

MediaTek's (2454 TT) Tender Offer to acquire MStar (3697 TT) FAQ

Terms of Public Tender Offer

1. What is the offer price and premium? Is the price fair?

The Public Tender Offer price per MStar share is 0.794 MediaTek shares plus NT\$1 Cash, representing a proximately 20% premium over MStar's 10 Days average price prior to announcement of the Public Tender Offer (2012/06/22). MediaTek has engaged an independent expert to opine on the fairness of the tender offer price and concluded that the price is fair. Regarding the fairness opinion, please refer to the Tender Offer Prospectus.

2. Are MStar shareholders who participate in Public Tender Offer entitled to the distribution of 2011 dividends?

A NT\$ 9 cash dividend per share was adopted by MStar shareholders' meeting on 2012/6/15, and ex-dividend record date will be 2012/7/15, which is ahead of the settlement date (within 9 business days (inclusive) after the completion date of Public Tender Offer at 2012/8/13). Therefore, with or without Public Tender Offer period extension of maximum 30 days, MStar shareholders, including shareholders who participate in the Public Tender Offer, are entitled to the distribution of MStar 2011 dividends given the registration in roster of shareholders at ex-dividend record date.

A NT\$ 9 cash dividend per share was adopted by MediaTek shareholders' meeting on 2012/6/13, and ex-dividend record date will be 2012/7/22, which is ahead of the record date of capital increase (for the consideration of the Public Tender Offer). Therefore MStar shareholders who participate in the Public Tender Offer will not be entitled to the distribution of MediaTek 2011 dividends, even if they obtain MediaTek shares as consideration.

3. Maximum and minimum acquisition conditions of the Public Tender Offer.

The Public Tender Offer seeks to acquire 254,115,685 shares, representing approximately 48% of the total share capital of MStar (529,407,676 shares).

The minimum acceptance threshold is 211,763,071 shares, or approximately 40% the total share capital of MStar.

4. Why seeking Maximum acquisition at 48%?

After consulting lawyers in different countries and taking transaction size, complexity, legal compliance etc. into account, this is considered the better way to proceed the transaction.

5. Will MStar be de-listed after completion of the tender offer? Any impact

on the shareholders if they don't tender their shares? Will they hold MediaTek shares instead?

Following successful completion of the Public Tender Offer, MStar will remain a listed company. The effective delisting procedure and date will depend on the BOD Meeting, General Meeting, and approval from relevant authorities etc. The tentative merger effective date falls in early 2013.

Upon the merger effective date, MStar shares shall be cancelled and shareholders who didn't participate in the Public Tender Offer will be repaid MediaTek shares and cash as consideration. MStar will be delisted from Taiwan Stock Exchange.

The tentative merger price shall be approximately equivalent to the Public Tender Offer price. The actual Merger Price shall be subject to requests from authorities, regulations, or merger agreement, and have to be approved by BOD meetings of both companies before public announcement.

In addition, the payment of consideration for merger shall be later than the payment for Public Tender Offer.

6. Will MediaTek offer higher Public Tender Offer / Merger price?

The Public Tender Offer price of 0.794 MediaTek shares plus NT\$1 Cash is the highest and last price. Mediatek has no intention to increase the offer price. In addition, the Public Tender Offer price will not be affected by cash dividends distribution of both MetiaTek and MStar.

The tentative Merger Price shall be approximately equivalent to the Public Tender Offer Price. The actual Merger Price shall be subject to requests from authorities, regulations, or merger agreement, and have to be approved by BOD meetings of both companies before public announcement.

7. What if the conditions to the Public Tender Offer are not satisfied?

If the minimum acceptance condition is not satisfied or required regulatory approvals are not obtained, the Public Tender Offer will be unsuccessful and will be withdrawn. The tendered shares will be returned by Yuanta Securities Co., Ltd. from the " Yuanta Securities Co., Ltd., Public Tender Offer Account" (Account number: 980a-005448-9) to the original book-entry account of the tendering shareholders within 9 business days (inclusive) after the expiration of the Public Tender Offer period.

