

# MediaTek Inc.

## 2012 First Extraordinary Shareholders Meeting Minutes

- 1. Time:** 9:00 a.m., October 12, 2012
- 2. Place:** International Convention Center, MediaTek  
No. 1, Du-Shing Road One, Science-Based Industrial  
Park, Hsin-Chu City, Taiwan, R.O.C.
- 3. Attendance:** Attending shareholders and proxy representing  
1,077,478,007 shares accounted for 80.31% of the  
Company's total outstanding shares (deducting  
non-voting shares as in Article 179 of the Company  
Law)
- 4. Chairman:** Mr. Ming-kai Tsai     **Recorder:** Ms. Jane Chen
- 5. Call Meeting to Order:** The aggregate shareholding of the presenting  
shareholders constituted a quorum.
- 6. Chairman's Address:** Omitted.

### 7. Proposed Resolutions:

#### Proposal (1)

**Subject:** Proposal for issuance of new shares for the merger of MStar  
Semiconductor, Inc. (referred to herein as MStar Semiconductor).  
Please proceed to discuss.

**Descriptions:**

- (1). For the purposes of supporting long-term development strategies, integrating resources from both parties, and enhancing corporate competitiveness, the company intends to pursuant to Article 18 of the Business Mergers and Acquisitions Act, merge with MStar Semiconductor. After the merger, the company will be the surviving company and MStar Semiconductor the extinguished company. The surviving company will be named "MediaTek Inc." after the merger.
- (2). For the terms and conditions in the merger agreement and the merger consideration, please refer to the merger agreement

(Attachment 1 on Page 5) and the fairness opinion of independent expert (Attachment 2 on Page 25). The merger agreement was approved by the board of directors of the company on August 14, 2012, and signed by the company and MStar Semiconductor. It is hereby submitted to the extraordinary shareholders meeting for discussion in accordance with the law.

- (3). The consideration of the merger is tentatively set at NT\$1.0 cash and 0.794 common shares of the company for each share of MStar Semiconductor. It is expected that the company will increase capital by NT\$2,185,818,410 by issuing 218,581,841 shares at a par value of NT\$10 per share. However, the actual considerations and the number of new shares to be issued will depend on compliance with the requirements of the competent authorities, applicable laws, and terms and conditions of the merger agreement. Should any material change become necessary, the change shall be approved by the boards of directors of both parties before being publically disclosed. The company will pay the shareholders of MStar Semiconductor, excluding the company itself, for the merger in a single payment. The actual payment recipients will be based on the MStar Semiconductor shareholder list effective on the merger date. The new shares issued are associated with the same rights and obligations as the other existing common shares in the company. While new shares issuance, shares less than one share will be issued in cash of equivalent amount rounded to the nearest dollar and the chairman of the company is authorized to deal with designated persons for purchase of the fractional shares. MStar Semiconductor shares purchased by the company through tender offer will be cancelled simultaneously on the merger date according to the law.
- (4). Planned schedule: The merger is scheduled to become effective on January 1, 2013.
- (5). Matters that have not been specified in respect of the merger are, unless otherwise subject to the applicable laws and merger agreement hereby, submitted to the extraordinary shareholders meeting to authorize the chairman full power to deal with these matters.

Resolved, that the above proposal be and hereby was approved as proposed (Voting Results: 1,076,058,834 shares were presented at the time of voting, among which 501,778,441 shares presented via electronic voting. 886,340,846 votes were cast for the proposal, among which 334,608,757 votes were cast via electronic voting. No votes were cast against the proposal, among which no votes were cast against the proposal via electronic voting.)

**8. Special Motion : None.**

**9. Meeting Adjourned**

# **Attachment**

## **Attachment 1**

(Translation, for reference only)

# **Merger Agreement**

This Merger Agreement (“**Agreement**”) is executed by the following parties:

**MediaTek Inc.** with registered address at No. 1, Dusing Rd. 1, Hsinchu Science Park, Hsinchu City (“**MediaTek**”); and

**MStar Semiconductor, Inc.** with registered address at 1st Floor, Windward1, Regatta Office Park, P.O. Box 10338, Grand Cayman KY1-1003, Cayman Islands (“**MStar**”).

WHEREAS, both parties are international well-known IC design companies whose stock are all listed at Taiwan Stock Exchange (“TSE”). In order to achieve the goal of integrating overall resources, expanding operation to enhance business performance and competitiveness, both parties agree to conduct this transaction by means of a merger in accordance with the Company Act, Business Mergers and Acquisitions Act (“M&A Act”) and other related laws or regulations in the Republic of China (“ROC”). THEREFORE, on August 14, 2012 (“Execution Date”) both parties agree to the terms and conditions of this Merger Agreement as follows.

### **Article 1: The Merger**

1.1 MediaTek and MStar agree to merge by the way of merger (“Transaction”). After merger MediaTek will be the surviving company (“Surviving Company”), while MStar will be the dissolved company (“Dissolved Company”). MStar will be dissolved through liquidation due to merger, and all of its rights and obligations will be generally assumed by MediaTek in accordance with relevant laws and regulations and this Agreement.

1.2 After completion of the merger the Chinese name of Surviving Company is “聯發科技股份有限公司” and its English name is “MediaTek Inc.” The registered address of the Surviving Company after merger is MediaTek’s current registered address.

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

2.1 MediaTek’s Capital, Outstanding Shares and Types of Issued Shares Prior to the Merger

2.1.1 As of Execution Date, the authorized capital of MediaTek is NT\$20,000,000,000, consisted of 2,000,000,000 shares of common stock with a par value of NT\$10 per share, which may be issued in installment. Among the above mentioned shares there are a total of 20,000,000 shares reserved for employee stock option plan. As of the Execution Date, the paid-in capital of MediaTek stated in corporate registration card is NT\$11,475,750,610, consisted of 1,147,575,061 shares. Except for those set forth in Exhibit A, MediaTek does not issued any other equity-type securities which is valid and exercisable.

2.1.2 Except for those set forth in Article 2.1.1 above, as of Execution Date MediaTek does not offer or issue any other equity-type securities, nor buy back any treasury stock.

## 2.2 MStar's Capital, Outstanding Shares and Types of Issued Shares Prior to the Merger

2.2.1 As of Execution Date, the authorized capital of MStar is NT\$6,000,000,000, consisted of 600,000,000 shares of common stock with a par value of NT\$10 per share, which may be issued in installment. As of the Execution Date, the paid-in capital of MStar is NT\$5,294,076,760, consisted of 529,407,676 shares, and MStar does not issued any equity-type securities which is valid and exercisable.

