ray. It is an industry leader in product R&D and patent resources.

Ralink Technology Corporation (listed, code 3534, Ralink) was established in 2001 and is now a leader in specialized areas including wireless LAN and xDSL chip solutions. The diversified product line is well known for high data transmission rate, good coverage ratio, low power consumption, and consistent quality. The products are suited for various wireless LAN equipment, mobile communication, and embedded devices.

MediaTek and Ralink attempted to integrate their technical resources in wireless and optical storage through technical cooperation in 2010, and successfully introduced a product that integrated Wi-Fi and Blue-ray optical storage. Now, for the purpose of expanding the depth and breadth of the cooperative ties between the two companies and sharing existing resources to quickly increase competitiveness, MediaTek and Ralink plan to call board meetings on May 5, 2011 to discuss a share swap which would make Ralink a 100% owned subsidiary of MediaTek after the swap. Meanwhile, both parties have tentatively proposed to swap [3.15] common shares of Ralink's stock for [1] capital increase common share of MediaTek's stock. The date of the share swap has been set as October 1, 2011.

The independent expert has been hired by MediaTek to evaluate the reasonableness of the share swap ratio with the following results:

## II 、 Valuation of shares

### (I) Financial conditions of both parties

**The financial conditions of both parties as of March 2011 are summarized in the following two tables:**

#### 1 Balance Sheet (extract)

Unit: NT\$ (in thousands)

2011/3/31	MediaTek	Ralink
Current assets	114,596,892	8,327,325
Long term investments	7,797,422	0
Fixed assets	7,852,113	536,534
Intangible assets	9,225,540	5,092,246

Other assets	306,974	213,128
Total assets	139,778,941	14,169,233
Current liabilities	23,527,243	2,765,616
Long term liabilities	0	385
Other liabilities	783,744	22
Total liabilities	24,310,987	2,766,023
Paid-in capital	10,999,772	1,752,835
Shareholders' equity	115,467,954	11,403,210

Source: The audited consolidated financial statements for the first quarter of 2011 from both parties.

## 2 Profit and Loss Statement (extract)

Unit: NT\$ (in thousands)

2011/3/31	MediaTek	Ralink
Operating income	20,999,416	2,132,816
Gross operation profit	9,180,078	801,347
Operating profit	3,064,879	150,181
Net non-operating income and expenditure	364,193	14,668
Net profit after tax	3,305,454	157,074

Source: The audited consolidated financial statements for the first quarter of 2011 from both parties.

## (II) Valuation methods

The common valuation methods include the cash flow discount method (which selects a discount rate to discount future cash flows generated from company operations to present values), the competition comparison method (which considers the financial data of the target company and its competitors and analyze by market multiples such as price to book ratio, price earnings ratio or other financial ratios), and the book value method. There are advantages and disadvantages to each method and differences among the final results.

In practice, a valuation should consider factors including industry characteristics of the evaluated company, share liquidity, future profitability, stability of outstanding shares, and paid-in capital, as well as allow for appropriate adjustments. The parties involved in the strategic alliance should agree on a commonly accepted valuation basis to estimate probable share value and consider other key factors to determine a share price. The three commonly used valuation methods adopted in the opinion are (1) market price, (2) profitability, and (3) net asset value per share.

### 1 Market price

Since both parties are listed companies on the TWSE, and objective public trading prices are available for reference, the opinion is formulated by taking samples of recent publicly-traded share prices and then applying the theoretical swap ratio from the two parties. The samples are taken from the average daily closing prices over 10, 20, and 30 business days up until May 4, 2011, and assumes the swap ratio based on the market price to be 3.46~3.52. The market prices and swap ratios for each sample duration are listed in the table below:

2011/5/4	MediaTek	Ralink	Swap ratio	Interval
Average over 10 business days	318.50	92.01	3.46	
Average over 20 business days	329.35	94.08	3.50	3.46~3.52
Average over 30 business days	333.58	94.77	3.52	

Source: Taiwan Securities Exchange Corporation

Note: All data above are calculated and rounded to the nearest 2 decimal places.

## 2 Profitability

After reviewing historical profitability for both parties, in order to avoid excess volatility in a single quarter, the opinion adopts the accumulated four-quarter net profit after tax from the audited/reviewed financial statements from the second quarter of 2010 to the most recent (first quarter of 2011) as well as the outstanding shares listed in the balance sheet (as of first quarter of 2011) for both parties. The opinion also considers the treasury stock and employee stock options for both parties for the diluted shares after adjustment to calculate the adjusted annual earnings per share for both parties are: MediaTek is NT\$20.98 per share and Ralink is NT\$4.50 per share. The final assumed swap ratio based on the adjusted earnings per share from both parties is 4.66 and the associated data are listed in the table below:

Item	MediaTek	Ralink	Swap ratio
Accumulated earnings			/
2010Q2~2011Q1 (in thousands)	23,115,590	791,755	
Adjusted shares (in thousands) (note)	1,101,796	175,796	
Adjusted earnings per share (NT dollars) (note)	20.98	4.50	4.66

Note: 1. The treasury stock of MediaTek on book is held by its subsidiary and therefore does not have an effect on the actual outstanding shares of MediaTek's stock.

2. Both companies have been issuing employee stock options over the years. After reviewing the individual issuing conditions, adjustments are made for the diluted shares and net value with respect to the employee stock options with exercise value.

Note: All data above are calculated and rounded to the nearest 2 decimal places.

## 3 Net asset value per share

After reviewing net asset value for both parties, the opinion adopts the most recent (first quarter of 2011) audited financial statements from both parties and the net asset value listed on the balance sheets. In addition, the outstanding shares as of the balance sheet date (2011/3/31) is used to estimate treasury stocks and the adjusted number and net value of related shares and calculate the earnings per share levels for both parties are: MediaTek is NT\$105.46 per share and Ralink is NT\$64.91 per share. The final assumed swap ratio based on the net asset value per share from both parties is 1.62 and the associated data are listed in the table below:

Item	MediaTek	Ralink	Swap ratio
Adjusted net value as of 3/31/2011(in thousands)	116,193,847	11,411,511	
Adjusted shares (in thousands) (note)	1,101,796	175,796	
Earnings per share (note)	105.46	64.91	1.62

Note: The treasury stock of MediaTek on book is held by its subsidiary and therefore does not have an effect on the actual outstanding shares and net value of MediaTek's stock. Furthermore, both companies have been issuing employee stock options over the years. After reviewing the individual issuing conditions, adjustments are made for the diluted shares and net value with respect to the employee stock options with exercise value.