8. Will MediaTek launch Public Tender Offer to acquire MStar shares again?

Pursuant to relevant laws and regulations, MediaTek may seek to extend the Public Tender Offer period for a maximum of 30 additional days through a filing with the Financial Supervisory Commission and a public announcement before the completion date of 2012/8/13. Tendering shareholders shall bear the risk of delayed in payment of consideration and the risk of stock price fluctuation.

In addition, in accordance with 「 Securities and Exchange Act 」, except for obtaining approval from authorities, MediaTek is not permitted to launch Public Tender Offer to MStar within 1 year if current Public Tender Offer fails.

9. Did MediaTek obtain approvals from relevant authorities to proceed the

Public Tender Offer?

MediaTek has applied to Financial Supervisory Commission of Executive Yuan, Investment Commission of Ministry of Economic Affairs, and Fair Trade Commission on 2012/6/22 for relevant approvals. In addition, MediaTek will apply to Financial Supervisory Commission of Executive Yuan for issuing new shares by 2012/7/5. Relevant approvals are expected to be obtained before closing date of Public Tender Offer period.

The Public Tender Offer seeks to acquire 40%~48% of MStar shares, therefore, according to lawyers, is not subject to approvals of Fair Trade Commissions in other countries.

- 10. If the percentage of total number of tendered shares exceeds 48%, the tendered shares will be purchased and the excess tendered shares returned on a pro-rata basis.**

Basic Term

- (1) If the percentage of total number of tendered shares exceeds 48%, the shares that exceed 48% will be returned on a pro-rata basis based on the formula below.
- (2) For every book-entry accounts of TDCC, if the tendered shares are less than 1,000 shares (including 1,000 shares), all of tendered shares will be purchased.
- (3) For every book-entry accounts of TDCC, if the tendered shares are more than 1,000 shares, the offeror promises to buy 1,000 shares. The rest of the tendered shares will be purchased on a pro-rata basis in multiples of 1,000 shares.

Share Purchase Formula

- If the tendered shares are less than 1,000 shares (including 1,000 shares), all of tendered shares will be purchased.
- If the tendered shares are more than 1,000 shares, the offeror promises to buy 1,000 shares. The rest of shares will be purchased on a pro-rata basis in multiples of 1,000 shares.

A : On the completion day of Public Tender Offer, the percentage of the total number of tendered shares relative to MStar's outstanding shares.

B : The percentage of aforementioned (2) total purchased shares + (3) for every book-entry accounts of TDCC, the total promised shares relative to MStar's outstanding shares.

$$\frac{48\% - B}{A - B} \times (\text{the tendered shares} - 1,000 \text{ shares})$$

Assumption

Shareholder T : 500 shares
Shareholder J : 1,500 shares
Shareholder F : 10,030 shares

Example 1	Example 2
<p>A : 78% B : 5%</p>	<p>A : 88% B : 5%</p>
<p>Calculation Shareholder T : all of tendered shares(500 shares) will be purchased</p>	<p>Calculation Shareholder T : all of tendered shares(500 shares) will be purchased</p>
<p>Shareholder J : 1,000 shares will be purchased. Because the rest 500 shares is less than 1,000 shares, the rest 500 shares are returned.</p>	<p>Shareholder J : 1,000 shares will be purchased. Because the rest 500 shares is less than 1,000 shares, the rest 500 shares are returned.</p>
<p>Shareholder F : 1,000 shares will be purchased. The rest 9,030 shares will be purchased on a pro-rata basis.</p>	<p>Shareholder F : 1,000 shares will be purchased. The rest 9,030 shares will be purchased on a pro-rata basis.</p>
$\frac{48\% - 5\%}{78\% - 5\%} \times (10,030 - 1,000) = 5,319$	$\frac{48\% - 5\%}{88\% - 5\%} \times (10,030 - 1,000) = 4,678$
<p>→ 6,000 shares will be purchased (1,000 shares+ 5,000 shares) and 4,030 shares will be returned.</p>	<p>→ 5,000 shares will be purchased (1,000 shares + 4,000 shares) and 5,030 shares will be returned.</p>

11. Differential tax treatment for current shareholders between participating in the Public Tender Offer and the merger.

(1) Participating in the Public Tender Offer:

- Shareholders will be subject to the security transaction tax of 3‰ on proceeds from the tender offer.
- If the shareholders are local profit-seeking enterprises, or foreign profit-seeking enterprises with fixed place of business or business agent in Taiwan, capital gains will be considered income from sources in the Republic of China and will be included in the basic income for the purpose of Alternative Minimum Tax (rate 10%, NT\$2M deductible).
- Due to the Public Tender Offer price of 0.794 MediaTek shares plus NT\$1 Cash, calculation of security transaction tax will be based on MediaTek's closing price at the completion date of Public Tender Offer, and will be publicly announced before the completion day (inclusive) of Public Tender Offer.

(2) Participating in the merger:

- According to the rulings of Ref. No. Tai-Tsai-Hsuei-Tzi-9304538300 and Ref. No. Tai-Tsai-Hsuei-Tzi-09704552910 issued by the Ministry of Finance on

September 21, 2004 and October 17, 2008, in case of a merger between companies whereby the total merger consideration received by the shareholders of the dissolving company is in excess of the capital contribution of all of its shareholders (including capital, additional paid-in capital in the capital reserve and merger premium), any amount of the excessive amount distributed to the shareholders of the dissolving company shall be deemed dividend income (investment income) which is subject to income tax.

- According to the rulings of Ref. No. Tai-Tsai-Hsuei-Tzi-09704510660 and Ref. No. Tai-Tsai-Hsuei-Tzi-09700312710 issued by the Ministry of Finance on February 20, 2008 and December 8, 2008 if an individual shareholder or a foreign profit-seeking enterprise without fixed place of business or business agent in Taiwan as a shareholder can prove that the acquisition cost of the shares collected for cancellation is in excess of the capital contribution by presenting supporting documents obtained in accordance with the specific identification method, the shareholder may request that the amount of the proceeds in excess of his acquisition cost be deemed as dividend income of the individual shareholder or the enterprise.
- If a local profit-seeking enterprise as a shareholder participating in the merger, the capital gain/dividend income will be considered foreign income and be subject to income tax. (rate 17%)
- If an individual Taiwan resident shareholder, or a foreign individual with Taiwan residence, or a foreign individual without residence but cumulatively stay in Taiwan for more than 183 days in the year participating in the merger, the capital gain/dividend income will be considered foreign income and will be included in the basic income for the purpose of income Tax(rate 20%, NT\$6M deductible)

The instruction above is for shareholders' reference purpose only, not for taxation advice or suggestion. Shareholder should consult with professional taxation experts for relevant tax issues.

12. Undertaking to tender from MStar's major shareholders.

In consideration of confidentiality issue, MediaTek only contacted and negotiated with very limited shareholders of MStar. The shareholders agree to tender 21,071,534 shares (approximately 3.98% of total share capital) in this Public Tender Offer.

13. MediaTek current shareholding in MStar.

MediaTek does not own any MStar shares as at the announcement date of the Public Tender Offer period.

Process of participating Public Tender Offer

1. Scheduled Public Tender Offer.

The Public Tender Offer period commenced on 2012/6/25 and will close on 2012/8/13. Pursuant to relevant laws and regulations, MediaTek may seek to extend the Public Tender Offer period for a maximum of 30 additional days through a filing with the Financial Supervisory Commission and a public announcement.

Shareholders may tender their shares from 9:00am to 3:30pm on each trading day (Taiwan time) during the Public Tender Offer period.

2. When and how will I receive payment for my shares?

Shareholders who participate in the Public Tender Offer will receive the tender offer consideration within 9 business days (inclusive) after the completion of the Public Tender Offer period, provided that the conditions to the Public Tender Offer have been satisfied.

3. How to tender my shares?

Shareholders should bring securities passbook and chop to the brokerage where they bought MStar shares, and fill in Form 360 for processing and registration.

If shareholders hold physical shares, they will need to deposit them into their own book-entry accounts of TDCC and then follow the same tender instruction of depository shares.

The tendering shareholders shall own the shares to be tendered and the shares to be tendered must not be pledged or subject to any transfer restriction. Any shares that were purchased by margin must be settled before they can be tendered.