2.2.2 Except for those set forth in Article 2.2.1 above, as of Execution Date MStar does not offer or issue any other equity-type securities, nor buy back any treasury stock.

## **Article 3: Calculation of Merger Consideration and Estimated New Shares To Be Issued**

3.1 Based on their respective accountants' audited and certified financial reports as of March 31, 2012 ("**Basic Financial Report**") and taking into account of the parties' business operation, stock price, earnings per share, current status of employee stock option, other factors which both parties agree it might affect shareholders' interest, the synergy effect and development in the future, among other factors, both parties agree to negotiate an appropriate merger consideration as stated below under the precondition that it complies with the independent expert's opinions on the reasonableness of the merger consideration.

3.2 Both parties agree that, if the conditions precedents in Article 13.2 are all satisfied or waived by both parties in writing, the Surviving Company shall, on the Closing Date and in accordance with the legal proceeding related to issuance of new shares due to merger, issue new shares to the shareholders of the Dissolved Company by using NT\$1 (One New Taiwan Dollar) and 0.794 MediaTek common stock exchange for one common stock of MStar based on the number of common stock held by MStar's shareholders stated in the shareholder roster. However, the actual merger consideration will be adjusted according to Article 4 of this Agreement.

3.3 In order to execute the Transaction, the number of new shares of common stock to be issued by MediaTek is 218,581,841 shares, with a par value of NT\$10 per share, and total par value is NT\$2,185,818,410 for all the newly issued shares, provided that the number of shares actually to be issued by MediaTek shall be calculated based on the balance of total number of issued and outstanding shares of MStar on the Closing Date after deducting therefrom the number of common shares that need to be deducted on the Closing Date or otherwise requested by laws or regulations, and finally calculated in accordance with the merger consideration as set forth in this Agreement.

3.4 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 Merger Consideration**

4.1 If any of the following situations occurs, both parties agree to authorize its respective board of directors to negotiate and determine, no later than October 29, 2012, the adjustment required for adjusting the merger consideration, and there is no need to convene shareholders' meeting. If any of the following situations occurs after October 29, 2012, 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 to merger consideration 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 merger consideration in writing.

4.1.1 Either party engages in capitalization from surplus earnings or from capital reserve, cash injection, capital reduction, stock bonus or capitalization from employee bonus, distribution of stock dividend, issuance of convertible bond, issuance of warrant bond, preferred shares with warrants, employee stock option and other equity-type securities;

4.1.2 Either party redeems its own stocks (including but not limited to treasury stock, but excluding the situation where MediaTek' or MStar's redemption of shares from objecting shareholders in accordance with related laws, Articles of Incorporation or others);

4.1.3 There is a necessity to adjust the merger consideration due to the compulsory/prohibitory regulations of law, or instructions or administrative act from relevant competent authorities;

4.1.4 Either party disposes its material assets or conducts acts which have material effect on companies' finance or business;

4.1.5 Either party encounters major disaster, material change in techniques or other material adverse change which affect the shareholders' interest or stock price of the companies;

4.1.6 The occurrence of other major events (including but not limited to either party's material violation of the representations and warranties set forth in Article 7 of this Agreement prior to the Closing Date, or either party's material violation of the covenant set forth in Article 8 of this Agreement) so that there is a necessity to adjust the merger consideration.

#### **Article 5: The Capital, Outstanding Shares and Types of Issued Shares After the Merger**

5.1 The Articles of Incorporation of the Surviving Company shall be amended by the shareholders of the Surviving Company based on the terms and conditions set forth in this Agreement.

5.2 After merger the authorized capital of the Surviving Company is tentatively set as NT\$20,000,000,000 with a par value of NT\$10 per share, which may be issued in installment. After new shares are issued in accordance with Article 3.3 of this Agreement, the paid-in capital is tentatively set as NT\$15,679,247,560, consisted of 1,567,924,756 shares.

5.3 If, during the period from the Execution Date until the Closing Date, any of the event specified in Article 4 of this Agreement occurs and consequently number of new shares to be issued due to merger increase/decrease, or the number of new share to be issued by Surviving Company due to merger need to be adjusted based on the terms and conditions of this Agreement, the paid-in capital of the Surviving Company after merger specified in Article 5.2 above and the number of new shares to be issued in accordance with Article 3.3 above shall be adjusted accordingly.

## **Article 6: Closing Date**

6.1 This Transaction is effective starting from the Closing Date. After this Transaction is approved by the respective shareholders' meeting of MediaTek and MStar 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 January 1, 2013.

6.2 However, if (1) the Merger fails to be approved by all the requisite related competent authorities prior to the Closing Date (including but not limited to the combination approval of the Fair Trade Commission of the Executive Yuan or of other antitrust authorities around the world (if necessary), the approval of the TSE concerning the increase in capital and issuance of new shares to be listed after the merger, the approval of the Financial Supervisory Commission of the Executive Yuan concerning increase in capital and issuance of new shares for the merger, and approvals from other relevant competent authorities; the above are collectively referred to as "Merger Authority Approval"); or (2) either party believes that it is necessary to change the Closing Date due to other circumstances, the respective boards of directors of both parties or someone authorized by the board shall negotiate and determine the Closing Date jointly under principles of good faith and honesty, and shall have the new Closing Date approved by the respective board of directors of both parties.

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

Unless otherwise specified, MediaTek represents and warrants to MStar for the items related to MediaTek below, and MStar represents and warrants to MediaTek for the items related to MStar below, that they are true and accurate as of the Execution Date:

### **7.1 Valid Incorporation and Existence:**

7.1.1 MediaTek is a company limited by shares duly incorporated and registered pursuant to the Company Act of the ROC 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.

7.1.2 MStar is a company duly incorporated and registered pursuant to the laws of Cayman Islands and is valid existing, and has obtained all necessary licenses, approvals, permits, and documents to carry out its businesses. MStar 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.

7.2 Subsidiaries and Affiliates: Except for those already been disclosed to the other party, regarding subsidiaries and branches of either party (defined as subsidiaries and branches of either party located inside or outside ROC that are required to be disclosed in respective party's financial statement in accordance with equity method), they have obtained **and** completed all necessary approval, permit and recordation process required for investing and establishing the subsidiaries and branches, and all the subsidiaries and branches have all obtain all necessary licenses, approvals, permits, and documents to carry out its businesses. The above mentioned subsidiaries and branches are 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.