Note: All data above are calculated and rounded to the nearest 2 decimal places.

### III 、 Evaluation of reasonableness of swap ratio

#### (I) Summary of swap ratio

The opinion adopts the three methods of (1) market price, (2) profitability, and (3) net asset value per share to value results and provide a summary as reference for the share swap ratio. Since both parties are listed companies and objective public trading prices are available, the market price method is used as the main basis of calculation supported by profitability per share and net asset value levels with different weights. With respect to the net asset value per share method, the weight is reduced in consideration of the characteristics of the IC industry in which net asset value does not always reflect a company's true value. The assumed weights used in the opinion are listed in the table below and the estimated range of weighted swap ratio is 3.61~3.79.

Valuation method	Swap ratio range	Weight	Weighted swap ratio
Market price	3.46~3.52	50%~75%	
Profitability	4.66	20%~40%	<b>3.61~3.79</b>
Net asset value	1.62	5%~10%	

Note: All data above are calculated and rounded to the nearest 2 decimal places.

#### (II) Non-quantitative factors of adjustment and quantitatively adjusted reasonable range

A swap ratio range is calculated using the valuation methods described above. After considering the following synergy effects as a result of the share swap and the impact of the consequent change of control, an excess adjustment of 10%~30% is made for Ralink.

1. Synergy from product coverage and complementing client base: MediaTek is a leading IC designer in digital communications and home entertainment while Ralink focuses on the integrated design of wireless network chips. Since becoming strategic partners in

2010, the two parties have successfully entered the supply chains of major international companies. The resources of the two parties are able to complement each other to enhance competitiveness and business performance.

2. After the share swap, 100% of the control of Ralink will be transferred to MediaTek.

The opinion adopts the common quantitative methods of market price, profitability, and net asset value per share to calculate the theoretical swap ratio range to be 3.61~3.79. After considering the aforementioned non-quantitative factors, an excess adjustment of 10%~30% is made for Ralink, which produces a non-quantitatively adjusted reasonable swap ratio range of 2.89~3.45.

### **(III) Conclusion**

Summarized from all above, the following have been carefully considered in the case: (1) market price, (2) profitability (earnings per share), (3) net asset value per share, (4) non-quantitative factors of share swap to arrive at the opinion that the swap ratio [3.15] (which means [1] capital increase common share of MediaTek's stock for [3.15] common shares of Ralink's stock) proposed by the boards of directors of both parties are within the reasonable range of swap ratio and therefore considered to be adequate and reasonable.

Independent expert: Chiu Chi-Cheng

Expert opinion on reasonableness of MediaTek Inc. and Ralink Technology

Corporation share swap ratio

2011/05/05

## Independent declaration by financial expert

I have been hired by MediaTek Inc. and Ralink Technology Corporation to issue an opinion with respect to the reasonableness of the share swap ratio between MediaTek Inc. and Ralink Technology Corporation.

I hereby declare the absence of the following circumstances during the process of performing the aforementioned task:

1. I or my spouse is employed by the issuing company or the security underwriter in a regular capacity for a fixed salary.
2. I or my spouse was employed by the issuing company or the security underwriter less than two years ago.
3. I or my spouse is currently employed by a company that is a related party to the issuing company or the security underwriter.
4. I am related to the responsible person or manager of the issuing company or the security underwriter as a spouse or by less than two degrees in removal.
5. I or my spouse invests in or shares common interest with the issuing company or the security underwriter.
6. I am a current board director, supervisor, a spouse to a person in such position, or am related to one by less than two degrees removed.
7. I or my spouse is currently employed by a company that conducts business with the issuing company or the security underwriter.

With respect to the share swap between MediaTek Inc. and Ralink Technology Corporation, I remain fully independent in the making of my expert opinion.

Signed by: Chiu Chi-Cheng

2011/05/05

## Resume of independent expert

Name: Chiu Chi-Cheng

Age: 41

Qualification:

Senior Examination for Certified Public Accountants, R.O.C.

Education:

Graduate Certificate in Law, National Taipei University

Master of Accounting, Soochow University

MA in Statistics, National Cheng Kung University

Experience:

Accountant, First Horwath & Company (6 years)

Senior Manager, Ernst & Young (2 years)

Manager/Senior Manager, First Horwath & Company (8 years)

Current Position:

Partner, First Horwath & Company

Committee member/lecturer, Taipei City CPA Association

Contact info:

3F., No.369, Fuxing N. Rd., Songshan Dist., Taipei City

Telephone: 8770-5181 ext. 352

Fax: 8770-5191

E-mail: [jason.chiu@horwathcpa.com.tw](mailto:jason.chiu@horwathcpa.com.tw)

Website: [www.horwathcpa.com.tw](http://www.horwathcpa.com.tw)

Expert opinion on reasonableness of MediaTek Inc. and Ralink Technology Corporation share swap ratio

