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Website for MediaTek Inc. Annual Report Disclosure: http://www.mediatek.com/RM/en/ir/Annual_Reports.php

MEDIATEK

Annual Report 2008

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Website: www.mediatek.com

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1. Letter to Shareholders

Dear Shareholders,

In 2008, despite the unprecedented global recession, we have achieved key business objectives thanks to our diligent staff and our supportive customers. In fiscal year 2008, we posted a 13% growth rate, our 11th consecutive year of top-line growth. We posted revenue of NT$90.4 billion and earnings of NT$19.2 billion, or NT$18.01 per share, which provided the highest return on equity, placing MediaTek at the top of the semiconductors industry in Taiwan. Building on top of the worldwide leadership in optical storage IC, DVD player IC, and digital TV chips, we have also become a market leader in the mobile handset solutions business. Handsets with MediaTek ICs inside were sold in more than a hundred countries and we are ranked one of the top four handset chip suppliers in the world. Furthermore, we are rapidly closing the gap between ourselves and foreign competitors.

We made a few overseas acquisitions last year and have successfully completed the integration phase. These acquisitions will significantly improve our global position, technological innovation, and customer relationships. Throughout the year, we have received a number of acclaims recognizing our corporate management and technological innovation. Most notably, we received “The Best Financially Managed Semiconductor Company Award” from Global Semiconductor Association (GSA) for the third consecutive year. Moreover, we were the only domestic company to publish its research papers in the International Solid State Circuits Conference (ISSCC) for six consecutive years. To date, our research papers have been published in the ISSCC a total of 11 times. Finally, we were recognized for our continued focus on corporate social responsibility by both CommonWealth Magazine and Global View Monthly. They acknowledged our efforts in technology and rural education through the “Corporate Social Responsibility Award”.

Looking forward, leading economists predict that it will take several quarters, even years, before we see full economic recovery. The semiconductor industry is facing a challenging year in the face of weakened demand for consumer electronics. However, we firmly believe that companies with sound financial foundation and the ability to adapt will prevail in these difficult times. This is a time for companies to improve their efficiency and enhance their added value. We have worked persistently toward diversifying our product lines and positioning ourselves globally. Management complexity and cost generally come with acquisitions and new product lines. However, we in the past year still kept our operating cost down and in line with our expectation. During this global recession, we have re-examined our financial basis and made the necessary adjustments so that we are well positioned to capitalize on the coming economic recovery.

The company's future performance is still very much relying on the global economic recovery, but we will leverage our product portfolio, financial strength, intellectual property, human capital, and customer relationships to improve our operation efficiency. We aim to strike a balance between mid-to-long term product development and short-term market demands. Our plan is to focus our resources on high margin products, and to lower production costs and operating costs. Our strong portfolio of intellectual property can be leveraged to create a formidable barrier to competitors.

Looking ahead, we see boundless potential and opportunities for digital home and wireless communications technology. Our mission is to meet consumers' entertainment, communication, and information needs with the most innovative IC products and services. We are well aware of the short-term economic impact. Nevertheless, with our continuing gain in market share and competitive edge, we believe, we will continue to reward our shareholders with good total shareholder return. We would like to end on a note of thanks to each and every one of our valued shareholders for your continued support.

Ming-Kai Tsai
Chairman

Ching-Jiang Hsieh
President

2. Company Profile

2.1. MediaTek Company Profile

MediaTek Inc. was founded on May 28, 1997 and has been listed on Taiwan Stock Exchange (TSE) since July 2001. The company is headquartered in Taiwan with sales and research subsidiaries in Mainland China, the United States, the United Kingdom, Ireland, Denmark, India, Japan, South Korea, and Singapore. The company provides System-on-a-Chip (SoC) solutions for wireless communication, high-definition digital TV, optical storage, high-resolution DVD players, etc. and is a leader in all of these markets.

MediaTek has had a compounded annual growth rate of 29% since the company was founded and ranks among top 10 IC design companies in the world. The company has leading positions in both technology and market share. While the company continues its revenue and market share expansion, it also strives to innovate and improve its product value for solid and sustainable profitability.

2.2. Milestones

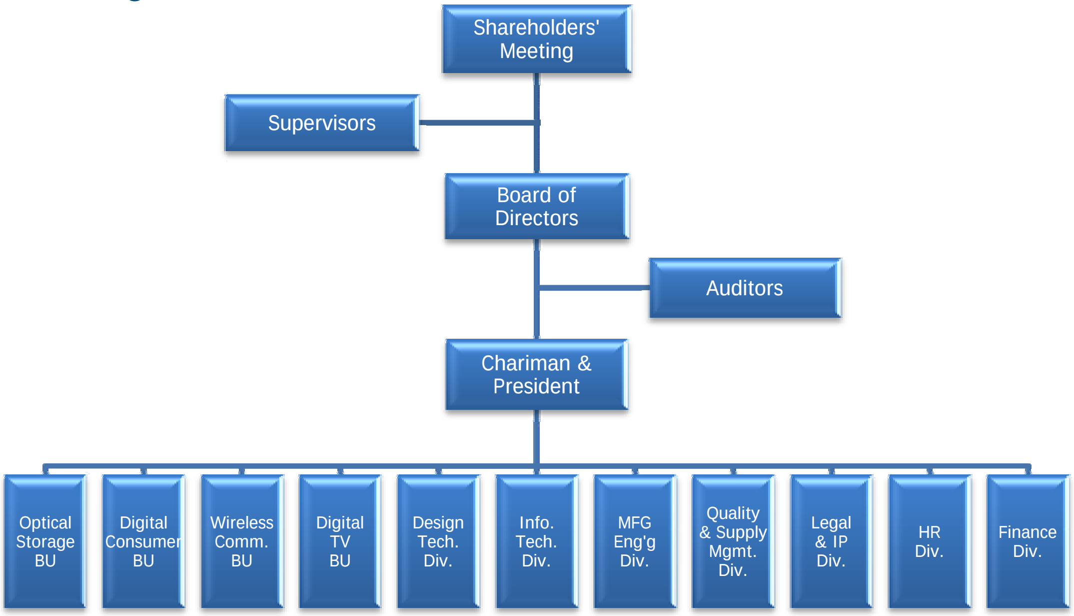
Year	Milestones
2008	■ Awarded "Innovative Product Award" for the company's Full-HD ATSC DTV SoC, by Science-based Industrial Park Administration (SIPA). ■ Launched Blu-ray DVD player chipset, GSM/GPRS/EDGE handset baseband chip, and next-generation ATSC and DVB-T digital TV single-chip. ■ Awarded "Corporate Social Responsibility Award" by Global View Magazine. ■ Awarded the second annual "Top 50 Corporate Citizens" by CommonWealth Magazine. ■ Awarded "Best Financially Managed Company" by Global Semiconductor Alliance (GSA).
2007	■ Awarded "Distinguished Innovation Accomplishment" at the 15th ITA Award by the Ministry of Economic Affairs. ■ Launched high-performance GPS signal receiver single-chip, first generation Bluetooth chip, and next-generation 120Hz video processing chip. ■ Published 2 research papers in the ISSCC – "A 1V 11b 200MS/s Pipelined ADC with Digital Background Calibration in 65nm CMOS," and "A Fractional Spur Free All-Digital PLL with Loop Gain Calibration and Phase Noise Cancellation for GSM/GPRS/EDGE" (First high-tech company in Taiwan to publish its research papers in the ISSCC for five consecutive years. MediaTek has been published in the ISSCC a total of 7 times and is the only Taiwanese company in the industry to be published in the ISSCC this year) ■ IEEE IRPS (International Reliability Physics Symposium) research paper publication – "A New Device Reliability Evaluation Method for Overdrive Voltage Circuit Application." ■ Awarded "The Asian Top 50" by "Forbes Asia." ■ Awarded the 12th annual "Most Admired Company in Taiwan" by CommonWealth Magazine. ■ Awarded "Corporate Social Responsibility Award" by Global View Magazine. ■ Awarded "Top 50 Corporate Citizens" by CommonWealth Magazine. ■ Awarded "Best Financially Managed Company" by Global Semiconductor Alliance (GSA).

2006	■ Awarded "Innovative Product Award" for the company's Blu-ray DVD player chipset, by SIPA. ■ Launched GSM/GPRS/EDGE high-resolution camcorder chipset for mobile phones. ■ Awarded "The Asian Top 50" by "Forbes Asia." ■ Research publication in the ISSCC - Fully Integrated CMOS SoC for 56/18/16 CD/DVD-dual/RAM Applications ■ Awarded "Best Financially Managed Company" by Fabless Semiconductor Association (FSA, now renamed as GSA).
2005	■ Awarded "Innovative Product Award" for the company's multimedia GSM/GPRS mobile phone chipset, by SIPA. ■ Launched ATSC and DVB-T high-resolution LCD TV chipset. ■ Research publication in the ISSCC – "Multi-Format Read/Write SoC for 7x Blu-ray/16x DVD/56x CD" and "DLL-Based Clock Recovery in a PRML Channel." ■ Awarded "The Asian Top 50" by "Forbes Asia." ■ Awarded the 10th annual "Most Admired Company in Taiwan" by CommonWealth Magazine.
2004	■ Awarded "Innovative Product Award" for the company's DVD-Recorder Backend single-chip, by SIPA. ■ Launched GSM/GPRS baseband handset chips. ■ Ranked #3 in the high-tech industry in Taiwan as part of Euromoney's "Best Corporate Governance" survey in 2004. ■ Awarded the 9th annual "Most Admired Company in Taiwan" by CommonWealth Magazine.
2003	■ Awarded "Innovative Product Award" for the company's 8x DVD-read/write (DVD-R/W) optical storage chipset, by SIPA. ■ Awarded "National Quality Award" by the Executive Yuan of Taiwan R.O.C. ■ Launched DVD-Dual chipset. ■ Awarded Top High-Tech Company in Taiwan by "Business Next Magazine."
2002	■ Awarded "Innovative Product Award" for the company's high-speed COMBI optical storage chipset by SIPA. ■ Launched 48x CD-R/W chipset. ■ Launched CD/DVD COMBI chipset.
2001	■ Awarded "Innovative Product Award" for the company's high-integration DVD-Player chipset by SIPA. ■ Awarded the 9th annual MOEA Award for Industrial Technology Advancement. ■ Listed on the Taiwan Stock Exchange (TSE) under ticker of "2454".
2000	■ Awarded "Innovative Product Award" for the company's high-speed CD-R/RW chipset by SIPA. ■ Launched 12x DVD-ROM chipset.
1999	■ Awarded "Innovative Product Award" for the company's 12x DVD-ROM chipset by SIPA. ■ Launched 12-x DVD-ROM chipset.
1998	■ Awarded "Innovative Product Award" for the company's CD-ROM digital data/servo processor by SIPA. ■ Launched the highest performance 48x CD-ROM chipset in the world.
1997	■ Founded on May 28th.