7.3 Authorized and Paid-in Capital:

7.3.1 MediaTek's authorized and paid-in capital is as represented under Article 2.1 of this Agreement.

On the Execution Date, all of MediaTek's issued shares are duly authorized and issued, with share price paid in full. Except for those stipulated in Article 2.1 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 Articles 2.1.1 and 9 of this Agreement, MediaTek does not have any obligation to redeem, buy-back or in any way repurchase its own stocks.

7.3.2 MStar's authorized and paid-in capital is as represented under Article 2.2 of this Agreement. On

the Execution Date, all of MStar's issued shares are duly authorized and issued, with share price paid in full. MStar does not issue any equity-type securities, nor does MStar 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 MStar's shares. MStar 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 MStar's common stock shareholders. Except for those stipulated in Article 9 of this Agreement, MStar does not have any obligation to redeem, buy-back or in any way repurchase its own stocks.

7.4 The Board of Directors' Resolution and Authorization: On or prior to the Execution Date, the respective board of directors of both parties have resolved to approve this Merger Agreement and authorized its chairman or his authorized representative to enter into this Agreement on behalf of that party.

7.5 Validity of this Agreement: The execution and the performance of this Agreement does not cause both parties, their respective subsidiaries and/or branches to violate:

- 7.5.1 any current laws and regulations,
  - 7.5.2 judgment, order, or disposition of any court or related competent authorities,
  - 7.5.3 its Articles of Incorporation, or
  - 7.5.4 any contract, agreement, representation, promise, guarantee, warranty, covenant or other obligations that are lawfully binding on that party and further lead to invalidation of that contract or agreement.
- 7.6 Financial Statements and Financial Information: The Basic Financial Report provided by either party to the other party is prepared in accordance with the Generally Accepted Accounting Principles of the ROC and Regulations Governing the Preparation of Financial Reports by Securities Issuers, is sufficient to properly represent the financial and business status for the period covered in the report, and is not false, concealing or misleading.
- 7.7 Litigious and Non-litigious Matters: As of the Execution Date, except for those disclosed by a party to the other party prior to the Execution Date, there are no litigious, arbitrational, non-litigious or administrative disputes or criminal investigation that may have material adverse effect on either party's or that party subsidiaries' and/or branches' business, finance, property, operation or shareholders' interest, nor, to the knowledge of that party, written request or claim which may materially affect the finance, business or other interest of that party. In addition, to the knowledge of that party, except for those disclosed to the other party prior to the Execution Date, so far there is no third party filing lawsuit, arbitration, non-litigious or administrative dispute, criminal investigation or written claim against that party's or that party subsidiaries/branches' director, supervisor or manager based on the latter's performance of duty. As of the Execution Date, either party or its subsidiaries/branches does not subject to any disposition, judgment or order, which may affect that party or that party subsidiaries/branches' goodwill under reasonable circumstances.
- 7.8 Assets and Liabilities: Assets and liabilities of either party and its subsidiaries/branches are as set forth in the Basic Financial Statements provided to the other party, and that party and its subsidiaries/branches has legitimate ownership, right to use or other legal right on all of its assets listed therein. Except for those constraints or restrictions disclosed in the Basic Financial Report or its footnotes, that party 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 its operation, business, or financial status.
- 7.9 Contingent Liabilities: Except for those disclosed to the other party in the Basic Financial Report or its footnotes, there is no other contingent liabilities of either party or its subsidiaries/branches that will have a material adverse effect on its business or finances.
- 7.10 Contracts and Commitments: All of either party's signed, agreed, or committed major contracts, agreements, representations, warranties, guarantees, covenants, or other obligations in any form as of the Execution Date ("Major Contracts") have been provided in writing or orally communicated to the other party in accordance with the scope separately agreed upon by both parties without any falsehood, concealment, or untruthfulness. Except for those already been disclosed to the other party, there is no Major Contracts that will be invalid, terminate, rescinded or been held in breach due to this Transaction. As of the Execution Date, to the knowledge of either party, that party or its subsidiaries/branches does

not breach all of its effective Major Contracts. As of the Execution Date, 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 either party or its subsidiaries/branches 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 Execution Date, except for those disclosed in its Basic Financial Report or its footnotes, either party and its subsidiary/branch is not in breach of any brokerage, mortgage, trust, loan or other contracts under which it is a contract party, it is bounded, or its property is the subject of the contracts, excluding those breach which does not have material adverse effect on that party or its subsidiaries/branches' operation, business or financial status.

- 7.11 Labor Disputes: As of the Execution Date: (1) All the policy, plan, program or agreement concerning the salary or benefit of employees' hiring or retirement adopted by either party or its subsidiaries/branches comply with the laws or regulations in the ROC in material respects. That party or its subsidiaries/branches 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 ROC or set aside in accordance with related laws or regulation; (2) Except for those disclosed in the Basic Financial Report or its footnotes, either party or its subsidiaries/branches does not have any labor disputes or violate any laws or been imposed of penalty by labor competent authorities, and there is no strike or suspension of work initiated against that party or its subsidiaries/branches; and (3) Except for those disclosed to the other party, either party or its subsidiaries/branches is not a party to a collective bargaining agreement, nor enters into any labor contract with union or labor organization.
- 7.12 Environmental Matters: Either party or its subsidiaries/branches 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 the other party, 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 that party's or its subsidiaries/branches' business and finances.
- 7.13 Miscellaneous: As of now either party or its subsidiaries/branches has not violated any laws or regulations, nor lost credit worthiness, that can materially affect its continuing operation.
- 7.14 All the documents provided by either party to the other party, 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 either party or its subsidiaries/branches, have duly disclosed all the contracts or other documents which may cause adverse effect on that party or otherwise restrict that party's rights and interest, and are true and correct in all material respect without any material falsehood, concealment, or untruthfulness.
- 7.15 All information provided by either party concerning its patent (including patents owned by that party or its subsidiaries/branches, including the one granted or pending for approval), are true and accurate, and are provided without concealment or omission for the portion provided. That party or its

subsidiaries/branches are indeed legal owner of those patents. There is no mortgage, pledge, or similar security interest of any kind or encumbrance over the patent. Except for those disclosed to the other party during the due diligence process, that party or its subsidiaries/branches has not transferred, licensed, trust or otherwise disposed its patent.

7.16 To the reasonable knowledge of either party, except for those disclosed to the other party 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 that party's or its subsidiaries/branches' intellectual property (including but not limited to patent, trademark, copyright and/or trade secret, among others). Except for those disclosed to the other party during the due diligence process, no third party has asserted that that party or its subsidiaries/branches infringed a third party's intellectual property (including but not limited to patent, trademark, copyright and/or trade secret, among others).