## Comparison of the Original Text and the Amended Text in “Operating Procedures of Outward Loans to Others”

	Original Text	Amended Text	Amendment Remarks
Article 1-1	<p>The party to whom the Company may lend its funds shall be limited to legal entities that are having business relationship with the Company and in need of working capital for a short-term period. The Company shall follow the Procedures set forth below for lending funds to other parties.</p> <p>Fund-lending to companies having business relationship with the Company shall be limited to these circumstance:</p> <p>1. The top ten vendors or customers that are having business relationship with the Company (ranked by <u>sales or purchasing transaction</u> amount between the parties during the period of twelve months prior to the time of lending.)</p> <p>2. For the purpose of this Procedure, the “transaction amount” shall mean <u>the sales or purchasing</u> amount between the parties, whichever is higher.</p>	<p>The party to whom the Company may lend its funds shall be limited to legal entities that are having business relationship with the Company and in need of working capital for a short-term period. The Company shall follow the Procedures set forth below for lending funds to other parties.</p> <p>Fund-lending to companies having business relationship with the Company shall be limited to these circumstance:</p> <p>1. The top ten vendors or customers that are having business relationship with the Company (ranked by <u>sales, purchasing, or service transaction</u> amount between the parties during the period of twelve months prior to the time of lending.)</p> <p>2. For the purpose of this Procedure, the “transaction amount” shall mean <u>the sales, or service purchasing</u> amount between the parties, whichever is higher.</p>	Amended in accordance with Article 14 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies. The business scope of the loaning of funds by a public company to borrowers is amended based on the requirement of strengthening the internal control of the loaning of funds.
Article 2	<p><b>The total amount for lending purpose and the maximum amount lendable to a company</b></p> <p>The total amount available for lending purpose shall be determined by the Company’s financial status. The total amount for lending shall not exceed 20% of the Company’s net worth. The total amount lendable to any one borrower shall be no more than 10% of the Company’s net worth. In addition, the total amount lendable to any one borrower shall be no more than 30% of the borrower’s net worth.</p>	<p><b>The total amount for lending purpose and the maximum amount lendable to a company</b></p> <p>1. The total amount available for lending purpose shall be determined by the Company’s financial status. The total amount for lending shall not exceed 20% of the Company’s net worth <u>as stated in its latest audited financial statement</u>. The total amount lendable to any one borrower shall be no more than 10% of the Company’s net worth. In addition, the total amount lendable to any one borrower shall be no more than 30% of the borrower’s net worth.</p> <p>2. <u>The restriction stipulated in the preceding paragraph (i.e., total amount lendable to any one borrower shall be no more than 30% of the borrower’s net worth) will not apply to offshore subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company.</u></p>	Amended in accordance with Article 14 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies. In consideration of strengthening the internal control of the loaning of funds between a public company and its subsidiary, no restriction on the approved amount of loan shall apply to inter-company loans of funds between foreign companies in which the public company holds, directly or indirectly, 100% of the voting shares.
Article 3	<p>Any lending of the Company’s funds shall be submitted to the Board of Directors for its approval and no delegation shall be made to any person in this regard.</p>	<p>1. Any lending of the Company’s funds shall be submitted to the Board of Directors for its approval and no delegation shall be made to any person in this regard.</p> <p>2. <u>Fund-lending between the Company and its subsidiaries shall be approved by the Board of Directors of the Company as stipulated in the preceding paragraph, and the Board may authorize its Chairman to lend funds to a specific borrowing counterparty, within a certain monetary limit resolved by the Board and within a period not exceeding one year, in installments or to make a revolving credit line.</u></p>	Amended in accordance with Article 14 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies. In consideration of the flexibility required in practice in the allocation of funds between the parent company and subsidiary, the following is amended as Paragraph 2: it is specifically stated that when conducting the loaning of funds between a public company and its parent company or subsidiary, the chairman of the Board of Directors may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the Board of Directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.
Article 6	<p><b>Procedures for public disclosure:</b></p> <p>1. The Company shall disclose and report the</p>	<p><b>Procedures for public disclosure:</b></p> <p>1. The Company shall disclose and report the</p>	Amended in accordance with Article 14 of the Regulations

	<p>lending profile of the previous month of its head office and subsidiaries by the 10th day of each month.</p> <p>2. The Company shall disclose and report such event within two days from its occurrence whenever the loans of funds balance reaches one of the following levels:</p> <p>(1). The aggregate balance of loans to others by the Company and Subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(2). The aggregate balance of loans to a single enterprise by the Company and Subsidiaries reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(3). The amount of new loans of funds by the Company or its Subsidiaries <u>reaches NT\$10 million and reaches more than 2 percent of the Company's net worth as stated in its latest financial statement.</u></p>	<p>lending profile of the previous month of its head office and subsidiaries by the 10th day of each month.</p> <p>2. The Company shall disclose and report such event within two days from its occurrence whenever the loans of funds balance reaches one of the following levels:</p> <p>(1). The aggregate balance of loans to others by the Company and Subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(2). The aggregate balance of loans to a single enterprise by the Company and Subsidiaries reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(3). The amount of new loans of funds by the Company or its Subsidiaries <u>reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.</u></p>	<p>Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies. Based on the actual operating results of the public company and its subsidiary, criteria for the announcement shall be amended accordingly.</p>
Article 7	<p>When fund lending to other parties is contemplated by the Company's subsidiary, <u>the Company shall mandate the subsidiary to establish relevant procedures in accordance with the Company's Procedures. The Company should also mandate the subsidiary to handle fund-lending in accordance with its procedures.</u></p>	<p>When fund lending to other parties is contemplated by the Company's subsidiary, <u>the Company shall mandate the subsidiary to handle fund-lending in accordance with the Company's Operating Procedures of Outward Loans to Others.</u></p>	<p>Amended in accordance with Article 14 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies. Based on the requirement of exerting control over the loaning of funds by the subsidiary, it is clearly required that the loaning of funds by a subsidiary shall be conducted in accordance with the standard operating procedures of the public company.</p>
Article 13	<p>These Procedures were passed in the Shareholders' Regular Meeting of June 21, 1999. First Update in Shareholders' Regular Meeting of June 3, 2002. Second Update in Shareholders' Regular Meeting of May 16, 2003. Third Update in Shareholders' Regular Meeting of June 10, 2009.</p>	<p>These Procedures were passed in the Shareholders' Regular Meeting of June 21, 1999. First Update in Shareholders' Regular Meeting of June 3, 2002. Second Update in Shareholders' Regular Meeting of May 16, 2003. Third Update in Shareholders' Regular Meeting of June 10, 2009. <u>Fourth Update in Shareholders' Regular Meeting of June 15, 2011.</u></p>	<p>A new Article 13 is added to record the date on which the amendments are passed, with minor corrections of the text.</p>