3. Corporate Governance

3.1. Organization

3.1.1. Organization Chart



3.1.2. Functions of Key Divisions

Division	Functions
Optical Storage Business Unit	Research, development, and promotion of optical storage chipsets
Digital Consumer Business Unit	Research, development, and promotion of digital home chips
Wireless Communication Business Unit	Research, development, and promotion of wireless communication chips
Digital TV Business Unit	Research, development, and promotion of digital TV chips
Design Technology Division	Design services, and technical platform development
Information Technology Division	Information system installation, e-commerce strategy, information system development and operation
Manufacturing Engineering Division	Pilot run of newly developed products, and technology development
Quality Assurance and Supply Management Division	Product quality and reliability management, customer satisfaction management, production planning, and procurement
Legal & Intellectual Property Division	Corporate legal affairs, contracts, patents, and the management of other intellectual property rights
Human Resources Division	Human resources management & organization development, general affairs, plant administration, and labor safety
Finance Division	Finance and accounting management, tax management, capital/asset management, strategic investment, and investor relations
Auditors	Internal audit and operation procedure management

3.2. Directors and Supervisors

3.2.1. Information Regarding Board Members & Supervisors

As of April 12, 2009. Unit: Shares

Title/Name	Date Elected	Term (Yrs)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Selected Education & Past Positions	Current Positions at MediaTek and Other Companies
				Shares	%	Shares	%	Shares	%		
Chairman Ming-Kai Tsai	June 21, 2006	3	May 21, 1997	34,616,722	4.01%	40,547,187	3.78%	49,745,419	4.64%	- Master, Electrical Engineering, University of Cincinnati, USA - President of the 2nd Business Group, UMC	- CEO, MediaTek, Inc. - Director/Chairman of MediaTek's Affiliates - Chairman of Andes Technology, and JMicro Technology - Director of Alpha Imaging Technology, Ali Corp., Mobitek Communication Corp.
Vice Chairman Jyh-Jer Cho	June 21, 2006	3	May 21, 1997	25,743,394	2.98%	30,117,007	2.80%	10,741,408	1.00%	- Master, Electrical Engineering, National Chiao Tung University - Manager, Multimedia R&D Team, UMC	- Vice CEO, MediaTek, Inc.
Director Ching-Jiang Hsieh	June 21, 2006	3	June 13, 2005	3,838,580	0.44%	4,364,101	0.41%	2,074,624	0.19%	- Master, Electrical Engineering, National Taiwan University - Engineer, Multimedia R&D Team, UMC	- President, MediaTek, Inc. - Director/Chairman of MediaTek's Affiliates
Director National Taiwan University Representative: Ming-Je Tang	June 21, 2006	3	June 3, 2002	2,455	0.00%	2,863	0.00%	0	0.00%	- Ph.D., Business Management, MIT, USA	- Vice President, National Taiwan University - Director, Trend Technology and Education Foundation
Director National Chiao Tung University Representative: Ching-Teng Lin	June 21, 2006	3	June 3, 2002	2,455	0.00%	2,863	0.00%	0	0.00%	- Ph.D., (E.E.), Purdue University, USA	- Dean, Academic Affairs of NCTU - Director, The Spring Foundation of NCTU
Supervisor MediaTek Capital Co. Representative: Paul Wang	June 21, 2006	3	June 21, 2006	6,654,670	0.77%	7,763,004	0.72%	0	0.00%	- Ph.D., Physics, Carnegie-Mellon, USA - Senior Consultant of IBM, USA	- Chairman of Pacific Venture Group and SerComm Corp. - Director, Mustek Technology - Independent Director of Prosperity Dielectrics Co., Mitac Inc., and Taiwan Prosperity Chemical Corp. - Supervisor of Les Enfants, TECO Electric and Machinery Co.
Supervisor National Tsing Hua University Representative:Chung-Lang Liu	June 21, 2006	3	May 16, 2003	1,753	0.00%	2,044	0.00%	0	0.00%	- Ph.D., (E.E.), MIT, USA - President, National Tsing Hua University	- Chairman, Dramexchange Technology Inc. - Director of CMSC Inc., Macronix Intl. Co. Ltd - Independent Director of Anpec Electronics Corp., MotoTech Inc. ,and UMC - Supervisor, Andes Technology Corp.
Supervisor National Cheng-Kung University Representative: Yan-Kuin Su	June 21, 2006	3	June 21, 2006	176	0.00%	204	0.00%	0	0.00%	- Ph.D., (E.E.), National Cheng Kung University - Dean of Academic Affairs, National Cheng Kung University	- President, Kun Shan University

Remarks: No member of the Board of Directors and Supervisors held MediaTek shares by nominee arrangement. No member of the Board of Directors had a spouse or relative within two degrees of consanguinity serving as a manager or director at MediaTek.

3.2.2. Major Shareholders of Important Institutional Shareholders

MediaTek Capital Co. is a MediaTek's supervisor and institutional shareholder. MediaTek Capital Co. is 100% owned by MediaTek Investment Co., which is 100% owned by MediaTek Inc.

3.2.3. Directors and Supervisors' Professional Qualifications and Independent Analysis

Name/ Criteria	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	Criteria (Note)										Number of other public companies concurrently serving as an independent director
				1	2	3	4	5	6	7	8	9	10	
Chairman Ming-Kai Tsai			✓				✓	✓	✓	✓	✓	✓	✓	0
Vice Chairman Jyh-Jer Cho			✓				✓	✓	✓	✓	✓	✓	✓	0
Director Ching-Jiang Hsieh			✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Director Ming-Je Tang	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓		1
Director Ching-Teng Lin	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Supervisor Paul Wang			✓	✓		✓	✓	✓	✓	✓	✓	✓		3
Supervisor Chung-Lang Liu	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓		3
Supervisor Yan-Kuin Su	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓		0

Note: Directors or Supervisors with a "✓" sign meet the following criteria:

1. Not an employee of the company or any of its affiliates;
2. Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, or any subsidiary in which the company holds, directly or indirectly, more than 50% of the voting shares;
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the company or ranking in the top 10 in holdings;
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs;
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the company or that holds shares ranking in the top five in holdings;
6. Not a director, supervisor, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company;
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultations to the company or to any affiliate of the company, or a spouse thereof;
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
9. Not been a person of any conditions defined in Article 30 of the Company Law; and
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.4. Remunerations Paid to Directors and Supervisors

3.2.4.1. Remunerations Paid to Directors

Unit: Share/NT$1,000

Title / Name	Remunerations Paid to Directors								(A+B+C+D) as % of 2008 Net Income		Compensations Earned as Employee of MediaTek or of MediaTek Affiliates										(A+B+C+D+E+F+G) as % of 2008 Net Income		Other compensations from non-subsidiary affiliates
	Salary (A)		Pension (B)		Profit Sharing (C)		Business Expense (D)				Salary, Bonus, etc. (E)		Pension (F)		Employee Profit Sharing (G)				Employee Option (H)				
															MediaTek		Consolidated Entities						
	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	Cash	Stock	Cash	Stock	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	
Chairman Ming-Kai Tsai **Vice Chairman** Jyh-Jer Cho **Director** Ching-Jiang Hsieh **Director** National Taiwan University (Rep: Ming-Je Tang) **Director** National Chiao Tung University (Rep: Ching-Teng Lin)	-	-	-	-	26,559	26,559	105	105	0.14	0.14	8,838	8,838	216	216	15,500	77,640	15,500	77,640	-	-	0.67	0.67	None.

Note:

1. The policies, standards, combinations, procedures and performance of remunerations paid to directors: The compensations are determined in accordance with the procedures set forth in MediaTek's Articles of Incorporation which authorized Board of Directors to resolve the compensation based on the industry level. The Articles of Incorporation also provides that MediaTek shall allocate the compensations to its directors and supervisors at 0.5% maximum of the earnings available after deducting the amount of legal reserve.
2. The Board of Directors resolved on April 7, 2009 meeting that NT$26,559,000 of 2008 earnings to be allocated as remunerations to Directors. The proposed compensation will be effective upon the approval of shareholders at the Annual Shareholders Meeting on June 10, 2009. The updated information shall be posted on the Company's website.
3. The Company's didn't have pension payment in 2008. The total pension expense provision in 2008 was NT$216,000.
4. The Board of Directors resolved on April 7, 2009 meeting that NT$6,403,395,000 to be allocated as employee profit sharing. The proposed compensation will be effective upon the approval of shareholders at the Annual Shareholders Meeting on June 10, 2009. The updated information shall be posted on the Company's website. Before this report is put in printing, distribution of profit sharing to employees was still unresolved. The above figures were only estimation.

	Compensation Paid to Directors (A+B+C+D)		Total Compensation Paid to Directors (A+B+C+D+E+F+G)	
	MediaTek	Consolidated Entities of MediaTek	MediaTek	Consolidated Entities of MediaTek
Less than NT$2 million	-	-	-	-
NT$2 million ~ $5 million	-	-	-	-
NT$5 million ~ $10 million	Ming-Kai Tsai, Jyh-Jer Cho, Ching-Jiang Hsieh, National Taiwan University, National Chiao Tung University		Jyh-Jer Cho, National Taiwan University, National Chiao Tung University	
NT$10 million ~ $15 million	-	-	-	-
NT$15 million ~ $30 million	-	-	-	-
NT$30 million ~ $50 million	-	-	Ming-Kai Tsai	
NT$50 million ~ $100 million	-	-	Ching-Jiang Hsieh	
Above NT$100 million	-	-	-	-
Total	5		5	

3.2.4.2. Remunerations Paid to Supervisors

Unit: Share/NT$1,000

<table>
<tr><th rowspan="3">Title / Name</th><th colspan="8">Remunerations Paid to Supervisors</th><th colspan="2" rowspan="2">(A+B+C+D) as % of 2008 Net Income</th><th rowspan="3">Other compensations from non-subsidiary affiliates</th></tr>
<tr><th colspan="2">Salary (A)</th><th colspan="2">Pension (B)</th><th colspan="2">Profit Sharing (C)</th><th colspan="2">Business Expense (D)</th></tr>
<tr><th>MediaTek</th><th>Consolidated Entities</th><th>MediaTek</th><th>Consolidated Entities</th><th>MediaTek</th><th>Consolidated Entities</th><th>MediaTek</th><th>Consolidated Entities</th><th>MediaTek</th><th>Consolidated Entities</th></tr>
<tr><td>Supervisor
MediaTek Capital Co.
Rep: Paul Wang</td><td rowspan="3">-</td><td rowspan="3">-</td><td rowspan="3">-</td><td rowspan="3">-</td><td rowspan="3">15,935</td><td rowspan="3">15,935</td><td rowspan="3">120</td><td rowspan="3">120</td><td rowspan="3">0.08</td><td rowspan="3">0.08</td><td rowspan="3">None.</td></tr>
<tr><td>Supervisor
National Tsing Hua University
Rep: Chung-Lang Liu</td></tr>
<tr><td>Director
National Cheng Kung University
Rep: Yan-Kuin Su</td></tr>
</table>

Note:

1. The policies, standards, combinations, procedures and performance of remunerations paid to directors: The compensations are determined in accordance with the procedures set forth in MediaTek's Articles of Incorporation which authorized Board of Directors to resolve the compensation based on the industry level. The Articles of Incorporation also provides that MediaTek shall allocate the compensations to its directors and supervisors at 0.5% maximum of the earnings available after deducting the amount of legal reserve.
2. The Board of Directors resolved on April 7, 2009 meeting that NT$15,935,000 of 2008 earnings to be allocated as remunerations to Supervisors. The proposed compensation will be effective upon the approval of shareholders at the Annual Shareholders Meeting on June 10, 2009. The updated information shall be posted on the Company's website.