7.17 Taxation: As of the Execution Date:

7.17.1 Either party or its subsidiaries/branches has duly filled all tax reports, and those reports are complete and accurate in material respect according to relevant tax laws or regulation of the ROC. That party and its subsidiaries/branches have duly paid all the tax due prior to the Closing Date.

7.17.2 Either party or its subsidiaries/branches has duly withheld tax in accordance with related tax laws or regulations.

7.17.3 Except for those already disclosed to the other party, currently either party or its subsidiaries/branches does not have any tax dispute with competent government authorities. The investigation or review conducted by competent authorities does not impose any unpaid tax liability on that party. The competent authorities do not claim that that party or its subsidiaries/branches fails to file tax report or evade tax due.

7.17.4 Either party or its subsidiaries/branches does not subject to a constraint imposed by a contract or arrangement concerning tax entered into or made with competent authorities.

7.17.5 All the assertion claiming that either party or its subsidiaries/branches fails to duly pay tax has been settled or resolved.

7.17.6 Except for those already been disclosed, neither party nor any of its subsidiaries/branches is a contract party or an obligor under a tax sharing, compensation or similar contracts.

7.17.7 Except for those already been disclosed, either party or its subsidiaries/branches 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.

7.17.8 Except for as requested by laws, either party or its subsidiaries/branches does not change its accounting or taxation principles, or agree to any settlement in taxation dispute which will have material adverse effect on that party's taxation treatment in the future.

7.18 Insurance: As of the Execution Date: (1) Either party or its subsidiaries/branches' currently effective insurance policies or binder are not notified of been rescinded, terminated, revoked or restricted, nor is that party 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 the insured party, there is no case where insurance companies is likely to refuse to pay settlement; and (3) For all the insurance policies or binder either party or its subsidiaries/branches does not delay in requesting settlement

payment from insurance companies.

7.19 Internet and system: As of the Execution Date, the internet and system currently used by either party or its subsidiaries/branches does not involve in any dispute.

7.20 Legal compliance: As of the Execution Date, except for those disclosed in the Basic Financial Report or its footnotes, either party or its subsidiaries/branches' business and operation duly comply, in material respects, with the related laws and the ruling or orders issued by the competent authorities, and none of the following situations exists:

7.20.1 There is a situation which may lead to that party's violation of relevant laws or regulation and the ruling or order issued by competent authorities.

7.20.2 Except for those already been disclosed to the other party, that party receives a notice claiming that party's failure to comply with relevant laws or regulation or ruling issued by competent authorities, and knows the existence of (potential) investigation made against that party's business or operation.

7.20.3 Except for those already been disclosed to the other party, that party knows that governmental agencies imposed a warning or other more serious penalty against that party's business or operation in the most recent three years.

7.20.4 Except for those already been disclosed to the other party, that party executes or is subject to order, acknowledgement, arrangement or instruction which may cause material effect on that party's operation.

7.21 Legal Reporting or Filing Documents: As of the Execution Date, either party or its subsidiaries/branches has duly and timely filed report, registration or other documents in accordance with related laws or regulation, and have duly making all the fees due. All of the documents legally filed or reported by either party or its subsidiaries/branches comply with the related laws or regulation, and does not contain material false statement or intentional concealment of material facts.

7.22 Disclosure of Evens after the Reporting Period: If either party discovers any mistake, omission, falseness or inaccuracy on the representations and warranties made under Article 7 of this Agreement or on the matters disclosed, that party shall notify the other party immediately in writing and correct or update the matters disclosed. Nonetheless, if the matters corrected or updated by that party will cause material adverse effect on that party's business or operation, the other party may still exercise the right or remedy available 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 either party which leads to mistake, omission, falseness or inaccuracy of the representations and warranties made by that party under Article 7 or of the matters disclosed by that party, that party shall notify the other party immediately to supplement or update the information originally provided or matters originally disclosed.

## **Article 8: Covenants**

Unless otherwise agreed in this Agreement, during the period from the Execution Date to the Closing Date, MediaTek make the following covenants related to the obligation to be performed by MediaTek to MStar, and MStar make the following covenants related to the obligation to be performed by MStar to MediaTek:

- 8.1 When either party intends to make public any information concerning this Agreement or this Transaction, that party shall obtain the other party's prior written consent. But if according to the opinion of that party's legal counsel the publication of the related information is necessary as required by law, it is not required to obtain the other party'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.
- 8.2 Either party shall proceed with the legal procedure required for this Transaction as soon as possible, including but not limited to:
- 8.2.1 MediaTek shall file a combination filing with the relevant antitrust authorities (if applicable); MStar shall provide necessary assistance to MediaTek before the date specified by MediaTek to enable MediaTek to file a combination filing with the relevant antitrust authorities (if applicable);
- 8.2.2 Both parties shall convene respective shareholders' meeting to approve this Transaction and to approve this Agreement and all the related documents;
- 8.2.3 MStar, its subsidiaries and/or branches shall complete the approval, filing or other similar procedure as requested by related government authorities, including but not limited to the process that is required according to local labor laws and regulation. MediaTek shall provide all necessary assistance in this regard.
- 8.3 Either party shall take, in accordance with the laws and regulations and under principles of good faith and honesty, all necessary actions as appropriate or proper to complete the condition precedent stipulated in Article 13.2 of this Agreement so as to close this Transaction in accordance with this Agreement. Unless stipulated otherwise in this Agreement or consented by the other party in writing, either party 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, the representations and warranties made under Article 7 will become material untrue representations or warranties, or otherwise materially breach of covenant or obligation stipulated in this Agreement, or (2) failure to comply with or satisfy the condition precedent stipulated in Article 13.2 of this Agreement. Prior to the Closing Date, if there is any fact, change, circumstance or event which will make either party unable to comply or satisfy any condition precedent that that party is obliged to comply under this Agreement, that party shall notify the other party immediately in writing, but such notification will not affect the other party's rights or interest under this Agreement.
- 8.4 If, pursuant to any of its existing valid agreements with a third party, either party is obligated to notify a third party or obtain the consent of the third party to complete this Transaction, then that party shall notify such third party in accordance with the relevant provisions thereunder and obtain the consent from such third party on this Transaction.
- 8.5 Upon the occurrence of any event specified in this Agreement requiring an adjustment of the merger consideration, that party shall immediately notify the other party and provide all necessary information.
- 8.6 Either party shall, as appropriate, maintain, manage, improve and preserve the original value and function of its respective assets (including any tangible and intangible assets) owned or used by such party. Either party shall not, whether through gross negligence or willful misconduct, destroy, damage, or diminish the

value of its assets.