## Comparison of the Original Text and the Amended Text in “Operating Procedures of Endorsement/Guarantee”

	Original Text		Amended Text	Amendment Remarks
Article 2	<p><b>The party to whom the Company may provide endorsement/guarantee includes the following:</b></p> <ol style="list-style-type: none"> <li>1. Any company having business transactions with the Company.</li> <li>2. Any subsidiary of the Company.</li> <li>3. <u>Any parent of the Company.</u></li> <li>4. The company <u>may fulfill its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry for the purposes of undertaking a construction project, or</u> may render endorsement/guarantee free of the restriction set forth in the preceding paragraph, if the Company renders endorsement/guarantee to investees based on pro rata co-investment of investors.</li> </ol>	Article 2	<p><b>The party to whom the Company may provide endorsement/guarantee includes the following:</b></p> <ol style="list-style-type: none"> <li>1. Any company having business transactions with the Company.</li> <li>2. Any subsidiary of the Company.</li> <li>3. The Company may render endorsement/guarantee free of the restriction set forth in the preceding paragraph, if the Company renders endorsement/guarantee to investees based on pro rata co-investment of investors.</li> </ol>	Amendment of text in accordance with Article 12 and Article 17 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies as well as the Company's actual operational conditions.
Article 4	<p><b>Limitation and authority of endorsement/guarantee:</b></p> <p>The amount of endorsement/guarantee rendered by the Company to other firms and to a single enterprise is subject to the following:</p> <ol style="list-style-type: none"> <li>1. The total amount of external endorsement/guarantee shall not exceed 50% of the net worth as stated in its latest financial statements of the Company.</li> <li>2. The amount of endorsement/guarantee rendered to any single enterprise shall not exceed 20% of the net worth as stated in its latest financial statements of the Company.</li> <li>3. The Company shall not render endorsement/guarantee until it is consented and resolved by the Board of Directors. The Board of Directors may delegate the chairman to facilitate execution <u>within a certain limit</u>. Such endorsement/guarantee shall be ratified by the Board of Directors and then submitted to the shareholders' meeting for acknowledgement retrospectively.</li> <li>4. In the event that the above limits have to be exceeded to accommodate business needs, the Company must obtain consent from the Board of Directors, and, over half of all the directors should jointly endorse the potential loss that may be brought about by the excess of limits. The Board of Directors should also revise the procedures and have it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors should furnish a plan containing a timetable to withdraw the excess portion.</li> <li>5. In the event that, due to changes of circumstances, the party to whom the Company provided endorsement/guarantee no longer satisfies the criteria set forth in Article 2 herein, or the amount of endorsement/guarantee exceeded the limits due to changes of basis on which the amounts of limits are calculated, a corrective plan shall be provided to modify the total amount or the amount over the limitation of endorsement/guarantee, and withdraw these portions within the duration of contract or the specific period. The proposed correction actions should be submitted to all supervisors and implemented within specified the timeframe.</li> </ol>	Article 4	<p><b>Limitation and authority of endorsement/guarantee:</b></p> <p><u>1.</u> The amount of endorsement/guarantee rendered by the Company to other firms and to a single enterprise is subject to the following:</p> <ol style="list-style-type: none"> <li>(1). The total amount of external endorsement/guarantee shall not exceed 50% of the net worth as stated in its latest financial statements of the Company.</li> <li>(2). The amount of endorsement/guarantee rendered to any single enterprise shall not exceed 20% of the net worth as stated in its latest financial statements of the Company.</li> <li>(3). <u>The amount of endorsement/guarantee rendered to subsidiaries shall not exceed net worth as stated in the latest financial statements or unaudited financial statement of such subsidiary.</u></li> <li>(4). <u>The Company shall not render endorsement/guarantee to subsidiaries whose net worth is less than 50 percent of its paid-in capital.</u></li> <li>(5). The Company shall not render endorsement/guarantee until it is consented and resolved by the Board of Directors. The Board of Directors may delegate the chairman to facilitate execution <u>within pre-determined limited credit, NT\$300,000,000</u>. Such endorsement/guarantee shall be ratified by the Board of Directors and then submit to the shareholders' meeting for acknowledgement retrospectively.</li> <li>(6). In the event that the above limits have to be exceeded to accommodate business needs, the Company must obtain consent from the Board of Directors, and, over half of all the directors should jointly endorse the potential loss that may be brought about by the excess of limits. The Board of Directors should also revise the procedures and have it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors should furnish a plan containing a timetable to withdraw the excess portion.</li> <li>(7). In the event that, due to changes of circumstances, the party to whom the Company provided endorsement/guarantee no longer satisfies the criteria set forth in Article 2 herein, or the amount of endorsement/guarantee exceeded the limits due to changes of basis on which the amounts of limits are calculated, a corrective plan shall be provided to modify the total amount or the</li> </ol>	Amended in accordance with Article 12 and Article 17 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies. The amount of the loan that the Board of Directors authorizes the chairperson is explicitly stated in the amendment, and to strengthen the internal control of the subsidiary by the public company and to prevent additional risks associated with endorsements/guarantees, the internal guidelines for public company's endorsements/guarantees of its subsidiary are also added.