<table>
<tr><th rowspan="2"></th><th colspan="2">Compensation Paid to Supervisors (A+B+C)</th></tr>
<tr><th>MediaTek</th><th>Consolidated Entities of MediaTek</th></tr>
<tr><td>Less than NT$2 million</td><td>-</td><td>-</td></tr>
<tr><td>NT$2 million ~ $5 million</td><td>-</td><td></td></tr>
<tr><td>NT$5 million ~ $10 million</td><td colspan="2">MediaTek Capital Co., National Tsing Hua University, National Cheng Kung University</td></tr>
<tr><td>NT$10 million ~ $15 million</td><td>-</td><td>-</td></tr>
<tr><td>NT$15 million ~ $30 million</td><td>-</td><td>-</td></tr>
<tr><td>NT$30 million ~ $50 million</td><td>-</td><td>-</td></tr>
<tr><td>NT$50 million ~ $100 million</td><td>-</td><td>-</td></tr>
<tr><td>Above NT$100 million</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td colspan="2">3</td></tr>
</table>

3.3. Management Team

3.3.1. Profiles of Key Managers

As of April 12, 2009. Unit: Shares

Title/Name	Date on Board	Current Shareholding		Spouse & Minor Shareholding		Shareholding under the title of a 3rd party		Selected Education & Past Positions	Current Positions at Other Companies
		Shares	%	Shares	%	Shares	%		
Chairman & CEO Ming-Kai Tsai	May 21, 1997	40,547,187	3.78%	49,745,419	4.64%	-	-	- Master, Electronic Engineering, University of Cincinnati, USA - President of the 2nd Business Group, UMC	- Director/Chairman of MediaTek's Affiliates - Director of Alpha Imaging Technology, ALi Corp., Mobitek - Chairman of Andes Technology, and JMicro
Vice Chairman Jyh-Jer Cho	Sep. 15, 2005	30,117,007	2.80%	10,741,408	1.00%	-	-	- Master, Electronic Engineering, National Chiao Tung University - Manager, Multimedia R&D Team, UMC	(None)
President Ching-Jiang Hsieh	Sep. 15, 2005	4,364,101	0.41%	2,074,624	0.19%	-	-	- Master, Electrical Engineering, National Taiwan University - Engineer, Multimedia R&D Team, UMC	- Director/Chairman of MediaTek's Affiliates
Executive Vice President Ji-Chang Hsu	Jan. 1, 2006	275,218	0.03%	-	-	-	-	- Master, Electronic Engineering, University of California, St. Barbara - Software Manager, Conexant System, Inc.	- Director of MediaTek's affiliates
Vice President Hsi-Yuan Hsu (Note)	Mar. 25, 2005	248,432	0.02%	-	-	-	-	(Not Applicable)	(Not Applicable)
Vice President Ping-Hsing Lu	Jan. 1, 2006	541,226	0.05%	249,181	0.02%	-	-	- Ph.D., Electronics, National Chiao Tung University - President, ALi Corp.	- Director of MediaTek's affiliates - Chairman of Alpha Imaging Technology
Vice President Chwei-Huang Chang	July 1, 2006	733,537	0.07%	704,573	0.07%	-	-	- Master, Electronic Engineering, Polytechnic University, USA - Engineer, Multimedia R&D Team, UMC	(None)
Vice President Kou-Hung Loh	July 1, 2006	235,368	0.02%	-	-	-	-	- Ph.D., Electronical Engineering, Texas A&M University - CEO and founder of Silicon Bridge	- Director of MediaTek's affiliates
Vice President Christian Kermarrec	Jan. 11, 2008	9,000	0.00%	-	-	-	-	- Master, Engineering, Le Conservatoire National des Arts et Metiers in Paris - Vice President of wireless BU in Analog Devices Inc.	(None)
Vice President Cheng-Te Chuang	April 7, 2009	1,113,465	0.10%	734,174	0.07%	-	-	- Master, Electronic Engineering, National Chiao Tung University - Engineer, UMC	(None)
CFO & Spokesman Mingto Yu	Aug. 31, 2001	298,559	0.03%	384,855	0.04%	-	-	- MBA, University of Pennsylvania USA, Wharton Business School - Finance Manager, TSMC	- Director/Supervisor of MediaTek's affiliates - Director of Sinocon Industrial Standards Foundaton

Note:

1. None of the managers who are spouses or within second-degree relative of consanguinity to each other.
2. Mr. His-Yuan Hsu had stepped down as Vice President of the Company on November 1, 2008.

3.3.2. Remunerations and Employee Bonus Paid to Key Managers (Note)

Unit: Share / NT$1,000 dollars

Name / Title	Salary (A)		Pension (B)		Bonus (C)		Employee Profit Sharing (D)				(A+B+C+D) as % of Net Income		Employee Stock Options	
	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek (Note)		Consolidated Entities		MediaTek	Consolidated Entities	MediaTek	Consolidated Entities
							Cash	Stock	Cash	Stock				
Chairman & CEO Ming-Kai Tsai **Vice Chairman** Jyh-Jer Cho **President** Ching-Jiang Hsieh **Executive Vice President** Ji-Chang Hsu **Vice President** Hsi-Yuan Hsu (Note) **Vice President** Ping-Hsing Lu **Vice President** Chwei-Huang Chang **Vice President** Kou-Hung Loh **Vice President** Christian Kermarrec **Vice President** Cheng-Te Chuang **CFO & Spokesman** Mingto Yu	20,891	34,164	794	1,474	3,613	74,107	46,500	284,680	46,500	284,680	1.85	2.29	-	-

Note:

1. The policies, standards, combinations, procedures and performance of remunerations paid to managers: The compensations are determined in accordance with the procedures set forth in MediaTek's Article of Incorporation and complied with Article 29 of the Company Law in Taiwan.
2. His-Yuan Hsu had stepped down as the Company's Vice President on November 1st, 2008, so the 2008 salary, pension and bonus payment were data of January 1, 2008 to November 1st, 2008.
3. Cheng-Te Chuang is a newly appointed Vice President since April 7th 2009. To improve the relevance of information, his 2008 remuneration information is disclosed herein.
4. The company did not have pension payment in 2008. The provision for pension expense in 2008 at MediaTek and the consolidated entities were NT$794,000 and NT$1,474,000, respectively.
5. The Board of Directors resolved on April 7, 2009 meeting that NT$6,403,395,000 of 2008 earnings to be allocated as remunerations to employees. The proposed compensation will be effective upon the approval of shareholders at the Annual Shareholders Meeting on June 10, 2009. The updated information shall be posted on the Company's website. As of the printing date of this annual report, the distribution plan of employee profit sharing hasn't been finalized; the abovementioned numbers are based on estimation.
6. None of these abovementioned key managers receive other compensation from non-subsidiary affiliates.

	Compensation Paid to Key Managers	
	MediaTek	Consolidated Entities of MediaTek
Less than NT$2 million	His-Yuan Hsu	
NT$2 million ~ $5 million	Jyh-Jer Cho	
NT$5 million ~ $10 million	-	-
NT$10 million ~ $15 million	-	-
NT$15 million ~ $30 million		
NT$30 million ~ $50 million	Ming-Kai Tsai, Ping-Hsing Lu, Chwei-Hung Chang, Mingto Yu, Cheng-Te Chuang , Kou-Hung Loh, Christian Kermarrec	
NT$50 million ~ $100 million	Ching-Jiang Hsieh, Ji-Chang Hsu	
Above NT$100 million	-	-
Total	11	

3.4. Corporate Governance Report

3.4.1. Board of Directors' Meeting Status

The Board of the Company has held 7 sessions in 2008. The attendance of the Directors is shown in the following table:

Title/Name	Attend in Person	By Proxy	Attendance Rate in Person (%)
Chairman Ming-Kai Tsai	6	0	86%
Vice Chairman Jyh-Jer Cho	7	0	100%
Director Ching-Jiang Hsieh	7	0	100%
Director National Taiwan University Representative: Ming-Je Tang	5	1	71%
Director National Chiao-Tung University Representative: Ching-Teng Lin	6	0	86%

Other important notes: None.

3.4.2. Supervisors' Meeting Status

The Board of the Company has held 7 sessions in 2008. The attendance of the Directors is shown in the following table:

Title/Name	Attend in Person	Attendance Rate in Person (%)
Supervisor MediaTek Capital Co. Representative: Paul Wang	5	71%
Supervisor National Tsing-Hua University Representative: Chung-Lang Liu	6	86%
Supervisor National Cheng-Kung University Representative: Yan-Kuin Su	4	57%

Other important notes:

1. Supervisors and responsibilities:
   (1) Communication between Supervisors and employees, shareholders:
   The Company reports to the Supervisors on a regular basis. Since the Supervisors' information are public, employees, shareholders, and interested parties are able to contact them freely.
   (2) Communication between Supervisors and auditors and accountants:
   The Company's internal audit managers and the Finance Division report to the Supervisors on issues relating to finance and business operations. The Supervisors audit the Company's financial reports regularly and keep communication channels with the auditors open.

2. If any Supervisor made a statement of opinion during the Board of Directors meeting, the following items shall be recorded: date of Board of Directors' meeting, proposal, board resolution, and how the company's response to the statement.

Date	Proposal	Opinion	Board Resolution	The Company's Response
June 13, 2008	Report the Company's 1Q08 financials	Mergers and Acquisitions (M&A) can significantly impact the Company's profitability; therefore there should be monitoring and follow-ups. (Proposed by Supervisor Chung Laung Liu and Supervisor Paul Wang.)	-	The Company shall have regular internal meetings to monitor and follow up M&As, and report to the Board and Supervisors.
Aug. 28, 2008	Discuss the proposal to amend the Company's guarantee and endorsement guidelines	Scope of guarantees and endorsements guideline should be specified. (Proposed by Supervisor Chung Laung Liu and Supervisor Ming-Je Tang.)	The Chairman of the Board is authorized by the Board to consent on guarantees and endorsements up to NT$300 million. Guarantee is limited to wholly owned subsidiaries of the Company	Guarantees to the Company's wholly owned subsidiaries shall be approved internally and be reported to the following Board of Directors Meeting for retroactive approval.