- 8.7 Either party 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.
- 8.8 Either party shall continue to operate and manage their businesses in accordance with their ordinary and reasonable business practices with due care of a good administrator and under the principles of good faith and honesty, and comply with the relevant laws and regulations, its Articles of Incorporation and bylaws. Either party shall comply with laws or regulation of applicable jurisdictions and the ruling issued by relevant governmental agencies, and to maintain the relationship with client or employee exercising reasonable business effort. If either party'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 that party knows the existence of litigation, arbitration, non-litigious matter, administrative proceeding, written request or investigation made against that party or its subsidiaries/branches or their directors, supervisors, managers and/or employees due to their performance of duties, that party shall notify the other party immediately in writing and negotiate/discuss with the other party for the solution or remedial measure. For the avoidance of doubt, the above does not include merger and acquisitions project that MediaTek has already disclosed to MStar or any patent litigation settlement discussion (regardless of whether they are already been disclosed).
- 8.9 Either party shall continue to maintain and manage any license, approval, and permit obtained by that party prior to the Execution Date (excluding the ones that will be cancelled, become invalid or not applicable due to merger) such that the aforementioned license, approval, and permit can continue to be valid and utilized after the Closing Date.
- 8.10 Both parties agree that either party shall assist the other party in good faith to understand business operation status of the other party, 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.
- 8.11 From the Execution Date to the Closing Date, either party and its subsidiaries/branches may not take any of the following actions, unless the other party's prior written consent is obtained (the other party may not refuse to consent in the absence of justifiable reason):
- 8.11.1 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 and interest of either party and/or its subsidiaries/branches, including but not limited to:
- (1) strategic alliances, delegation of management rights, joint ventures or making investment or other projects which will have material effect on company's operation;
  - (2) 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;

- (3) transferring the whole or essential part of its business or assets to a third party;
- (4) assumption of all of the businesses or properties of others;
- (5) entering into other contracts not fall under the scope of that party or its subsidiaries/branches' daily business, which is sufficient to materially affect that party and its subsidiaries/branches' finance or business; or
- (6) Termination, cessation of any agency or operation of other business.

8.11.2 Undertake major organizational changes to MStar, including but not limited to: appointment, removal or reassignment of any insiders, amendment of major work rules, changing terms of contract or employment entered into with employees or managers (including but not limited to any abnormal 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), add, increase or agree to increase employee benefit, or hire new employees who are not necessary by human resources to the company.

8.11.3 Amend its Articles of Incorporation of either party, except for those amendments that are necessary for the facilitation of this Transaction or in compliance with the requirement of the laws.

8.11.4 Initiate any legal action, administrative proceeding, or remedial procedures by MStar 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.

8.11.5 Waive, forfeit or abandon any rights or interest that are valid existing by either party, or settle any controversy, dispute or litigation with a third party or take other action which has adverse effect on that party.

8.11.6 Except for the purpose of design, manufacture or sale of products, either party license, transfer or create any encumbrance, offer for sale, dispose, sell or adopt other similar dispositions of any material intangible property (such as intellectual properties), or take any action for the purpose of entering into the above contracts, but excluding the license, transfer or create any encumbrance, offer for sale, dispose, sell or adopt other similar dispositions by MediaTek that is related to a settlement of patent litigation.

8.11.7 Either party 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/put warrant and other equity-type securities, except for exercising employee stock option in accordance with the related employees stock option plan.

8.11.8 Decide/execute the following matters by MStar:

- (1) lending money to any shareholders or third party (excluding lending money to its directly/indirectly owned subsidiaries due to daily operation need);
- (2) discussing, negotiating, accepting or executing contracts concerning management of MStar;

- (3) entering into contracts which restrict MStar's primary business operation;
  - (4) entering into settlement contract or contracts resolving dispute with a third party, and the amount in a contract exceed US\$10,000,000 or the accumulated amount of contracts exceed US\$30,000,000;
  - (5) entering into contract related to daily operation or technology cooperation/development with affiliated companies the amount in a contract exceed NT\$10,000,000 or the accumulated amount of contracts exceed NT\$100,000,000, except for those stipulated in this Agreement;
  - (6) 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
  - (7) entering into loan agreement or increase the amount of loan which exceed US\$20,000,000, 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 (excluding the one required for daily operation).
- 8.11.9 Change accounting method or accounting policies by either party, excluding the situation where the change is made due to change of laws or regulations, ruling issued by competent authorities or the generally accepted accounting principles applicable to that party.
- 8.11.10 Mass redundancy of employees, or implement any early retirement or preferential retirement plan by MStar.
- 8.11.11 Except for redeeming objecting shareholders' shares by MStar in accordance with this Transaction, MStar 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 MStar's cash flow, shareholders' interest, or financial structure.
- 8.11.12 Either party directly or indirectly through its directors, supervisor, managers or employees, engage in contact, negotiate, discuss, offer for sale or accept any proposal related to MStar's stock or management, or to merge with MStar, or proposal concerning the sale, joint venture or forming partnership with respect to MStar important business or assets.
- 8.11.13 Either party directly or indirectly reveal the non-public information known to either party due to this Transaction to a third party, other than to that party'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.
- 8.11.14 Either party take any actions or no actions which one can reasonably anticipated that the representations and warranties specified in Article 7 of this Agreement will be changed and consequently lead to extinguishment of the basis upon which this Transaction relies upon or have material adverse effect on such basis.
- 8.12 Prior to the Closing date either party may continue to understand or investigate major issues of the other party or its subsidiaries/branches. The other party shall fully cooperate and cause its subsidiaries/branches to cooperate, and shall immediately provide the certificate, document, contract,

accounting book and materials, among others, upon the request of the investigating party at any time. In addition, the requested party shall immediately respond to the question of the investing party or the expert delegated by the investing party, so as to ensure that there is no major change to the invested party's finance or business.

8.13 Both parties shall use its best reasonable effort to obtain the approval(s) from the government authorities required for this Transaction based on the terms and conditions agreed upon between the parties, and to avoid that the government authorities imposing any condition on its approval which is not acceptable to either party. However, if any of the government authorities imposes any conditions on its approval which is not acceptable to either party or reject to grant approval, then both parties shall, use their best reasonable effort, negotiate and find an alternative solution legally acceptable, after taking into account the goal of operation, allocation of resource of both parties, maximization of both parties' interest and principle of objectiveness and fairness.