			<p>amount over the limitation of endorsement/guarantee, and withdraw these portions within the duration of contract or the specific period. The proposed correction actions should be submitted to all supervisors and implemented within the specified timeframe.</p> <p>2. <u>The Company's subsidiaries shall not render endorsement/guarantee for others.</u></p>	
Article 7	<p><b>Procedures for public announcement and declaration:</b></p> <p>1. The Company shall announce and report the endorsements/guarantees balance of the previous month of <u>the Company and its subsidiaries</u> by the 10th day of each month.</p> <p>2. Other than public announcements which shall be issued on a monthly basis, the Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days from its occurrence:</p> <p>(1). The aggregate balance of endorsements/guarantees <u>exceeds 50 percent</u> or more of <u>the Company's and its subsidiaries'</u> net worth as stated in its latest financial statement.</p> <p>(2). The balance of endorsements/guarantees for a single enterprise reaches 20 percent or more of <u>the Company's and its subsidiaries'</u> net worth as stated in its latest financial statement.</p> <p>(3). The aggregate amount of all endorsements/guarantees for, long-term investment in, and balance of loans to, a single enterprise reaches <u>NT\$10 million</u> and 30 percent or more of <u>the Company's and its subsidiaries'</u> net worth as stated in its latest financial statement.</p> <p>(4). The amount of new endorsements/guarantees made by the Company reaches <u>NT\$30 million</u> and 5 percent or more of <u>the Company's and its subsidiaries'</u> net worth as stated in its latest financial statement.</p> <p>3. <u>If there is any reporting and announcement, as in subparagraph 4, required for the Company's subsidiary which is not a domestic public company, the Company shall follow the requirement of reporting on behalf of the subsidiary.</u></p>	Article 7	<p><b>Procedures for public announcement and declaration:</b></p> <p>1. The Company shall announce and report the endorsements/guarantees balance of the previous month of <u>the Company</u> by the 10th day of each month.</p> <p>2. Other than public announcement which shall be issued on a monthly basis, the Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days from its occurrence:</p> <p>(1). The aggregate balance of endorsements/guarantees <u>reaches 50 percent</u> or more of <u>the Company's</u> net worth as stated in its latest financial statement.</p> <p>(2). The balance of endorsements/guarantees for a single enterprise reaches 20 percent or more of <u>the Company's</u> net worth as stated in its latest financial statement.</p> <p>(3). The aggregate amount of all endorsements/guarantees for, long-term investment in, and balance of loans to, a single enterprise reaches 30 percent or more of <u>the Company's</u> net worth as stated in its latest financial statement.</p> <p>(4). The amount of new endorsements/guarantees made by the Company reaches 5 percent or more of <u>the Company's</u> net worth as stated in its latest financial statement.</p>	Text amended in accordance with Article 17 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies. In addition, restrictions that apply to the subsidiary of the public company are removed in accordance with Article 4 of the present Guidelines.
Article 10	<p><u>When an endorsement/guarantee extended to other parties is contemplated by the Company's subsidiary due to business needs, the subsidiary shall set forth its procedures based on the procedures herein and proceed accordingly. A subsidiary shall use the Company's official seal, registered with the Ministry of Economic Affairs, as stated in Article 8 to extend an endorsement/guarantee to other parties, but if the subsidiary is located abroad, it shall use a seal of the locally registered company, and dedicate the seal for endorsement/guarantee use only.</u></p>	None	None	Amended in accordance with Article 17 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies. In addition, restrictions that apply to the management of the subsidiary's endorsements/guarantees by the public company are removed in accordance with Article 4 of the present Guidelines.
Article 11	Article 11	Article 10	Article 10	The Article number is restated due to the amendment.
Article 12	These Procedures were passed in the Shareholders' Regular Meeting of June 21, 1999. First Update in Shareholders' Regular Meeting of May 16, 2003. Second Update in Shareholders' Regular Meeting of June 10, 2009.	Article 11	These Procedures were passed in the Shareholders' Regular Meeting of June 21, 1999. First Update in Shareholders' Regular Meeting of May 16, 2003. Second Update in Shareholders' Regular Meeting of June 10, 2009. <u>Third Update in Shareholders' Regular Meeting of June 15, 2011.</u>	Article 11 is added to record the date on which the amendments are passed, with minor corrections of the text.

## Comparison of the Original Text and the Amended Text in “Articles of Incorporation”

	Original Text	Amended Text	Amendment Remarks
Section 4, Article 14	<p>The Company shall have five Directors and three Supervisors, elected in the shareholders’ meetings. The term of office for Directors shall be three years, and all Directors shall be eligible for re-election.</p> <p>After the company went public, the total number of shares that all Directors and Supervisors shall hold should be in accordance with the requirements of the competent authorities.</p> <p>The Board of Directors is authorized to determine the compensation for the Directors and Supervisors, taking into account the standards of the industry.</p> <p>The Company may, in accordance with Corporate Governance Regulations for TSE/GTSM Listed Companies, purchase Directors and Officers Liability Insurance for its Directors and Supervisors. The Board of Directors is authorized to decide on the insurance coverage.</p>	<p>The Company shall have five <u>to nine</u> Directors, <u>with the actual number to be determined by the Board.</u> <u>There shall be at least two Independent Directors in the Board. The election of the Independent Directors shall be conducted in accordance with Article 192-1 of the Company Act, where the system of nomination of candidates shall be adopted. The professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination, and other matters for compliance with respect to Independent Directors shall be governed by the relevant provisions of the Company Act and Securities and Exchange Act. The independent and non-independent directors shall be elected at the same time, and the number of elected directors shall be calculated separately. The Company shall have three Supervisors. However, if the Company establishes an Audit Committee in accordance with the law (i.e. formation of an Audit Committee comprising at least three independent directors, with at least one possessing a professional accounting or finance background), then there shall be no need to elect Supervisors. Once the Audit Committee is formed, the Supervisors shall be dismissed immediately; all provisions that apply to the Supervisors in the Articles of Incorporation shall at that time become void. The number of members in the Audit Committee, tenure terms, authorities, rules of procedure and other matters shall be governed by the Guidelines for the Exercise of Authority by Audit Committee of Public Companies and determined separately according to the Audit Committee’s organization guidelines. The term of Directors and Supervisors is three years, and shall be elected in the shareholders’ meetings. Their term of office shall be three years, and shall be eligible for re-election.</u></p> <p>After the company went public, the total number of shares that all Directors and Supervisors shall hold should be in accordance with the requirements of the competent authorities.</p> <p>The Board of Directors is authorized to determine the compensation for the Directors and Supervisors, taking into account the standards of the industry.</p> <p>The Company may, in accordance with Corporate Governance Regulations for TSE/GTSM Listed Companies, purchase Directors and Officers Liability Insurance for its Directors and Supervisors. The Board of Directors is authorized to decide on the insurance coverage.</p>	Independent Directors have been added in compliance with the requirements of the competent authority.
Section 7, Article 27	<p>These Articles of Incorporation were resolved on May 21, 1997. The first amendment was made on September 1, 1997, the second amendment on July 3, 1998, the third amendment on June 21, 1999, the fourth amendment on June 9, 2000, the fifth amendment on September 28, 2000, the sixth amendment on June 8, 2001, the seventh amendment on June 3, 2002, the eighth amendment on May 16, 2003, the ninth amendment on June 9, 2004, the tenth amendment on June 13, 2005, the eleventh amendment on June 21, 2006, the twelfth amendment on June 11, 2007, and the thirteenth amendment on June 15, 2010.</p>	<p>These Articles of Incorporation were resolved on May 21, 1997. The first amendment was made on September 1, 1997, the second amendment on July 3, 1998, the third amendment on June 21, 1999, the fourth amendment on June 9, 2000, the fifth amendment on September 28, 2000, the sixth amendment on June 8, 2001, the seventh amendment on June 3, 2002, the eighth amendment on May 16, 2003, the ninth amendment on June 9, 2004, the tenth amendment on June 13, 2005, the eleventh amendment on June 21, 2006, the twelfth amendment on June 11, 2007, the thirteenth amendment on June 15, 2010, <u>and the fourteenth amendment on June 15, 2011.</u></p>	Amendment date added.