3.4.3. Corporate Governance Implementation as Required by the Taiwan Financial Supervisory Commission

Item	Implementation Status	Reason for Non-implementation
1. Shareholding Structure & Shareholders' Rights		
(1). Method of handling shareholder suggestions or complaints	MediaTek has designated relevant departments, such as Investor Relations, Public Relations, Legal, etc. to handle shareholder suggestions or disputes.	None.
(2). The Company's possession of a list of major shareholders and a list of ultimate owners of these major shareholders	MediaTek tracks the shareholdings of directors, supervisors, officers, and shareholders holding more than 10% of the outstanding MediaTek shares.	
(3). Risk management mechanism and "firewall" between the Company and its affiliates	When designing the structure of its subsidiaries, the Company has implemented a firewall mechanism. The Company and its subsidiaries have established appropriate internal control systems.	
2. Organization & Responsibilities of the Board:		
(1). Independent Directors	The Company currently has two external Directors (NTU & NCTU)	The Company currently has external Directors, and will add seats for independent directors in the future if necessary.
(2). Regular evaluation of external auditors' independence	The employment or replacement of independent auditors is required by the approval of the Board, who will regularly conduct evaluations of auditor independence. To enhance the independence of auditors, the Company replaces those who have audited the Company's financial statements for five years.	
3. Communication Channels with Stakeholders	MediaTek designates relevant departments to communicate with stakeholders on a case-by-case basis.	None.
4. Information Disclosure:		
(1). Establishment of a corporate website to disclose information regarding the Company's financial, business, and corporate governance status	MediaTek discloses information through its website: www.mediatek.com	None.
(2). Other information disclosure (e.g. maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investor conferences)	MediaTek has designated appropriate persons to handle information collection and disclosure. Contact person: Sophia Liang, TEL: +886-(0)3-567-0766 ext.26568 MediaTek has established the spokesperson system. Spokesperson: Mingto Yu; Deputy Spokesperson: Sophia Liang. MediaTek webcasts live investor conferences through its website MediaTek discloses all information to shareholders and stakeholders through the Company's website and the MOPS website.	
5. Operations of the Company's Nomination Committee, Compensation Committee, or other committees:	None.	Will establish such committee(s) in the future when necessary.
6. If the Company Has Established Corporate Governance Policies based on TSE Corporate Governance Best Practice Principles, Please Describe Any Discrepancies between the Policies and Their Implementation. MediaTek does not establish such corporate governance policies. For the status of MediaTek's corporate governance, please refer to the section titled "Corporate Governance" in this Annual Report.		
7. Other important information to Facilitate Better Understanding of the Company's Corporate Governance Practices: (1). MediaTek discloses its financial and corporate governance information on the Chinese and English versions of its website (www.mediatek.com). The Company aims to provide free access to transparent information for employees, investors, suppliers and stakeholders. (2). MediaTek's Directors and Supervisors are experts in their professional specialties. The Company provides new regulation updates that require Director and Supervisor attention. Besides, the executive team of the Company also reports to the Board and the Supervisors periodically. Director and Supervisor training records can be found on the MOPS website. (3). The Company has already instituted internal control systems as required by the law and has properly implemented the system. The Company also conducts risk assessments on the banks, customers, and suppliers in order to reduce credit risks. (4). All Directors of the Company have avoided conflict of interest for related issues. (5). MediaTek maintains D&O insurance for its Directors, Supervisors, and key officers.		
8. If the Company Has a Self Corporate Governance Evaluation or Has Authorized Any Other Professional Organization to Conduct Such an Evaluation, the Evaluation Results, Major Deficiencies or Suggestions, and Improvements are Stated as Follows: Not applicable.		

3.4.4. Status of Fulfilling Corporate Social Responsibility

Please refer to Section 6 of this Annual Report.

3.4.5. Corporate Governance Guidelines and Regulations

Please refer to the Company's website at www.mediatek.com

3.4.6. Status of the Internal Control System Implementation

3.4.6.1. Declaration of Internal Control

MediaTek Inc.
Statement of Declaration of Internal Control

Date: April 7th, 2009

MediaTek Inc. has conducted internal audits in accordance with its Internal Control Regulations covering the period from January 1st to December 31st, 2008, and hereby declares the following:

1. The Company acknowledges and understands that the establishment, enforcement, and preservation of internal control systems are the responsibility of the Board and that the managers and the Company have already established such systems. The purpose is to reasonably ensure the efficiency of operations (including profitability, performance, and security of assets), the reliability of financial reporting, and legal compliance.

2. Internal control systems have limitations, no matter how perfectly they are designed. As such, effective internal control systems may only reasonably ensure the achievement of the aforementioned goals. Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls systems. The internal control systems of the Company feature certain self-monitoring mechanisms. The company will take immediate corrective actions once any shortcomings are identified.

3. The Company judges the effectiveness of the internal control systems in design and enforcement according to the “Criteria for the Establishment of Internal Control Systems of Public Offering Companies” (hereinafter referred to as “the Criteria”). The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control systems. There are five components for effective internal control as specified by the Criteria with which the procedures for effective internal controls are composed: (1) Control environment, (2) Risk evaluation, (3) Control operation, (4) Information and communication, and (5) Monitoring. Each of the elements in turn contains certain audit items, and the Criteria shall be referred to for details.

4. The Company has adopted the aforementioned internal control systems for an internal audit of the effectiveness of internal control design and enforcement.

5. Based on the aforementioned audit findings, the Company holds that within the aforementioned period, its internal control procedures (including the procedures to monitor subsidiaries), effectiveness and efficiency of operations, reliability of financial reporting, and compliance with relevant legal regulations, and design and enforcement of internal controls, are effective. The aforementioned goals can be achieved with reasonable assurance.

6. This statement of declaration shall form an integral part of the annual report and prospectus of the Company and shall be made public. If there is any fraud, concealment, or unlawful practices discovered in the content of the aforementioned information, the Company shall be liable to legal consequences under Article 20, 32, 171, and 174 of the Securities and Exchanges Act.

7. This statement of declaration has been approved by the Board on April 7th, 2009 with four Directors in session under unanimous consent.

MediaTek Inc.

Ming-Kai Tsai
Chairman

Ching-Jiang Hsieh
President

3.4.6.2. Disclose the Review Report of Independent Auditors if They are Retained for Reviewing the Internal Control System

None.

3.4.7. Punishment on the Company and its Staff

Punishment on the Company and its Staff in Violation of Law, or Punishment on its Employees in Violation of Internal Control System and Other Internal Regulations, Major Shortcomings and Status of Correction:
None.

3.4.8. Major Resolutions of Shareholders' Meeting and Board Meetings

3.4.8.1. Major Resolutions of Shareholders' Meeting and Implementation Status

MediaTek's 2008 regular shareholder meeting was held in Hsinchu Taiwan on June 13th, 2008. At the meeting, shareholders present in person or by proxy approved the following resolutions:
(1). The Company's 2007 Business Report and Financial Statements;
(2). The distribution of 2007 profits;
(3). The capitalization of 2007 dividends and employee profit sharing.

All of the resolutions of the Shareholders' Meeting had been fully implemented in accordance with the resolutions.

3.4.8.2. Major Resolutions of Board Meetings

During the 2008 calendar year, and through the period of January 1st to the printing date of this annual report, nine Board Meetings were convened. Major resolutions approved at these meetings are summarized below:

Convened 2008 annual general shareholders' meeting; approved 2007 operation report, financial statements, proposal of profit distribution, capitalization of 2007 dividend; approved 2008 operating budget plan; approved the issuance of employee stock option; approved 1H08 financial statements; approved rendering endorsement to 100% owned subsidies; approved the purchase of office building; to convene 2009 annual general shareholders meeting; approved 2008 operation report, financial statements, proposal of profit distribution, capitalization of 2008 dividend, amendment of the company's "Operating Procedures of Endorsement/ Guarantee", "Operating Procedures of Outward Loans to Others", "Procedures Governing the Acquisition or Disposition of Assets"; and approved 2009 operating budget plan.

3.4.9. Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors

None.

3.4.10. Resignation of Personnel Related to Financial Statement Preparation from January 1st 2008 to the Printing Date of this Report

None.

3.5. Information Regarding MediaTek's Independent Auditors

3.5.1. Information on Audit Fees

Not applicable. Non-audit fees paid to MediaTek's independent auditing firm and affiliates did not exceed 25% of the audit fees paid in 2008. The 2008 audit fees paid to MediaTek's independent auditors were not reduced by more than 15% compared to 2007.

3.5.2. Information on Replacement of Independent Auditors in the Last Two Years and Thereafter

The Company had previously contracted Hue-Hsing Yeh from Ernst & Young and Hsing-Ming Hsu as the auditors. Due to the requirement that auditors be changed every five years, the auditors were changed to Hsing-Ming Hsu and Jiang-Kuo Yang starting in the fourth quarter of 2007. In the fourth quarter of 2008, Shao-Pin Kuo was assigned as the new auditor due to organization changes at the audit firm.

3.5.3. The Chairman, President, CFO or CAO Who Has Worked with the Auditing Firm or Affiliates from January 1st, 2008 to the Printing Date of this Report

None.

3.6. Net Changes in Shareholding

Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Management and Shareholders with 10% Shareholding or More

Unit: Share

Title/Name	2008		Jan. 1 to Apr. 12, 2009	
	Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman & CEO Ming-Kai Tsai	459,874	-	-	-
Vice Chairman Jyh-Jer Cho	318,388	-	-	-
Director & President Ching-Jiang Hsieh	(48,058)	-	-	-
Director National Taiwan University	28	-	-	-
Director National Chiao Tung University	28	-	-	-
Supervisor MediaTek Capital Co.	76,861	-	-	-
Supervisor National Tsing Hua University	20	-	-	-
Supervisor National Cheng Kung University	2	-	-	-
Executive Vice President Ji-Chang Hsu	75,844	-	(45,000)	-
Vice President Hsi-Yuan Hsu	2,014	-	-	-
Vice President Ping-Hsing Lu	65,844	-	-	-
Vice President Chwei-Huang Chang	(1,974,509)	-	-	-
Vice President Kou-Hung Loh	2,330	-	-	-
Vice President Christian Kermarrec	-	-	9,000	-
Vice President Cheng-Te Chuang	Not applicable	Not applicable	-	-
CFO & Spokesman Mingto Yu	71,382	-	-	-

Note:

1. His-Yuan Hsu has stepped down as the Company's Vice President on Nov. 1, 2008. The information for 2008 were from Jan. 1st 2008 to Nov. 1st 2008.
2. Christian Kermarrec is a newly appointed Vice President on Jan. 11th 2008. The information for 2008 were from Jan. 11th 2008 to Dec. 31st, 2008.
3. Cheng-Te Chuang is a newly appointed Vice President on April 7th, 2009. The information for 2009 were from April 7 to April 12, 2009.

Stock Trade with Related Party: None.

Stock Pledge with Related Party: None.

3.7. Top 10 Shareholders Who are Related Parties to Each Other

As of April 12, 2009. Unit: Share/%

Top 10 Shareholders	Shareholding		Shareholding under Spouse and Minor		Shareholding under 3rd Party		Top 10 Shareholders Who are Related Parties to Each Other	
	Shares	Proportion	Shares	Proportion	Shares	Proportion	Name	Relation ship
Chui-Hsing Lee	49,745,419	4.64%	40,547,187	3.78%	-	-	Ming-Kai Tsai	Spouse
Capital World Growth and Income Fund Inc.	46,957,100	4.38%	-	-	-	-	-	-
Ming-Kai Tsai	40,547,187	3.78%	49,745,419	4.64%	-	-	Chui-Hsing Lee	Spouse
Jyh-Jer Cho	30,117,007	2.80%	10,741,408	1.00%	-	-	-	-
Ding-Jen Liu	21,173,782	1.97%	5,453,552	0.51%	-	-	-	-
GIC - Government of Singapore	19,967,918	1.86%	-	-	-	-	-	-
Capital Income Builder, Inc.	19,723,000	1.84%	-	-	-	-	-	-
Trustee Account of MediaTek Employee Bonus	19,125,304	1.78%	-	-	-	-	-	-
Oppenheimer Developing Markets Funds	13,719,628	1.28%	-	-	-	-	-	-
Saudi Arabian Monetary Agency	12,774,613	1.19%	-	-	-	-	-	-