4. Fees charged to tendering shareholders.

Tendering shareholders shall bear the following fees and charges: securities transaction tax (3‰ of proceeds), wire transfer fees (NT\$10) or check postage fees (NT\$25), and TDCC processing fees of NT\$40 per tender.

5. How to tender shares which are new issued and haven't drawn from agent?

Shareholders should draw new issued shares from MStar's agent, deposit them into shareholders' own book-entry account of TDCC, and then follow the same tender instruction of depository shares. MStar's agent is Capital Securities. TEL: (02)2702-3999

6. When can I get my shares back if the Public Tender Offer is not successful?

If the minimum acceptance condition is not satisfied or required regulatory approvals are not obtained, the Public Tender Offer will be unsuccessful and will be withdrawn. The tendered shares will be returned by Yuanta Securities Co., Ltd. from the "Yuanta Securities Co., Ltd., Public Tender Offer Account" (Account

number: 980a-005448-9) to the original book-entry account of the tendering shareholders within 9 business days (inclusive) after the expiration of the Public Tender Offer period.

7. Is it possible to tender shares subject to a margin loan?

Any shares bought through margin loans cannot be tendered unless such loans have been fully repaid in advance.

8. Can I withdraw my participation after the Public Tender Offer's conditions have been satisfied?

Tendering shareholders cannot withdraw their participation in the tender offer once the minimum acceptance threshold has been satisfied and all governmental approvals are obtained.

9. Can I go to Yuanta Securities directly for depository tendering shares?

Shareholders should contact their own securities broker through whom they bought the shares to participate in the Public Tender Offer.

10. If I or someone I know am/ is traveling abroad or otherwise unable to deliver shares to my broker to be tendered, what should I do?

It is not possible to tender shares by post. You will need to give a power of attorney to someone in Taiwan who is able to take your securities passbook and chop to your broker for processing and registration.

11. How do investment trusts or foreign institutional investors participate in the Public Tender Offer?

In accordance with Article 15 of 「Regulations Governing Public Tender Offers for Securities of Public Companies」

- If an investment trust's or foreign institutional investor's shares are deposited with their own securities broker, they will be able to tender their shares through such securities broker.
- If an investment trust's or foreign institutional investor's shares are deposited at custodian banks, shares will need to be transferred back to the original securities brokers where those shares were purchased before tendering.

12. How can I get the prospectus?

Investors can download soft copies from Yuanta Securities websites. 『 <http://www.yuanta.com.tw/> 』. Or download from M.O.P.S. website 『 <http://newmopsov.twse.com.tw/> 』

13. Can shareholders change their bank account?

After shareholders tender their shares, TDCC will take shareholders' bank account of the book-entry account as the settlement account once the Public Tender Offer complete successfully.

Frequently Asked Questions

1. Any minimum requirement on the shares if I want to participate in the Public Tender Offer?

There is no minimum requirement on the tendered shares.

2. Can I tender physical shares?

If you have physical shares, you will need to deposit them into your own book-entry account of TDCC and then follow the same tender instruction of depository shares.

3. What if shareholders have book-entry account of TDCC but do not have bank accounts?

Shareholders who participate in the Public Tender Offer will receive checks as tender offer consideration within 9 business days (inclusive) after the completion of the Public Tender Offer period, provided that the conditions to the Public Tender Offer have been satisfied.

4. How to obtain relevant information (ex. public announcement)?

Go to Yuanta Securities websites 『<http://www.yuanta.com.tw/>』 ,
or dial (02) 2586-5859

5. When can I get my shares back if I withdraw my participation? Any fee charged if I withdraw?

If tendering shareholders withdraw their participation before Public Tender Offer's conditions being satisfied, shareholders will receive their shares in the next business day and will not be charged any fee.

Once the Public Tender Offer's conditions have been satisfied, tendering shareholders cannot withdraw their participation.

6. Should tendering shareholders inform Yuanta before they withdraw?

It is not necessary for tendering shareholders to inform Yuanta Securities to withdraw.

7. How to obtain Form 360?

Please contact with the securities broker whom you bought the shares to obtain Form 360.