## Comparison of the Original Text and the Amended Text in “Rules for Election of Directors and Supervisors”

	Original Text		Amended Text	Amendment Remarks
None	None	Article 3	<u>The election of the Company's Independent Directors shall be conducted in accordance with Article 192-1 of the Company Act, under the system of nomination of candidates.</u>	Text amended based on the new requirements of the adoption of Independent Directors.
Article 3	In the election of Directors and Supervisors of this Company, the recorded cumulative voting system is implemented. Each share shall have voting rights equivalent to the number of seats to be elected, and such voting rights can be combined to vote for one person, or divided to vote for several persons.	Article 4	In the election of Directors and Supervisors of this Company, the <u>single</u> recorded cumulative voting system is implemented. Each share shall have voting rights equivalent to the number of seats to be elected, and such voting rights can be combined to vote for one person, or divided to vote for several persons. <u>The independent and non-independent directors shall be elected at the same time, and the number of elected directors shall be calculated separately.</u>	Text amended based on the new requirements of the adoption of Independent Directors.
None	None	Article 5	<u>If the Company establishes an Audit Committee, no Supervisors shall be elected. Procedures for electing Supervisors shall not be applied.</u>	The Company shall either have an Audit Committee, or Supervisors.
Article 4	In the election of Directors and Supervisors of this Company, candidates who acquire more votes should win the seats of Directors or Supervisors. If two or more persons acquire the same number of votes and the number of such persons exceeds the specified seats available, such persons acquiring the same votes shall draw lots to decide who should win the seats available, and the Chairman shall draw lots on behalf of the candidate who is not present. If a shareholder is elected as Director and Supervisor at the same time, the person shall decide whether he/she will take the seat of Director or Supervisor, and the vacancy shall be filled by the candidate who wins the closest number of votes.	Article 6	In the election of Directors, <u>Independent Directors</u> and Supervisors of this Company, <u>based on the voting rights for the number of seats set forth in the Articles of Incorporation</u> , candidates who acquire more votes, <u>based on the number of votes received</u> , should win the seats of Directors or Supervisors. If two or more persons acquire the same number of votes and the number of such persons exceeds the specified seats available, such persons acquiring the same votes shall draw lots to decide who should win the seats available, and the Chairman shall draw lots on behalf of the candidate who is not present. If a shareholder is elected as Director and Supervisor at the same time, the person shall decide whether he/she will take the seat of Director or Supervisor, and the vacancy shall be filled by the candidate who wins the closest number of votes.	Text amended based on the new requirements of the adoption of Independent Directors.
Article 5	At the beginning of the election, the Chairman shall appoint several persons each to check and record the ballots. The persons to check the ballots <u>may be</u> appointed from among the shareholders present.	Article 7	At the beginning of the election, the Chairman shall appoint several persons each to check and record the ballots. The persons to check the ballots <u>have to be</u> appointed from among the shareholders present.	Only shareholders can be appointed to monitor the ballots.
Article 6~10	Article 6~10	Article 8~12	Article 8~12	The Article number is restated due to the amendment.

# Appendix

## Appendix 1

# MediaTek Inc. Articles of Incorporation

Effective after approval at the 2010 shareholder's meeting

## Section One – General Provisions

### Article 1

The Company shall be incorporated, as a company limited by shares, under the Company Law of the Republic of China, and its name shall be MediaTek Inc. (in the English language).

### Article 2

The scope of business of the Corporation shall be as follows:

- CC01080: Electronic parts and components manufacture.
- F401010: Manufacture and export business.
- I301010: Information & software services.
- I501010: Product design.
- F401021: Restrained Telecom Radio Frequency Equipments and Materials Import.
- F601010: Intellectual Property

1. Researching, developing, producing, manufacturing, and selling the following products:
  - (1). Multimedia integrated circuits (ICs);
  - (2). PC peripheral ICs;
  - (3). High-end consumer electronic ICs;
  - (4). Other Application-Specific ICs;
  - (5). Patents or IC layout copyright licensing related to the abovementioned ICs.
2. Providing hardware and software design, development, testing, maintenance and technology consulting services for the abovementioned products.
3. Conducting import and export trade for the abovementioned products.

### Article 2-1

When the Company becomes a shareholder of limited liability of another company, the total amount of the Company's reinvestment shall not be subject to the restriction of not more than 40% of the Company's paid-in capital as provided in Article 13 of the Company Law.

### Article 3

The Company is headquartered in the Hsinchu Science-Based Industrial Park in Taiwan, Republic of China, and shall be free, upon approval of the Board of Directors and government authorities in charge, to set up representative and branch offices at various locations within and without the territory of the Republic of China, whenever and wherever the Company deems it necessary or advisable to carry out any or all of its business activities.

### Article 4

Public announcements of the Company shall be made in accordance with Article 28 of the Company Law and other relevant rules and regulations of the Republic of China.

### Article 4-1

The Company may provide endorsement and guarantee to other companies. The process shall be handled in accordance with the Company's Regulations Governing Endorsement and Guarantee.

## **Section Two – Capital Stock**

### **Article 5**

The total capital stock of the Company shall be in the amount of 12 billion New Taiwan Dollars, divided into 1.2 billion shares at NT\$10 par value each share, and may be paid-up in installments. The Company may occasionally issue stock options in accordance with the resolutions of the Board of Directors. A total of 20 million shares among the above total capital stock should be reserved for issuing stock options.

### **Article 6**

The share certificates of the Company shall all be name-bearing share certificates. If the Company decides to print share certificates for shares issued, the share certificates shall be signed by or affixed with seals of three Directors minimum, and authenticated by the competent authorities of the government or the certification organization. The Company may be exempted from printing share certificates if the shares are registered with a domestic securities depository enterprise.

### **Article 6-1**

The Taiwan Securities Central Depository Co., Ltd., may request the Company to issue share certificates in consolidation into larger denomination.

### **Article 7**

Registration for transfer of shares shall be suspended 60 days immediately before the date of regular meeting of shareholders, and 30 days immediately before the date of any special meeting of shareholders, or within 5 days before the day on which dividend, bonus, or any other benefit is scheduled to be paid by the Company.