3.8. Long-Term Investment Ownership

As of December 31, 2008. Unit: Share/%

Long-Term Investments	Investments by MediaTek (1)		Investments Directly or Indirectly Controlled by Directors, Supervisors, and Managers of MediaTek (2)		Total Investment (1) + (2)	
	Shares	Portion	Shares	Portion	Shares	Portion
MediaTek Investment Co.	1,164,731,096	100%	-	0%	1,164,731,096	100%
Hsu-Chuang Investment Corp.	150,000,000	100%	-	0%	150,000,000	100%
Hsu-Xin Investment Corp.	150,000,000	100%	-	0%	150,000,000	100%
Hsu-Ta Investment Ltd.	Not Applicable	100%	Not Applicable	0%	Not Applicable	100%
Hsu-Kang Investment Ltd.	Not Applicable	100%	Not Applicable	0%	Not Applicable	100%
Hsu-Chia Investment Ltd.	Not Applicable	100%	Not Applicable	0%	Not Applicable	100%
ALi Corp.	64,034,349	21.14%	-	0%	64,034,349	21.14%
Yuantonix, Inc.	300,000	3.75%	-	0%	300,000	3.75%

4. Capital and Shares

4.1. Capital and Shares

4.1.1. Capitalization

As of April 12, 2009. Unit: 1,000 shares/NT$1,000

Month /Year	Issue Price (per share)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Date of Approval & Approval Document No.
May 1997	10	20,000	200,000	20,000	200,000	Initial capital	Technology & Patent: $30,000	May 28, 1997 Yuan-Shang-Tze No.10164
Sep. 1997	10	80,000	800,000	55,000	550,000	Stock offering: $350,000	-	Sep. 26, 1997 Yuan-Shang-Tze No.19782
Aug. 1998	10	80,000	800,000	62,916	629,162	Retained Earnings: $79,162	-	Aug. 5, 1998 Yuan-Shang-Tze No.19355
Aug. 1999	10	220,000	2,200,000	116,774	1,167,743	Retained Earnings: $538,581	-	Aug. 21, 1999 Yuan-Shang-Tze No.018036
Sep. 2000	10	220,000	2,200,000	216,866	2,168,666	Retained Earnings: $1,000,923	-	Sep. 15, 2000 Yuan-Shang-Tze No.020099
Sep. 2001	10	570,000	5,700,000	316,006	3,160,056	Retained Earnings: $991,390	-	July 11, 2001 Tai-Tsai-Cheng-I No.144160
Sep. 2002	10	570,000	5,700,000	460,465	4,604,654	Retained Earnings: $1,444,598	-	Aug. 1, 2002 Tai-Tsai-Cheng-I No.0910142914
Aug. 2003	10	896,000	8,960,000	641,547	6,415,473	Retained Earnings: $1,810,819	-	June 20, 2003 Tai-Tsai-Cheng-I No.0920127376
Aug. 2004	10	896,000	8,960,000	772,773	7,727,729	Retained Earnings: $1,312,256	-	July 8, 2004 Chi-I-Tze No.0930130229
Sep. 2004	10	896,000	8,960,000	769,336	7,693,359	Cancel Treasury Stock: ($34,370)	-	Oct. 15, 2004 Yuan-Shang-Tze No.0930029178
Aug. 2005	10	896,000	8,960,000	864,051	8,640,506	Retained Earnings: $947,147	-	July 15, 2005 Chen-I-Tze No.0940128790
Aug. 2006	10	12,000,000	120,000,000	968,313	9,683,127	Retained Earnings: $1,042,621	-	July 13, 2006 Chen-I-Tze No.0950130197
July 2007	10	12,000,000	120,000,000	1,037,412	10,374,120	Retained Earnings: $690,993	-	June 25, 2007 Chen-I-Tze No.0960031987
Sep. 2007	10	12,000,000	120,000,000	1,040,854	10,408,538	Share Swap: $34,418	69% of NuCORE Technology shares	Aug. 30, 2007 Chen-I-Tze No.0960045488
July 2008	10	12,000,000	120,000,000	1,073,152	10,731,523	Retained Earnings: $322,985	-	June 25, 2008 Chen-I-Tze No.0970031744

As of April 12, 2009. Unit: 1,000 shares/NT$1,000

Type of Stock	Authorized Capital			Remark
	Outstanding	Un-Issued	Total	
Common Stock	1,073,152,299	126,847,701	1,200,000,000	Listed on TSE

Shelf Registration: None.

4.1.2. Composition of Shareholders

As of April 12, 2009

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions & Persons	Total
Number of Shareholders	1	52	606	74,375	1,202	76,236
Shareholding (shares)	1,694,417	61,309,965	88,631,192	443,196,074	478,320,651	1,073,152,299
Holding Percentage (%)	0.16%	5.71%	8.26%	41.30%	44.57%	100.00%

4.1.3. Distribution of Shareholding

As of April 12, 2009

Common Share Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership (Share)	Ownership (%)
1 ~ 999	23,081	2,524,649	0.24%
1,000 ~ 5,000	44,167	76,771,785	7.15%
5,001 ~ 10,000	4,392	30,546,481	2.85%
10,001 ~ 15,000	1,404	16,688,983	1.56%
15,001 ~ 20,000	654	11,396,832	1.06%
20,001 ~ 30,000	722	17,553,543	1.64%
30,001 ~ 40,000	323	11,194,926	1.04%
40,001 ~ 50,000	168	7,566,798	0.71%
50,001 ~ 100,000	504	35,919,524	3.35%
100,001 ~ 200,000	339	47,780,555	4.45%
200,001 ~ 400,000	187	52,267,302	4.87%
400,001 ~ 600,000	83	40,786,705	3.80%
600,001 ~ 800,000	43	29,854,042	2.78%
800,001 ~ 1,000,000	35	31,585,576	2.94%
Over 1,000,001	134	660,714,598	61.56%
Total	**76,236**	**1,073,152,299**	**100.00%**

Preferred Share: None.

4.1.4. Major Shareholders

As of April 12, 2009

Top 10 Shareholders	Total Shares Owned	Ownership (%)
Chui-Hsing Lee	49,745,419	4.64%
Capital World Growth and Income Fund Inc.	46,957,100	4.38%
Ming-Kai Tsai	40,547,187	3.78%
Jyh-Jer Cho	30,117,007	2.80%
Ding-Jen Liu	21,173,782	1.97%
GIC - Government of Singapore	19,967,918	1.86%
Capital Income Builder, Inc.	19,723,000	1.84%
Trustee Account of MediaTek Employee Bonus	19,125,304	1.78%
Oppenheimer Developing Markets Funds	13,719,628	1.28%
Saudi Arabian Monetary Agency	12,774,613	1.19%

4.1.5. Market Price, Net Worth, Earnings, Dividends per Common Share

Unit: NT$ / Share

Item			2007 (Distributed in 2008)	2008 (Distributed in 2009)	Jan. 1 ~ Mar. 31, 2009
Market Price Per Share (Note 1)	Highest		617.8	444.5	342.0
	Lowest		297.3	177.0	228.0
	Average		444.4	327.8	276.5
Net Worth Per Share	Before Distribution		83.18	76.60	**
	After Distribution		59.03	*	*
Earnings Per Share	Weighted Average Shares		1,030,847,985	1,065,389,295	1,065,389,295
	EPS	Not-Adjusted	32.59	18.01	**
		Adjusted	31.60	*	**
Dividends Per Share	Cash Dividends		19.00	*	**
	Stock Dividend	From Retained Earnings	0.1	*	**
		From Capital Surplus	-	*	**
	Accumulated Undistributed Dividend		-	-	**
Return on Investment	Price/Earnings Ratio (Note 2)		14.07	18.20	**
	Price/Dividend Ratio (Note 3)		23.39	*	**
	Cash Dividend Yield (Note 4)		4.3%	*	**

* : Pending shareholders' approval in 2009 Annual General Shareholders' Meeting.
** : Not applicable.
Note 1: Retroactively adjusted for stock dividends and stock bonuses to employees
Note 2: Price/Earnings Ratio = Average Market Price / Earnings Per Share
Note 3: Price/Dividend Ratio = Average Market Price / Cash Dividends Per Share
Note 4: Cash Dividend Yield = Cash Dividends Per Share / Average Market Price

4.1.6. Dividend Policy and Status of Execution

4.1.6.1. Dividend Policy under the Article of Incorporation

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

4.1.6.2. Proposal to Distribute 2008 Profits

The Board adopted a proposal for 2008 profit distribution as below:

A. Stock dividend to common shareholders: NT$21,463,000.
(2 shares for each 1,000 shares owned)

B. Cash Dividends to Common Shareholders: NT$15,024,132,000.
(NT$14.0 per share)

The proposed profit distribution will be effected according to the relevant regulations, upon the approval of shareholders at the Annual Shareholders' Meeting on June 10, 2009.

4.1.7. Effect of 2008 Share Dividends to Operating Performance and EPS

Not applicable.

4.1.8. Employee Bonus and Directors and Supervisors Compensation

4.1.8.1. Employee Bonus and Directors and Supervisors Compensation as Stated in the Article of Incorporation

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

4.1.8.2. Proposed 2008 Employee Profit Sharing Plan and Remuneration to Directors and Supervisors

The Board adopted a proposal on April 7, 2009 for 2008 employee cash bonus of NT$960,509,000, stock bonus of NT$5,442,886,000 and remuneration to Directors and Supervisors of NT$42,494,000. In accordance with new accounting regulations requiring expensing of employee profit sharing, MediaTek's 2008 net profit was the net of employee profit-sharing and remuneration to Directors and Supervisors.

The number of shares to be distributed will be calculated based on the closing price of MediaTek common shares on June 9, the day before the Company's 2009 Annual Shareholders' Meeting. However, the maximum new shares issued for employee profit-sharing shall not exceed 21,463,000 shares; shall the market value of 21,463,000 shares be worth less than NT$5,442,886,000, the difference will be distributed to employees in cash.

4.1.8.3. Earnings Retained in Previous Period Allocated as Employee Bonus and Directors and Supervisors Compensation

The Board resolved to distribute earnings in the fiscal year 2007 on March 20, 2008. The proposal had been approved in the 2008 Annual General Shareholders' Meeting on June 13, 2008. The execution was in accordance with the approved proposal, which included employee cash bonus of NT$3,200,000,000, stock bonus of NT$218,900,000 and remuneration to Directors and Supervisors of NT$75,584,000.

4.1.8.4. Repurchase of Company Shares

None in the period from January 1st, 2008 to March 31st, 2009.

4.2. Status of Corporate Bonds

None.

4.3. Status of Preferred Stocks

None.

4.4. Status of GDR/ADR

None.

4.5. Status of Employee Stock Option Plan

4.5.1. Issuance of Employee Stock Options

As of April 12, 2009

Employee Stock Options Granted	First Grant	Second Grant
Approval Date by the Securities & Futures Bureau	Dec. 19, 2007	Dec. 19, 2007
Issue (Grant) Date	Mar. 31, 2008	Aug. 28, 2008
Number of Options Granted	1,134,119	1,640,285
Percentage of Shares Exercisable to Outstanding Common Shares	0.11%	0.15%
Option Duration	10 years	10 years
Source of Option Shares	New Common Share	New Common Share
Vesting Schedule	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%
Shares Exercised	0	0
Value of Shares Exercised (NT$)	0	0
Shares Unexercised	1,075,814	1,579,111
Adjusted Exercise Price Per Share (NT$)	388.00	371.00
Percentage of Shares Unexercised to Outstanding Common Shares	0.10%	0.15%
Impact to Shareholders' Equity	Dilution to shareholder's equity is limited	

4.5.2. Employee Stock Option Granted to Management Team and to Top 10 Employees with an Individual Grant Value over NT$30 million

None.

4.6. Status of New Shares Issuance in Connection with Mergers and Acquisitions

None.

4.7. Financing Plans and Implementation

Not applicable.