#### **Article 9: Handling Objecting Shareholders**

If the shareholders of either party object to resolution related to this merger or this Agreement in accordance with the laws or Articles of Incorporation and request for redemption of his/her shareholding, that party shall redeem such shareholding in accordance with relevant laws or regulations or Articles of Incorporation of that party. The redemption price shall be determined by court, unless otherwise agreed upon by that party with the objecting shareholder. The shares redeemed under this article shall be cancelled in accordance with related laws or regulations. In addition, the paid-in capital of both parties specified in Article 2 of this Agreement and the number of new shares to be issued by MediaTek due to this Transaction specified in Article 3 of this Agreement shall be adjusted accordingly.

#### **Article 10: Obligation to Notify Creditors and Make Public Notice**

After it is resolved to merger, MediaTek shall immediately make public notice and notify each creditors of such merger and specify a period of not less than thirty (30) days to allow objection filed by the creditors. If any of MediaTek's creditors file an objection within the prescribed period, it shall be handled in accordance with Paragraph 2, Article 23 of the M&A Act.

#### **Article 11: Assumption of Rights and Obligations after Merger**

Unless otherwise required/prohibited by law or stipulated otherwise in this Agreement, after the Closing Date (including Closing Date) all assets, debt, rights and obligations of the Dissolved Company effective as of Closing Date (including but not limited to patent, copyright and contracts) will be assumed by the Surviving company generally.

#### **Article 12: 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 (including but not limited to the fee payable to attorney, accountant and external consultant) shall be borne by the party that incurred such taxes or fees in accordance with relevant laws or regulation, except for those that are tax-exempted or tax-waived.

### **Article 13: Effectiveness of this Agreement**

13.1 This Agreement shall become effective after been approved by respective shareholders' meeting of both parties in accordance with related laws and regulations. Nonetheless, prior to the resolution of both parties' shareholders meeting, the obligation to take action or take no action as specified in this Agreement shall have binding effect, and both parties shall perform such obligation based on the principle of honesty and good faith.

13.2 The obligation of either party to consummate this Transaction is conditioned upon the completion of the following conditions, the delivery of the following documents or the delivery of documents which can prove that the following conditions precedent are satisfied:

13.2.1 This Agreement and this Transaction are approved by the resolutions adopted at the respective board of directors and/or shareholders' meeting of the parties, and the chairman of respective party has been authorized to handle the matters related to this Transaction (including but not limited to execution of related documents).

13.2.2 Both parties obtain all the approval of the relevant governmental authorities.

13.2.3 There is no injunction or other decision, order from court having jurisdiction or other restrictions imposed by laws or regulations, which will impede, prohibit or otherwise materially restrict the completion of this Transaction.

13.2.4 As of the Closing Date, the other party has duly complied with the covenant, obligation and promises set forth in this Agreement, and the representations and warranties made by the other party are correct and true without any error, as if those representations, warranties and covenants are made on the Closing Date.

13.2.5 If an adjustment to the merger consideration is required in accordance with this Agreement, such adjustment has been duly made in accordance with this Agreement.

13.2.6 If the other party is required to amend its Articles of Incorporation in accordance with this Agreement, that party has already completed the amendment of its Articles of Incorporation.

13.2.7 Both parties issue written certificate to prove that as of the Closing Date, the respective party has duly performed the covenant, obligation and promises set forth in this Agreement, and the representations and warrants set forth in Article 7 of this Agreement are correct and true without any error, and that written certificate is in a form and content acceptable to the other party. For the avoidance of doubt, neither party may refuse to complete this Transaction due to the failure to meet the condition precedent set forth in this Article 13.2.7 of this Agreement.

### **Article 14: Rescission of the Agreement**

14.1 Prior to the Closing Date, unless otherwise agreed upon by both parties or otherwise required/prohibited

by law, if any of the situations stated below occurs, this Agreement may be rescinded in accordance with this Article:

14.1.1 The parties agree in writing to rescind this Agreement.

14.1.2 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.

14.1.3 Where relevant governmental agencies refuse to approve this Transaction and both parties fails to reach a consensus toward an alternative solution in accordance with Article 8.13 of this Agreement, then either party may rescind this Agreement by giving written notice to the other party.

14.1.4 If, prior to the Closing Date, either party materially breach any representations, warranties, covenants or other provisions and such breach may be rectified, and if the breaching party fails to rectify within 15 days or other period agreed upon by the parties after receipt of written notice from the non-breaching party informing the breach, then the non-breaching party may rescind this Agreement by giving written notice to the other party. If the breach is not rectifiable and the breach is material, the non-breaching party may terminate forthwith by giving written notice to the other party. For the avoidance of doubt, if either party refuses to or delay in applying for the permit, approval or filing required for the consummation of this Transaction, it shall be deemed as material breach stated above.

14.2 After rescission of this Agreement in accordance with Article 14.1, 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 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.

#### **Article 15: Damage Compensation**

If this Transaction is failed due to reason attributable to either party, this Agreement is rescinded in accordance with Article 14.1.2 or 14.1.4, or either party, without justifiable reasons, cause the negotiation regarding the adjustment of merger consideration stated in Article 4 of this Agreement to fail and consequently cause this Agreement to be rescinded, the breaching party shall compensate the non-breaching party all the damage, loss, tax and expenses incurred (including but not limited to fee payable to attorney, accountant and security brokerage). If the non-breaching party does not want to prove separately the tax or expense paid or loss/damage sustained, both parties agree that the breaching party shall pay the non-breaching party the total amount of NT\$5,000,000,000 as damages.

#### **Article 16: Increase of number of companies involved in the merger**

After both parties' board of directors approve the merger and make public the information related to this Transaction, if it is proposed to conduct merger with other companies, the process or legal act completed in the

merger as required by law (such as convention of board meeting and shareholders meeting to approve the merger and the execution of merger agreement) must be redo again by all the participating companies, except that 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. All the companies participating in the merger shall sign a new merger agreement jointly for the matters related to the merger.

#### **Article 17: MStar's Employee**

After the Closing Date, MediaTek will handle employment/hiring matters related to employee of MStar, MStar's subsidiaries or MStar's branches in accordance with the laws or regulation applicable respectively to MStar, MStar's subsidiaries or MStar's branches.

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

18.1 The interpretation, enforceability and the performance of this Agreement shall be governed by the laws of the ROC. If there is any dispute related to the interpretation or performance of this Agreement, both parties shall resolve such dispute through negotiation. If the dispute cannot be resolved through negotiation and a lawsuit arises, the Taiwan Hsinchu District Court shall be the court of first instance.