## **Section Three – Shareholders' Meeting**

### **Article 8**

Shareholders' meetings of the Company are of two types, namely: (1) regular meetings – which shall be convened by the Board of Directors within 6 months after the close of each fiscal year, and (2) special meetings – which shall be convened whenever necessary in accordance with the relevant laws, rules and regulations of the Republic of China.

### **Article 9**

The shareholders' meeting shall be presided over by the Chairman of the Board of Directors of the Company. In his absence, the Chairman shall appoint a deputy to act in his place; otherwise, one Director shall be designated to preside over the shareholders' meeting. If a shareholders' meeting is convened by a person other than a member of the Board of Directors, the shareholders' meeting shall be chaired by that convener. If there are two or more conveners for a shareholders' meeting, one of them shall be elected to chair the meeting.

### **Article 10**

Notices shall be sent to all shareholders for the convening of shareholders' meetings – at least 30 days in advance for regular meetings; and at least 15 days in advance for special meetings. The meeting date, venue and the purpose(s) for convening such shareholders' meeting shall be clearly stated in the meeting notices.

### **Article 11**

If a shareholder is unable to attend a shareholders' meeting, he/she may appoint a representative to attend it, with a Shareholder Proxy Form issued by the Company, in accordance with Article 177 of the Company Law of the Republic of China, and the Rules Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies.

#### **Article 12**

Each share is entitled to one voting right, except shares held under regulation of Article 179 of the Company Law, which have no voting rights.

#### **Article 13**

Except as regulated in the Company Law of the Republic of China, shareholders' meetings may be held if attended by shareholders in person or by proxy representing more than 50% of the total issued and outstanding capital stock of the Company, and resolutions shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting.

#### **Article 13-1**

The resolutions of the shareholders' meeting shall be recorded in the minutes, and such minutes shall be signed by or sealed with the chop of the Chairman of the meeting. Shareholders shall be notified of the minutes within 20 days after the meeting. The Company may make a public announcement to notify shareholders who hold less than one thousand shares.

### **Section Four – Directors and Supervisors**

#### **Article 14**

The Company shall have five Directors and three Supervisors, elected in the shareholders' meetings. The term of office for Directors shall be three years, and all Directors shall be eligible for re-election.

After the company went public, the total number of shares that all Directors and Supervisors shall hold should be in accordance with the requirements of competent authorities.

The Board of Directors is authorized to determine the compensation for the Directors and Supervisors, taking into account the standards of the industry.

The Company may, in accordance with Corporate Governance Regulations for TSE/GTSM Listed Companies, purchase Directors and Officers Liability Insurance for its Directors and Supervisors. The Board of Directors is authorized to decide on the insurance coverage.

#### **Article 14-1**

If the Director(s) also serves other position(s) in the Company, the shareholders' meeting authorizes the General Manager to resolve the compensation for these duties, in accordance with the Company's Internal Management Regulations.

#### **Article 14-2**

The following relationship shall not be permitted for a majority of the Company's Director seats or a minimum of one seat among Directors and Supervisors:

1. Spouse
2. Relative within Second Degree of relationship.

#### **Article 15**

The Board of Directors shall be formed by elected Directors and shall have the following responsibilities:

1. Preparing business plans.
2. Proposing allocation plans of earnings or proposals to recover loss.
3. Proposing plans for increasing or decreasing capital.
4. Drafting important rules and contracts.
5. Appointing or discharging the Company's President and Vice Presidents.
6. Setting up or dissolving branches.
7. Compiling Budget Reports and Final Reports.
8. Performing other duties authorized by the Company Law or shareholders' meeting.

#### **Article 16**

The Directors shall elect from among themselves a Chairman of the Board of Directors, and a Vice Chairman of the Board of Directors, by a majority in a meeting attended by over two-thirds of the Directors. The Chairman of the Board of Directors shall be the chairman of shareholders' meetings, and shall have the authority to represent the Company.

#### **Article 17**

Meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors, except conditions regulated by the Company Law. Directors and supervisors may be notified of the Board of Directors meeting via written notice such as E-mail or fax. Except as otherwise provided in the Company Law of the Republic of China, a meeting of the Board of Directors may be held if attended by a majority of total Directors and resolutions shall be adopted with the concurrence of the majority of the Directors present at the meeting.

#### **Article 18**

Meetings of the Board of Directors shall be presided over by the Chairman of the Board of Directors of the Company. In his absence, either the Vice Chairman of the Board of Directors or one of the Directors appointed by the Chairman shall preside in the meeting. When a Director is unable to attend any Meeting of the Board of Directors, he may appoint another Director to attend on his behalf, but no Director may act as proxy for more than one other Director.

#### **Article 19**

Supervisors shall have the following authority:

1. Audit account closings.
2. Oversee the Company's business performance and financial standing as well as request the Board of Directors or managerial officers to submit reports.
3. Convene the Shareholders' Meeting for the Company's interests when the Board of Directors fails or is unable to convene such meetings.
4. Exercise other Supervisory powers according to the law.

### **Section Five – Management of the Company**

#### **Article 20**

The Company shall appoint one President, and several Vice Presidents. The appointment, discharge, and compensation of the President and Vice Presidents shall be in accordance with Article 29 of the Company Law.

#### **Article 21**

The President shall direct the Company's business operation in accordance with decisions resolved by the Board of Directors.

## **Section Six – Financial Reports**

### **Article 22**

The Company's fiscal year shall be from January 1<sup>st</sup> of each year to December 31<sup>st</sup> of the same year. After the close of each fiscal year, the Company shall prepare final accounts for that year.

### **Article 23**

After the close of each fiscal year, in accordance with the Company Law, Article 228, the following reports shall be prepared by the Board of Directors, and be audited by Supervisors 30 days prior to the annual general shareholders' meeting, and be submitted to the shareholders' meeting for acceptance.

1. Business Report.
2. Financial Statements.
3. Proposal Concerning Appropriation of Net Profits or Covering of Losses.

### **Article 24**

When allocating the net profits for each fiscal year, the following order shall be followed:

1. Reserve for tax payments.
2. Offset losses in previous years, if any.
3. Legal reserve, which is 10% of leftover profits.
4. Allocation or reverse of special reserves as required by law or government authorities.
5. Remuneration to Directors and Supervisors, at a maximum of 0.5% of remaining net profits after deducting item (1) to (4) stated in Article 24. The Remuneration to Directors and Supervisors shall be paid in cash.
6. The remaining net profits, after considering retained earnings from previous years and amounts set aside for distribution in future years, shall be allocated as employees' profit sharing and shareholders' dividend. The guideline for employee profit sharing is, the amount of employee profit sharing shall not be lower than 1% of the sum of employee profit sharing and shareholder dividends. Employee profit sharing may be paid in cash or in stock to qualified employees of the company and its affiliate companies. Employee's profit sharing when it is allocated in the form of stock, the Board of Directors shall be authorized to set criteria for qualified employees.