5. Business Activities

5.1. Business Scope

5.1.1. Business Scope

5.1.1.1. The Main Business Activities of MediaTek

A. Research, develop, produce, and sell the following products:

a. Multimedia Integrated Circuits (IC);

b. Computer peripheral ICs;

c. High-end digital consumer ICs;

d. Other application specific ICs;

e. Patent and circuit-layout licensing and services of the above-mentioned products.

B. Provide the above-mentioned products with software and hardware application design, test, maintenance, and technological consultation services

C. Import and export of the above-mentioned products.

5.1.1.2. Revenue Mix (2008)

Product Category	Multimedia Chipsets	Others*
Revenue Mix	98.91%	1.09 %

Note: Others include revenue from technical services and licensing fees.

5.1.1.3. Products Currently Offered by MediaTek

A. Optical storage chipsets;

B. DVD player system-on-a-chip (SoC);

C. Blu-ray DVD player chipsets;

D. Mobile communication chipsets;

E. Bluetooth and mobile phone peripheral chips;

F. Wireless LAN (WLAN) chips;

G. Digital TV controller chips;

H. ATSC and DVB-T decoder and demodulator chips;

I. GPS receiver chips;

J. WiMAX chips;

K. Digital still camera (DSC) controller chips.

5.1.1.4. New Products Planned for Development

A. Highly integrated Blu-ray single-chip;

B. High performance and highly-integrated DVD-Rewritable single-chip;

C. Next generation highly-integrated GSM/GPRS/EDGE mobile communication chipsets;

D. Next generation highly-integrated mobile TV chips;
E. Next generation high-sensitivity and low power consumption GPS receiver chips;
F. Integrated Bluetooth and FM radio receiver single-chip.

5.1.2. Industry Outlook

5.1.2.1. The Relationship between the Upstream, Midstream, and Downstream of the Industry:

The semiconductor industry can be categorized as: Upstream – IC design companies, midstream – wafer foundries, and downstream – IC packaging and testing service providers.

The horizontal specialization is the main difference that sets Taiwan's IC industry apart from its overseas peers. Major international semiconductor companies usually operate vertically across the value chain, from IC design and manufacturing, to packaging, testing and even systems integration. However, in an industry environment that evolves very rapidly and requires increasingly high capital investments, Taiwan's specialized model proves to be performing better than the integrated model.

Attached below is a description of the main characteristics of the upstream, midstream and downstream of the semiconductor industry:

A. IC Design Companies

Essentially, IC design companies design integrated circuits (ICs). Their main business is to define the specs, design the product, and sell it, or to design the chip according to customers' requirements. It is a knowledge-intensive industry with relatively high return on investment. Thanks to Taiwan's complete semiconductor industry ecosystem and the ample talents, IC design is a thriving industry in Taiwan.

B. IC Manufacturing Foundries

The role of IC foundries is to produce ICs using sophisticated equipment with extremely high standards of quality control. This is a capital and technology intensive industry with high entry barrier – It takes NT$80 billion for building a 12-inch wafer foundry, let alone the continuously massive maintenance fees and R&D expenses required for the operation.

C. IC Packaging and Testing

The function of the IC packaging and testing companies is to complete the production process by turning the fabricated IC wafers into packaged and tested chips ready to be shipped to customers. This is also a capital and technology intensive industry, but compared with wafer foundries, the capital requirements and technological entry barriers are significantly lower. Profits mainly come from fixed processing costs, so the key factors affecting profitability are the utilization rate of equipment and labor costs.

In sum, the IC design industry sits at the upstream of the semiconductor industry value chain. Before receiving the final IC product, an IC design company needs to work with external specialized manufacturing partners for mask tooling, wafer manufacturing, IC packaging, and testing. In general, mask tooling, wafer manufacturing, and packaging are nearly 100% outsourced to third-parties, while some IC design companies might keep some of the IC testing capacities in-house.

5.1.2.2. Industry Outlook, Trends and Competition

A. Optical Storage Industry:

The optical storage industry is closely related to the PC market. Nowadays the PC market still has mild growth each year, which supports the growth of the optical storage industry. The growth of notebook computers outpaced the overall PC industry, so the slim-type optical storage used in notebooks has a good growth rate. Regarding the existing optical storage product types, DVD-ROM, CD-R/RW, COMBI, and DVD-Rewritable are all mature products. Although there are competitors in this sector, MediaTek still maintains a high market share by continuously enhancing its core competitiveness and customer service. As for the next generation optical storage technology, with the industry standard of Blu-ray, and high-definition flat panel displays becoming more popular, we saw Blu-ray optical storage gain traction in 2008, and expect its market to take off in 2009. MediaTek will continue to leverage its experience and use the spirit of innovation and service to expand its market share by meeting the demands of its customers worldwide.

B. Global Positioning Systems (GPS) Industry:

GPS is a positioning system that makes use of satellites in orbit around the Earth. It's mainly used in cars, for leisure, tracking, and fleet logistic managements. GPS is now applied on handheld devices (mobile phone, PDA, and PND), OBU (on-board unit), and trackers.

MediaTek's GPS chip solution has been adopted by global tier-one customers, thanks to its outstanding performance. MediaTek will continue to maintain technological leadership through investing in development. MediaTek plans to leverage its resources, customer base, excellent product performance and flexible product strategy to expand global market share.

C. Digital Consumer Products:

Although the DVD player market in developed countries has been saturated, the overall DVD player unit shipments still maintain momentum, thanks to demands from emerging markets. Meanwhile, the demand for next generation Blu-ray DVD players has been gaining momentum in Europe and the US: since high-resolution flat panel TVs have been very popular in these regions, video players that can support high-resolution video playback have started gaining traction in the mainstream market.

D. Wireless Communications Products:

With 3G becoming more prevalent in high-end mobile handsets, operators have continued to promote the HSDPA technology by increasing coverage areas in order to boost the average revenue per user. Mid-end handsets, on the other hand, are moving toward 2.75G technology. Brands that have economies of scale and channels still dominate the maturing market for ultra low-end handsets, while newcomers attempt to challenge their position in the emerging markets with mid-to-low-range multimedia phones. In terms of application, GPS has made great strides as several major brands began to launch handsets with built-in GPS functionality, with the help of maturing mapping services. Handsets with mobile TV capabilities have been mired by conflicting parties of interests, such as governments, content providers, and telecom operators, and have not made significant progress. It is worth noting that the Chinese government began the third phase of telecom industry restructuring in May 2008. The three major international standards, namely TD-SCDMA, WCDMA, and CDMA2000, will be competing in China, which serves to accelerate 3G development. The enormous domestic market in China will be a battleground for all players in the mobile phone market.

E. Digital TV Products

With the continued growth of digital television and the switch from analog signal to digital signal, the digital flat panel TV shipment should exceed 100 million units worldwide at the end of 2009. Favorable policies and subsidies have helped push the North America region into the largest market for digital TV. Europe, China and other developing countries are also part of the growing trend to replace CRT televisions. As conversion plans go in effect, ATSC/DVB-T and other digital signal receivers have become standard equipment for flat panel TVs. As for mobile TV, more time is needed before it reaches its full potential as the “killer application”, given that mature government regulations and feasible business models are not yet in place.

5.1.3. Technology and R&D

5.1.3.1. R&D Spending

MediaTek's R&D spending in 2008 was NT$15,129,695,000, and from January 1st 2009 to the printing date of this annual report, the R&D spending was NT$4,283,696,000.

5.1.3.2. Successfully Developed Technologies or Products in the Last Fiscal Year and Year-to-Date

1. Highly integrated 22x DVD-Rewritable single-chip;
2. 12x Blu-ray multifunction rewritable chipset;
3. GPS signal receiver featuring high sensitivity and low power consumption;
4. Highly integrated Blu-ray DVD player chipset;
5. Chipset for mid-to-low-end GPS/GPRS multimedia phones;
6. Chipset for low-end models with integrated power management functions;
7. Digital TV single chip with integrated ATSC/DVB-T demodulator and 120Hz dynamic image processing capability;
8. Digital TV single chip with integrated DVB-T demodulator, H.264 codec, and next generation video processor for the mainstream European market;
9. Next generation 120Hz Halo-free dynamic image processor chip.

5.1.4. Long- and Short-Term Business Development Plans

5.1.4.1. Optical Storage Products

In addition to maintaining MediaTek's high market share of existing product lines, other business goals include expanding market share through the launch of higher performance DVD-Rewritable chips, and developing next generation highly-integrated Blu-ray controller chips to gain the upper hand in the early stage of this market. Besides, there is a consolidation trend among optical storage players; MediaTek intends to cement an even tighter relationship with its customers by providing better services.

5.1.4.2. GPS Products

MediaTek will not only continue to improve the sensitivity and power consumption of its GPS chips, but will also extend its support to Europe's Galileo, Russia's Glonass and China's Compass Navigation Satellite Systems. MediaTek had also launched A-GPS software to enhance product compatibility. Our short-term goal is to become a leader in the portable navigation device (PND) market while our long-term goals are to expand into the mobile phone and on-board unit (OBU) markets.

5.1.4.3. Digital Consumer Products

MediaTek will continue to reduce costs for the DVD player single-chip and develop Blu-ray player chips that come with higher integration and more newer functions at competitive price.

5.1.4.4. Wireless Communication Products

MediaTek will continue to launch handset chipsets and peripheral chips with more integrated multimedia functions and higher connectivity for different market segments. By providing very competitive products with a high performance-to-cost ratio, we can strengthen our partnership with telecom operators and distributors worldwide. We will also work closely to support current customers' global expansion, while developing 3G/3.5G and open operating system (Open OS) technologies to expand our customer base.

5.1.4.5. Digital TV

MediaTek will continue to develop digital TV chips that have higher integration, more features, and lower cost. Besides, MediaTek will also accelerate the development of mobile TV chips to maintain industry leadership.

5.2. Market, Production, and Sales Outlook

5.2.1. Market Analyst

5.2.1.1. Major Markets

Region	Year 2008	
	Sales (NT$1,000)	Percentage
Export sales	63,296,383	93.06%
Domestic sales	4,719,160	6.94%
Total	**68,015,543**	**100.00%**

5.2.1.2. Market Share

For fiscal year 2008, MediaTek's optical storage and digital consumer products had approximately 24% market share. MediaTek's market share in the wireless communications and digital TV businesses was approximately 9% and 7%, respectively.

Source: Gartner, December 2008.

5.2.1.3. Major Markets

A. Optical Storage Products

MediaTek is currently the only IC company in the world that can provide a complete spectrum of products, ranging from CD-ROM controller chips to DVD-Rewritable products, and next generation Blu-ray DVD products. Besides providing a comprehensive product range, our total services also help accelerate customers' time-to-market and time-to-profit. This is why MediaTek has been able to maintain a large market share despite stiff competition.

On the supply side, the main CD-ROM IC supplier is MediaTek; the main DVD-ROM IC suppliers are MediaTek and Panasonic; the main CD-R/RW IC suppliers are MediaTek and Samsung Semiconductor; the main COMBI chipset suppliers are MediaTek and Panasonic; the main DVD-Rewritable suppliers are MediaTek, Renesas, NEC, and Panasonic. Major Blu-ray optical storage IC suppliers, other than MediaTek, the others are Japanese companies such as SONY, NEC, Panasonic, Renesas, Toshiba, etc. There are other domestic and overseas vendors trying to enter the optical storage industry, but their impact so far has been limited.