18.2 In the event that any provision of this Agreement is invalid due to its contravention with the relevant laws and regulations, only such portion will be invalid and shall not in any way affect the enforceability of any other provisions hereof. For those invalid provisions due to contravention with relevant laws and regulations, both parties' respective board of directors shall jointly negotiate and amend them within the scope permitted by law and there is no need to obtain approval at the shareholders' meeting. If no consensus can be reached through negotiation, it shall be handled in accordance with relevant laws or regulations. In the event that there is issue not addressed in this Agreement or it is necessary to amend any provision of this Agreement due to official instructions by relevant governmental authorities or due to the change of subjective/objective circumstances, the parties' respective chairman shall amend the Agreement in accordance with such instructions.

18.3 This Agreement may only be amended or modified by a written document executed by both parties.

18.4 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. 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.

Party A: MediaTek Inc.

Contact Person: David Ku

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

Party B: MStar Semiconductor, Inc.

Contact Person: Han-Fei Lin

Address: 4F, No. 26, Taiyuan St., Zhubei City, Hsinchu County

- 18.5 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.
- 18.6 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.
- 18.7 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 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, and will not be affected by the rescission, revocation or termination.
- 18.8 For matter not addressed in this Agreement, it shall be negotiated by both parties in writing based on the principle set forth in this Agreement.
- 18.9 This Agreement shall be executed in two original and more counterparts, with each party holding one original.

[Signature page follows]

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: MStar Semiconductor, Inc.

Chairman: Wayne Liang

Address: 1st Floor, Windward1, Regatta Office Park, P.O. Box 10338, Grand Cayman KY1-1003, Cayman Islands

Signed: August 14, 2012

### Exhibit A

Detailed information relevant to employee stock options granted by MediaTek to employees of MediaTek's subsidiaries:

Date of Grant	Total number of options granted	Number of option remain exercisable at period-end	Exercise price in NT\$ (note)
2008.03.31	1,134,119	466,183	\$374.7
2008.08.28	1,640,285	784,163	358.9
2009.08.18	1,382,630	766,211	460.6
2010.08.27	1,605,757	1,035,641	429.8
2010.11.04	65,839	17,714	397.0
2011.08.24	2,109,871	1,959,435	280.0

Note: In the event there is a change to the number of common shares of MediaTek (such as cash injection and stock bonus, among others), the exercise price will be adjusted in accordance with Employee Stock Option Plan of MediaTek.

Detailed information relevant to employee stock options granted by MediaTek to replace employee stock options granted by Ralink Technology Corporation:

Date of Grant	Total number of options granted	Number of option remain exercisable as of share swap closing date	Number of option remain exercisable adjusted based on share swap ratio as of share swap closing date	Number of option remain exercisable at period-end	Exercise price in NT\$ (note)
2006.09.30	599,500	9,763	3,092	1,646	14.3
2006.06.30	150,000	32,879	10,416	10,416	15.7
2007.09.30	560,000	149,568	47,368	19,547	15.7
2008.12.31	1,000,000	277,490	87,895	38,992	16.7

Note: In the event there is a change to the number of common shares of MediaTek (such as cash injection and stock bonus, among others), the exercise price will be adjusted in accordance with Employee Stock Option Plan of MediaTek.

## Fairness Opinion of Acquiring Price for MediaTek Inc. to Merge MStar Semiconductor, Inc.

Established in 1997, MediaTek Inc. (ticker number: 2454; MediaTek) is a world leader in IC design companies 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.

In consideration of MediaTek's long-term growth strategies, MediaTek announced a tender offer on June 22, 2012 to acquire 40% to 48% outstanding shares of MStar Semiconductor, Inc. (ticker number: 3697; MStar). For each MStar share, MediaTek paid 0.794 MediaTek shares and NT\$1 in cash. The tender offer period is expected to end on August 13, 2012. For MediaTek to fully merge MStar, both companies plan to hold their Board Meeting on August 14, 2012 to resolve the merger. The independent expert is engaged to issue the fairness opinion for the merger price of this contemplated transaction with the following results.

### I、Target Company Overview

Since the inception in 2002, MStar has established a global leadership position in LCD controller, analog and digital TV, and mobile communication applications by fully leveraging its core expertise of cutting-edge design capabilities, continuous innovation and premier customer-focused services.

The following tables present MStar's financial results of operation for the last fiscal year.

#### 1. Balance Sheet (summary)

Unit: NT\$ thousand	2011
<b>Current assets</b>	36,465,298
<b>Long-term investment</b>	264,389
<b>Net fixed assets</b>	2,079,148
<b>Intangible assets</b>	1,618,185
<b>Other assets</b>	574,173
<b>Total assets</b>	41,001,193
<b>Current liabilities</b>	7,774,199
<b>Long-term liabilities</b>	781,200
<b>Other liabilities</b>	0
<b>Total liabilities</b>	8,555,399

<b>Unit: NT\$ thousand</b>	<b>2011</b>
<b>Capital</b>	5,294,077
<b>Total shareholders' equity</b>	32,445,794

Source: 2011 audited consolidated financial statements

## 2. Income Statement (summary)

<b>Unit: NT\$ thousand</b>	<b>2011</b>
<b>Sales</b>	35,685,742
<b>Gross profit</b>	15,004,432
<b>Operating profit</b>	6,469,703
<b>Net profit before tax</b>	6,737,393
<b>Net profit</b>	6,224,870

Source: 2011 audited consolidated financial statements

## II 、 Valuation Methods

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

In practice, the valuation should reflect several factors including industry characteristics of the evaluated company, share trading liquidity, future profitability, stability of outstanding shares, and invested capital. Though DCF method is crucial and widely adopted from academic perspective, it also creates higher uncertainty given the projected future cash flow is based on plenty of assumptions. Therefore, it is common to estimate the range of share value by using accepted valuation basis and reflect other key factors to determine the share price. Three commonly used valuation methods adopted in this opinion are (1) market price, (2) P/E multiple, and (3) EV/sales multiple.

### 1. Market Price

MStar is a listed company in Taiwan Stock Exchange (TSE). The public trading prices can be considered as objective reference. Based on MStar's recent public trading information, share price samples are taken from the average daily closing prices over 10, 20, 30, 60 and 90 business days up until August 6, 2012 (including August 6). The results are presented in the table below:

2012/8/6	MStar	Range
10 days average price	192.3	176.8~192.3
20 days average price	190.2	
30 days average price	191.0	
60 days average price	179.9	
90 days average price	176.8	

Source : Taiwan Economic Journal (TEJ)

According to the market price table, share price range is between NT\$176.8 and NT\$192.3 before factor in controlling premium.