Since the Company is in an industry in a growth phase, the dividend policy shall take into consideration factors such as the Company's current and future investment environment, needs for capital, domestic and overseas competition, capital budgeting plans, etc., to come out with a proposal that strike a balance among shareholders' benefits and the Company's long-term financial plans. Each year the Board of Directors shall prepare a profit distribution proposal and report it at the shareholders' meeting. After considering financial, business and operational factors, the Company may distribute the entire distributable profits for the year; dividends to shareholders may be distributed in cash or in stock, and the cash dividends shall not be lower than 10% of total dividends to shareholders.

## **Section Seven – Supplementary Provisions**

### **Article 25**

The organization of the Company shall be defined in separate internal regulations.

### **Article 26**

In regard to all matters not provided for in the Articles of Incorporation, the Company Law of the Republic of China shall govern.

### **Article 27**

These Articles of Incorporation were resolved on May 21, 1997. The first amendment was made on September 1, 1997, the second amendment on July 3, 1998, the third amendment on June 21, 1999, the fourth amendment on June 9, 2000, the fifth amendment on September 28, 2000, the sixth amendment on June 8, 2001, the seventh amendment on June 3, 2002, the eighth amendment on May 16, 2003, the ninth amendment on June 9, 2004, the tenth amendment on June 13, 2005, the eleventh amendment on June 21, 2006, the twelfth amendment on June 11, 2007, and the thirteenth amendment on June 15, 2010.

## Appendix 2

# MediaTek Inc. Rules and Procedures of Shareholders' Meeting

Effective after approval at the 2010 shareholder's meeting

### Article 1

Shareholders' Meeting of the Company (the "Meeting") shall be conducted in accordance with these Rules and Procedures.

### Article 2

Shareholders attending the Meeting in person or through a proxy shall wear the attendee badge, and submit the attendance card for the purpose of signing in. The number of shares represented by shareholders attending the Meeting shall be calculated in accordance with the attendance cards submitted by the shareholders.

### Article 3

When the number of shares represented by the shareholders present at the Meeting has constituted 50% or more of the total outstanding shares, the chairman shall call the Meeting to order at the time scheduled for the Meeting.

### Article 4

The agenda of the Meeting shall be set by the Board of Directors. The Meeting shall proceed in accordance with the agenda.

### Article 5

Proposals not in the Meeting's agenda will not be discussed or put to vote. The Chairman may announce to end a discussion of any resolution if the Chairman deems it appropriate.

### Article 6

The Chairman may put a resolution to vote at the end of a discussion.

### Article 7

Except otherwise specified in the Company Law of the Republic of China, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the Meeting. The resolution shall be deemed adopted and shall have the same effect as if it was voted for by casting ballots if no objection is voiced after solicitation by the Chairman.

### Article 8

When a shareholder present at the Meeting wishes to speak, a Speech Note should be filled out with the shareholder's Attendance Card number, the shareholder's name, and the number of shares held. The sequence of speeches by shareholders should be decided by the Chairman.

### Article 9

Unless otherwise permitted by the Chairman, each shareholder shall not, for each discussion item, speak more than two times, with each time not exceeding three minutes.

### Article 10

In case the speech of any shareholder violates the abovementioned provision or exceeds the scope of the discussion item, the Chairman may stop the speech of such shareholder. In case a shareholder

does not obey the Chairman's instruction or does not maintain order at the Meeting place, the Chairman may stop such shareholder from attending the Meeting.

**Article 11**

During the Meeting, the Chairman may set a time for intermission.

**Article 12**

In cases of force majeure, the Meeting shall be discontinued. The Meeting shall be resumed an hour after the incident is over.

**Article 13**

Any matter not provided in these Rules and Procedures shall be handled in accordance with relevant laws and regulations.

**Article 14**

The Rules and Procedures shall be effective from the date it is resolved by the Board of Directors and approved by the Shareholders' Meeting. The same applies in case of revision.

## Appendix 3

### MediaTek Inc. Shareholdings of All Directors and Supervisors

1. The shareholdings of the Company's Directors and Supervisors and percentage of shareholdings required by law are listed below:

The Company's total outstanding shares:	1,099,977,246
Percentage of shareholdings of all Directors required by law:	3.0%
Total shareholdings of all Directors required by law:	40,000,000
Percentage of shareholdings of all Supervisors required by law:	0.3%
Total shareholdings of all Supervisors required by law:	4,000,000

2. As of April 17, 2011, the cut-off date of this Shareholders' Meeting, the individual Directors and Supervisors and their aggregate shareholdings are listed below:

Title	Name	Date Elected	Term	Shares	%
Director	Ming-Kai Tsai	June 10, 2009	3 years	40,782,136	3.71%
Director	Jyh-Jer Cho	June 10, 2009	3 years	30,257,671	2.75%
Director	Ching-Jiang Hsieh	June 10, 2009	3 years	4,255,620	0.39%
Director	National Taiwan University Representative: Ming-Je Tang	June 10, 2009	3 years	2,873	0.00%
Director	National Chiao-Tung University Representative: Ching-Teng Lin	June 10, 2009	3 years	2,873	0.00%
Supervisor	MediaTek Capital Co. Representative: Paul Wang	June 10, 2009	3 years	7,794,085	0.71%
Supervisor	National Tsing-Hua University Representative: Chung-Lang Liu	June 10, 2009	3 years	2,052	0.00%
Supervisor	National Cheng-Kung University Representative: Yan-Kuin Su	June 10, 2009	3 years	204	0.00%
<b>Holdings of all Directors</b>				75,301,173	6.85%
<b>Holdings of all Supervisors</b>				7,796,341	0.71%

## Appendix 4

### MediaTek Inc. Effect of Stock Dividends Resolved at this Shareholders' Meeting on Operating Performance & Earnings Per Share

Not Applicable.