The global financial crisis in 4Q08 caused a sharp shrink in IT demand; the aftermath impacted MediaTek's 2008 full year optical storage IC revenue and casted a shadow on the 2009 outlook. However, given our leading position in the industry and superior products/services to customers, we believe we can weather the storm and maintain the top global market share. In the long-term, we expect the unit shipments of notebook computers continue to grow, which will help boost the demand for slim-type optical drives. Moreover, with growing popularity of high-resolution flat panel displays and game consoles such as the Wii, PS3, Xbox, the optical storage chip market will continue to grow in the future.

B. GPS Products

Currently the GPS chips are mainly used in portable navigation devices (PND). Improved mapping data and the introduction of new applications will continue to drive the growth of the PND market. Being adopted by global tier-one customers also helps us to grow our GPS IC business.

Other than PND, GPS mobile phones are gaining tractions as well. MediaTek's GPS solution is currently sold with our in-house handset platform, and we are promoting it to leading handset manufacturers worldwide. According to Berg Insights, a market research firm, the unit shipments of GPS mobile phones may increase from 175 million in 2007, to 560 million in 2012, which implies a compound annual growth rate of 26.2% during this period of time. An analyst of this research firm also forecasted that GPS will become an essential function of all high-end mobile phones by the end of 2009.

C. Digital Consumer Products

MediaTek has established leading positions in the DVD player IC market. By continuously launching more cost competitive products, we expect to keep the volume shipments at a steady range. For the next generation Blu-ray DVD player market, we'll continue to develop competitive IC products and establish long-term relationships with important electronic consumer companies. We expect the volume of Blu-ray DVD players continue increasing.

D. Wireless Communications Products

We expect these factors will continue to drive the handset demand: emerging markets, ultra-low-cost phones, and replacement cycles. We've seen two product development trends for the wireless communication products: (1). The fast evolution of communication technologies that pushes 2G (GSM/GPRS/EDGE) users to move to 3G/3.5G standards; (2). Handset platforms are more frequently integrating multimedia and connectivity functions, such as digital cameras, music players, Bluetooth, Wi-Fi, GPS, Mobile TV, WiMax, etc.

In emerging countries, the entry-level feature phones with color-screen and multimedia functions have been replacing black-and-white screen mobile phones. In developed countries, smart phones are coming with 3.5G HSDPA so that data transmission bandwidth is sufficient to fulfill the need of businesspersons. Moreover, not only are high-end multimedia phones coming with 3G – Telecom operators, to yield faster returns for their bulky 3G infrastructure investments, are also cooperating with handset OEM/ODM companies to launch low-cost 3G phones. For mid-range phones, the trend is upgrading from GPRS (2.5G) to EDGE (2.75G) with enhanced multimedia features – for example GPS, Mobile TV, etc. that are currently only available on high-end smart phones.

E. Digital TV

With an increased digital TV penetration rate, the demand for digital TV chips is also increasing. By providing the most highly integrated digital TV single-chip, MediaTek has penetrated international tier-one TV companies' supply chains and will continue to expand its market share.

5.2.1.4. Competitive Advantage

A. Outstanding Team

MediaTek's management team has been working together in the multimedia industry for years and has grown with the participation of outstanding talents. Many of our staff consists of senior IC design and system engineers and 90%+ of the employees has a Master's degree or higher. The exceptional quality of human resources and the team spirit developed through long-term cooperation are the key factors that have enabled MediaTek's continuous innovation and cultivated a great culture for the company's long-term prosperity.

B. Strength in System-on-a-Chip (SoC) Development

SoC has been a hot topic of the technology industry for many years. MediaTek has a large pool of talented IC and system designers; through their joint efforts, we've been able to launch competitive SoC products every year.

5.2.1.5. Favorable and Unfavorable Factors and the Countermeasures

Favorable Factors

A. New Applications for Handsets Getting Popularity

MediaTek has always invested heavily in the development of new mobile phone applications to equip our customers with convenient and robust integrated solutions. The market's appetite for richer multimedia features and the upsurge of GPS phone demands from handset companies' promotion are positive factors which MediaTek has used to leverage our established multimedia technology and other products. New applications and enhanced wireless communication technologies are essential parts of our highly integrated product solution. We aim to shorten our customers' development cycle for new handset products.

B. Successful Integration of ADI Mobile Phone Business Unit

MediaTek completed the acquisition of Analog Devices, Inc. (ADI) handset business unit in January 2008. Through this acquisition, we've been able to boost our technological capabilities in Radio Frequency (RF), and baseband (TD-SCDMA and others) technologies. This acquisition also opens the door for us to more global handset customers.

C. Blu-ray DVD Players Becoming Mainstream

In developed countries, Blu-ray players have been replacing traditional DVD players. This upgrading trend will help us increase the blended average selling price (ASP) and gross margin for the DVD player IC.

D. Optical Storage Introduced to More New Market Segments

In recent years, the PC market hasn't grown as fast as it had in the past, so some heavyweight optical storage vendors are shifting their focus from the PC market to digital home electronic products. Optical disc drives are no longer just a PC peripheral but are also used in audio-visual entertainment products. New market segments for optical disc drives include game consoles (Wii, PS3, Xbox, etc.) and camcorders. MediaTek will benefit from this trend and move in the direction of 3C integration.

E. High-Quality Staffs

The Company's seasoned management team has been working together in the industry for years. More than 90% of the staff has a Master's degree or higher. The high quality of our staff is unmatchable by our competitors.

F. Comprehensive IC Manufacturing Infrastructure in Taiwan

Taiwan has a well-developed IT industry and world-leading manufacturing capability. The large demand in China is MediaTek's biggest opportunity and Taiwan's outstanding semiconductor manufacturing system provides fast and efficient supply to fulfill our customers' needs.

Unfavorable Factors and Countermeasures

Unfavorable Factors: Unpredictable Emergence of New Technologies

The information technology industry is moving at a fast pace and new technologies may appear at any time. As a result, the lifecycle of our products may be cut short and the pricing pressures may increase.

Countermeasure

In an extremely competitive technology industry, MediaTek is always prepared and has been aggressively developing new products, improving competitiveness, and providing better products from our high-quality employees. In addition to continuing to market our existing products, we also work proactively on next generation products. We aim to increase our competitiveness by bringing high-quality products to the market ahead of our competitors.

5.2.2. Key Product Applications and Manufacturing Processes

5.2.2.1. Key Product Applications

MediaTek's major products include optical storage chipsets, high-end consumer electronics chipsets, wireless communication chipsets, and digital TV chipsets. Key product applications are listed below:

A. Optical Storage

DVD-ROM chipsets have two major applications. The first is in game console storage devices and the other in multimedia PC storage devices. The former is a closed market with only a few buyers, such as SONY, Nintendo and Microsoft. The latter is the PC market, which Taiwanese companies are very familiar with. CD-R/RW chipsets are mainly used in multimedia PC storage devices and the digital home appliances' recordable players. COMBI chipsets are mainly used in slim-type optical drives and high-end PC storage devices. DVD-Rewritable chipsets are used in high-end PC storage devices and recordable DVD players.

B. DVD Player

DVD player chipsets are mainly used in digital home appliances for DVD players. DVD-Recorder chipsets are used in the increasingly popular DVD recorders.

C. Wireless Communication

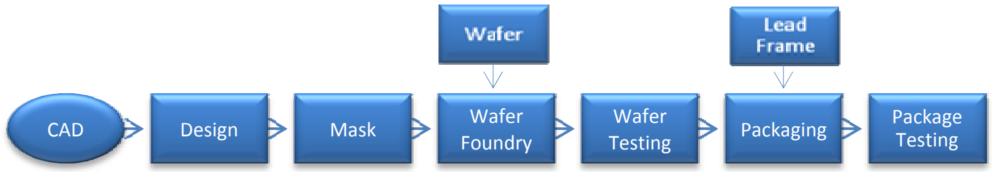
Wireless communication chipsets are mainly used in cell phones. MediaTek's wireless communication offerings range from the entry-level voice-only mobile phones, mainstream GSM/GPRS/EDGE phones, to high-end multimedia mobile phones.

D. Digital TV

Digital TV controller chipsets are mainly used in the latest digital TVs, including LCD TV and plasma TV. Digital TV decoder chips and demodulator chips are used to receive and decode digital TV signals. Currently, a flat panel TV with a built-in digital tuner needs a digital TV controller as well as a digital TV decoder/demodulator.

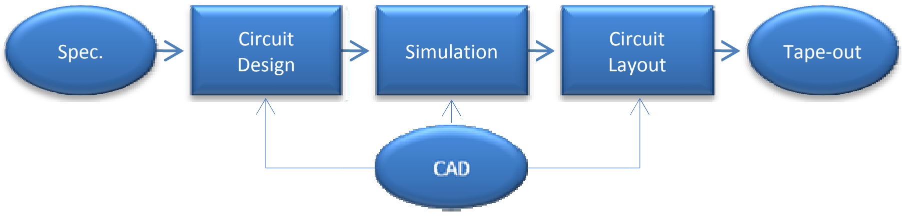
5.2.2.2. Key Product Manufacturing Process

The chart below shows the process of developing an IC product:



A. Design Process

After the product specifications being defined, IC design engineers will start doing the circuit design, using computer-aided design (CAD) tools. Their job is to a blueprint that can be placed into production.



B. Mask Process

The finished IC circuit designs are stored in a tape as a database for masking company to produce the mask sets. There are four stages in the manufacturing of mask; namely glass process, Cr film coating, resist coating and shipping. The finished masks are then delivered to a wafer foundry.

C. Wafer Foundry Process

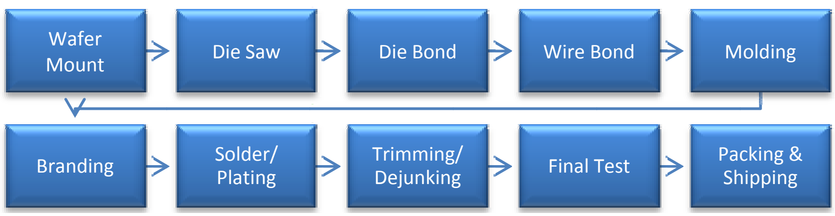
Wafer fabrication is outsourced to the foundry. The wafer manufacturing process begins by entering a module, going through etching, photo, thin film and diffusion with masks. The finished wafers must be tested before shipping to the next stage.

D. Wafer Testing Process

A finished wafer must be checked for conformity in electrical function. Dysfunctional “bad dies” will be marked and sorted out later.

E. Packaging Process

The “good dies” on the wafer will go through the final packaging and testing process:



5.2.3. Supply of Essential Raw Materials

Wafers are our major product materials and they mainly come from our foundry partners United Microelectronics Corporation (UMC), Taiwan Semiconductor Manufacturing Limited Company (TSMC), Dongbu Electronics (DBE), Chartered Semiconductor Manufacturing Company (CSM), and Siltera. These suppliers have been able to maintain good quality and process capability, satisfying MediaTek's requirements. We negotiate pricing with suppliers according to the market supply and demand status. We also review the production and service quality periodically with our suppliers.

MediaTek not only continue to strengthen our cooperation with existing manufacturing partners, we also actively survey and contact other potential suppliers to ensure secured supply, high quality and low cost.