## 2. P/E multiple

MStar's share price is estimated by price to earnings (P/E) ratio which is calculated based on MStar and its competitors' financial results. Several TSE listed companies with similar IC design operations as MStar are selected as comparable companies. The P/E ratio is calculated based on recent share price and 2012 estimated earnings per share (EPS) of these companies. The table below presents the result of calculation.

Comparable companies	Share price (NT\$)	EPS (NT\$)	P/E (x)
MediaTek	254.3	12.62	20.15
MStar	179.9	13.35	13.48
Novatek	84.4	6.85	12.32
Richtek	170.0	12.56	13.54

Source: Taiwan Economic Journal (TEJ), Thomson One

Note: 1. Share price is post dividend 60 days average daily price as of August 6, 2012 (including August 6)

2. EPS data from comparable companies' market consensus forecast for 2012 from Thomson One

Based on P/E multiple, the range of MStar's share price is calculated below.

P/E	Low	High
Range of P/E multiple	12.32	20.15
Estimated MStar 2012 EPS (NT\$)	13.35	13.35
Estimated MStar's share price range (NT\$)	164.5	269.1

Note: EPS data from company's market consensus forecast for 2012 from Thomson One

## 3. EV/sales multiple

The financial results of comparable companies are used to calculate the enterprise value (EV) and derive EV/sales by considering the estimated 2012 sales of these companies. The results are presented in the table below.

Comparable companies	(A)Market Capitalization (NT\$ million)	(B)Net Debt (NT\$ million)	(A)+(B) = EV (NT\$ million)	Sales (NT\$ million)	EV/sales (X)
MediaTek	291,883	-81,714	210,168	96,036	2.19
MStar	95,252	-26,378	68,874	40,282	1.71
Novatek	50,883	-8,513	42,371	35,769	1.18
Ricktek	25,424	-2,132	23,292	12,326	1.89

Source: Taiwan Economic Journal (TEJ), Thomson One, 2011 audited consolidated financial statements

Note: 1. Market capitalization = Post dividend 60 days average daily price as of August 6, 2012 (including August 6) x outstanding common shares

2. Net debt = Long/short term interests bearing debt – cash and cash equivalent

3. Sales data from comparable companies' market consensus forecast for 2012 from Thomson One

Based on EV/sales multiple, the range of MStar's share price is calculated below.

EV/sales	Low	High
Range of EV/sales multiple	1.18	2.19
Estimated MStar 2012 sales (NT\$ million)	40,282	40,282
Estimated MStar EV (NT\$ million)	47,717	88,154
Estimated MStar market capitalization (NT\$ million)	74,094	114,532
Estimated MStar share price range (NT\$ million)	140.0	216.3

Note: Sales data from company's market consensus forecast for 2012 from Thomson One

### III. Valuation result

#### 1. Summary

Three valuation methods are adopted as the basis for evaluating MStar's common share price including 1) market price, 2) P/E multiple, and 3) EV/sales multiple. MediaTek and MStar are both listed companies in TSE with objective market value. The average trading volume of MediaTek and MStar from January to July 2012 are 198,349,000 shares and 85,349,000 shares, respectively. It is notable that two companies' shares are traded actively. Therefore, the market price is considered higher weighting and supported by P/E multiple and EV/sales multiple with proper weighting for the valuation. The weighted valuation calculation is presented in the table below and the weighted valuation range of MStar share price is between NT\$169.4 and NT\$207.4.

Valuation method	Price range (NT\$ per share)	Weighting (%)	Weighted price range (NT\$ per share)
Market price	176.8~192.3	70%	169.4~207.4
P/E multiple	164.5~269.1	15%	
EV/sales multiple	140.0~216.3	15%	

## 2. Non-quantitative adjustment factor and the share price range after non-quantitative adjustment

Based on the share price range calculated before, a proper premium is adjusted with consideration of the controlling premium and future synergy after merger completed.

Three common quantitative methods including market price, P/E multiple and EV/sales multiple are adopted and the weighted share price range is between NT\$169.4 and NT\$207.4. After considering non-quantitative factors, proper premium for merger is incorporated additionally so the share price range is adjusted to NT\$186.4 and NT\$228.2.

## IV. Conclusion

In summary from all above, the following have been considered cautiously for this case: (1) market price, (2) P/E multiple, (3) EV/sales multiple and (4) non-quantitative adjustment factors. The fair share price range is between NT\$186.4 and NT\$228.2. For the consideration of merger, MediaTek plans to pay 0.794 MediaTek shares and NT\$1 in cash for each MStar share. Based on MediaTek's recent public market price, the post dividend 60 days average daily trading price as of August 6, 2012 (including August 6) is NT\$254.3. Based on such price, the implied share price of MStar is NT\$203.0 which is within the share price range calculated above. Therefore, the valuation of merger price is considered reasonable.

Independent expert: Jenyung "John" Lee

August 8, 2012

Bio of Independent Expert

Name: Jenyung “John” Lee

Birthplace: New Taipei Country, Taiwan

Education background: Master’s Degree of Accounting from University of Missouri

Experience: C.P.A. of Guo-ding CPA firm

Senior Assistance Manager of the Accounting Division of Far Eastern  
Telecom Group

Deputy Manager of the Finance Division of Evergreen Marine Group

Present: C.P.A. of Kaw Wei CPAs Firm

ID Number: F1207\*\*\*\*\*

Declaration by Independent Expert

I have been engaged to issue the fairness opinion with respect to the reasonableness of the merger price for the merger of MediaTek Inc. (MediaTek) and MStar Semiconductor, Inc (MStar).

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

I or my spouse is employed by MediaTek or MStar in a regular capacity for a fixed salary

I or my spouse was employed by MediaTek or MStar less than two years ago

I or my spouse is currently employed by a company that is a related party to MediaTek or MStar

I am related to the responsible person or manager of MediaTek or MStar as a spouse or by less than two degrees in removal

I or my spouse invests in or shares common interest with MediaTek or MStar

I am a current auditor of MediaTek or MStar for issuing financial report

With respect to the merger between MediaTek and MStar, I remain fully independent in the making of my expert opinion.

The opinion and the conclusion can only be used for the valuation purpose and shall not be used for any other purpose.

Signed by: Jenyung "John" Lee

August 8, 2012