5.2.4. Key Supplies & Customers

5.2.4.1. Key Suppliers

Names of suppliers accounting for more than 10% of the total purchase in any of the previous two years:

2007			2008		
	Amount Purchased (NT$1,000)	% of Total Purchase		Amount Purchased (NT$1,000)	% of Total Purchase
Supplier A	15,827,855	67.85%	**Supplier B**	6,330,676	45.79%
Supplier B	3,317,507	14.22%	**Supplier A**	6,256,734	45.25%
Supplier C	3,201,029	13.72%	**Supplier C**	891,167	6.45%

Reasons for change: Changes in product lines, quality not meeting requirements and changes in outsourcing strategy.

5.2.4.2. Key Customers

Names of customers accounting for more than 10% of the total sales in any of the previous two years:

2007			2008		
	Amount of Sales (NT$1,000)	% of Total Sales		Amount of Sales (NT$1,000)	% of Total Sales
Customer A	17,471,224	23.36%	**Customer A**	25,904,963	38.09%
Customer B	8,705,957	11.64%	**Customer B**	10,064,737	14.80%
Customer C	5,662,383	7.57%	**Customer C**	10,028,991	14.75%

Reasons for change: Changes in product mix

5.2.5. Production Volume and Value in the Past Two Years

	2007			2008		
	Production Capacity	Production Volume (1,000 pieces)	Production Value (NT$1,000)	Production Capacity	Production Volume (1,000 pieces)	Production Value (NT$1,000)
Multimedia and Handset Chipsets	N/A	979,085	37,309,279	N/A	1,210,658	32,761,602

Note: MediaTek outsourced manufacturing to wafer foundries, packaging houses and testing companies. There's no in-house production capacity.

5.2.6. Sales Volume and Value in the Past Two Years

	2007				2008			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume (1,000 pieces)	Value (NT$1,000)	Volume (1,000 pieces)	Value (NT$1,000)	Volume (1,000 pieces)	Value (NT$1,000)	Volume (1,000 pieces)	Value (NT$1,000)
Multimedia Chipsets	45,911	6,939,905	784,812	67,253,632	38,711	4,550,293	1,105,384	62,724,470
Others	N/A	229,846	N/A	355,196	N/A	168,867	N/A	571,913
Total	45,911	7,169,751	784,812	67,608,828	38,711	4,719,160	1,105,384	63,296,383

5.3. Employees

		2007	2008	2009 (As of March 31)
Number of Employees	Management	102	109	109
	R&D	1,600	1,890	1,834
	Sales & Marketing	57	70	87
	Manufacturing	58	65	65
	Total	1,817	2,134	2,095
Average Age		31.6	32.4	32.6
Average Years of Service		3.1	3.3	3.5
Education	Doctoral	5.56%	6.25%	6.42%
	Master	85.24%	85.29%	85.51%
	University & College	9.09%	8.41%	7.97%
	High School	0.11%	0.05%	0.10%
	Total	100%	100%	100%

5.4. Important Contracts

Agreement Type	Counterparty	Term	Summary	Restrictions
Licensing & Settlement	ESS Technology International, Inc. and ESS Technology, Inc.	Permanently effective from June 11, 2003	MediaTek licensed ESS technology and settled the legal dispute	None.
Licensing & Settlement	VIA Technologies Inc. and Western Digital Taiwan Co., Ltd.	Start from Aug. 3, 2004	MediaTek settled the legal dispute with VIA and its subsidiary Western Digital. MediaTek also licensed part of its intellectual property to Western Digital (permanent licensing of copyright and business secrets; 5-year license on patents)	Only applicable to Western Digital optical storage products built before May 15, 2004 that used MediaTek intellectual property (IP)
Licensing	Zoran Corporation and Oak Technology, Inc.	Permanently effective from Jan. 25, 2006	MediaTek licensed Zoran's certain IP and its derivative IP	None.
Acquiring Assets	Pollex Co., Ltd. (Beijing)	From Oct. 27 2006 to May 3, 2007	MediaTek acquired a total of 77 pieces of Pollex know-how regarding middleware & application software for mobile communication devices	None.
Investment	NuCORE Technology Inc.	April 19, 2007	MediaTek acquired 69% of NuCORE shares	None.
Acquiring Assets	Analog Devices, Inc.	Sep. 10, 2007	MediaTek acquired ADI's RF and baseband chipset operations	None.
Acquiring Assets	Allied Integrated Patterning Corp	Dec. 30, 2008	MediaTek acquired AIPC's office building	None.

6. Corporate Social Responsibility

6.1. Corporate Promise

6.1.1. Employee Relations

MediaTek Corporation has followed its “humanistic” principle in cultivating a healthy relationship with its employees. The designated Employee Relations Department is responsible for planning, promoting, and implementing initiatives that lead to a positive and proactive relationship, which is one of the key elements of MediaTek’s ability to maintain growth. The framework for how MediaTek manages its employee relations is as follows:

A. Communication with Employees

A variety of mechanisms are in place for the purpose of triggering communication between employees and supervisors as well as evaluating the effectiveness of communication. Some of the initiatives include “Understanding MediaTek’s Business Operations,” “Knowing Your Manager,” “Improving the Working Environment,” and “Reaching a Consensus,” which are conducted both in-person and electronically. These initiatives are carried in a matrix-type framework so that employees can better understand and carry out MediaTek’s policies, while improving the work environment. For example, during the employee representative communication meeting, employees regularly give a 4.1 or higher rating on a 5-point scale. The “BU Head Tea Time” yielded a 4.5 or higher rating. These initiatives and mechanisms are integral to a healthy communication between MediaTek and its employees as well as a cohesive environment.

B. Employee Cohesiveness

Beside the formal channels of communication, MediaTek also hosts different types of events. There are company sponsored events such as year-end parties and MediaTek corporate days; holiday celebrations on Engineers’ Day, Valentine’s Day, Mother’s Day, Father’s Day, summer break, Mid-Autumn Festival; and departmental activities such as the department’s Family Day and joint birthday celebrations, volunteer days, travels, and clubs, etc. The key to success is to design activities that fit the employee’s needs so that employees will participate with their families. Through these activities we can strengthen the interaction and connection between MediaTek and its employees.

In the three short years since MediaTek began promoting and guiding the various employee clubs, the total number of clubs has reached 29 with about 2,200 employees. 45% of our employees belong to at least one club. MediaTek effectively promotes the expansion of these clubs through company reimbursements and allowances. These clubs are highly valued as they create employee cohesion and a sense of community.

C. Health Promotion

MediaTek firmly believes that "healthy employees are essential to high productivity" and is deeply committed to promoting both the mental and physical health of its employees. In terms of physical health, MediaTek has provided high quality health checks and post-check consultations to its employees for the past four consecutive years. Higher-risk groups such as executives, female staff, and testing staff receive additional testing such as eyesight checks, mammograms, cervical smear tests, and blood lead concentration tests, etc. The focus is placed on preventive care so that effective treatments can be given before actual symptoms occur.

MediaTek places equally emphasis on the physiological aspect of overall healthcare. Employees are encouraged to use onsite fitness centers or participate in cross-departmental competitions such as the 1700 ("Let's Move"), where the BU Heads lead the fun group activities. This type of initiative is aimed at helping the staff develop regular exercise routines. The utilization rate for the various sports facilities at the Health & Lifestyle Center (including a fitness center, badminton court, basketball court, table tennis room, aerobics room) is currently near 100% in the evenings. MediaTek also hires blind masseurs recommended by the Taipei Association of Blind Masseurs whose services are provided inside the fitness center. The proceeds from the massages, which totaled NT129,750 in 2008, were donated to the Hsinchu Development Association for the Blind to help the association set up massage stations at the three major hospitals in Hsinchu, providing a steady source of income for the blind masseurs. MediaTek plans to donate the 2009 proceeds to the Institute for the Blind of Taiwan to aid their efforts in building an educational institution for the blind. The institution will help the blind acquire marketable skills so that they can be self-sufficient and eventually give back to society.

D. Humanistic Services

Humanistic services include not only MediaTek's overall policies and software/hardware, but also an employee-friendly working environment. Such an environment would also meet the employees' personal needs. There are authorized stores, ticket/gift certificate ordering services, and concierge services that help employees plan for wedding parties/baby showers and order greeting cards and flowers for Valentine's Day or Mother's Day. These thoughtful services help the employees save a great deal of time and stress.

E. Care for the Employees and Their Families

The Employee Relations Department provides one-on-one care and assistance to individual employee issues and needs. The services provided by the department range from emergency assistance (such as car accidents or family emergencies) and psychological counseling/referral. The regular "Employee Satisfaction Survey" which identifies departments with lower-than-average results and further diagnoses the problems through a "Department Morale Survey", focus group interviews, and random interviews to help the department take necessary rectification measures.

Also, MediaTek understands that behind every hard-working employee is a supportive family. The “Family Network” is one of the company’s initiatives in helping employee families understand the company, build a community for the employee families and provide information such as medical care, childcare and education, apartment rental and home buying, etc. There is also a family activity room in the Health-and-Life-Style Center where families can charter their own classes and create a strong bond amongst the community. In 2008, a total of 11 classes were created that included book clubs, color penciling, family aerobics, English classes, aesthetics, Basic English for children, yoga, etc. More than 126 family members attended these exciting courses.

F. Employee Welfare Committee

MediaTek has established an Employee Welfare Committee (herein referred to as the Committee) in accordance to the Council of Labor Affairs “Rules Governing Organization of Employee’s Welfare Committee.” The Committee is responsible for promoting various employee activities and funding those activities. The Committee aims to organize a wide-range of activities that achieve both employee cohesiveness and personal flexibility. For example, the Committee offers allowance for Family Days and birthday celebrations for each department. It encourages each department to organize team-building activities for both the staff and their family members. Employees can choose to use their travel allowances on personal travel or company-sponsored group travel. Since the Committee’s inception, the utilization rate of various welfare allowances have exceeded 95%, which reflects the true spirit of the employee’s welfare committee.

H. Continuing Education and Training System

MediaTek provides a comprehensive, humanistic training system. The training system is integral to MediaTek’s continuous growth by serving as a learning environment that allows employees to meet their full potential. There are four types of training, each based on the employee’s rank and nature of work:

(a) Management Training System: The management training system helps managers develop their training blueprint based on the skills required for their positions.
(b) Engineer Training System: The engineer training system provides training and development courses for engineers who wish to grow professionally.
(c) Professional Knowledge Training System: The professional knowledge training system offers non-engineering training, such as basic management, legal affairs, intellectual property, information technology, human resources, accounting and financing, etc.
(d) New Staff Training System: The new staff training system provides training for new employees and engineers.

Total education and training costs accounted for NT$31,435,000 in 2008 and NT$5,930,000 year-to-date.

G. Retirement system

MediaTek's retirement system was designed in accordance to the Labor Standards Law and the Labor Pension Act. The retirement system makes monthly reserves depositing the funds in the Supervisory Committee on Labor Retirement Funds account at the Central Trust of China. Since the promulgation of the Labor Pension Act on July 1st of 2005, employees have been given the option to stay with the Old System or the New System (but keep the number of working years). For employees who chose the New System, the company makes monthly reserves of at least 6% of the employee's monthly salary statements in accordance with Financial Accounting Standard No.18 "Employer's Accounting for Pension Plans" and provides actuarial reports and recognizes the reserve as a pension liability on the balance sheet.

6.1.2. Supplier Management

As a responsible corporate citizen, MediaTek is committed to implementing environmental-friendly and carbon-reducing initiatives. MediaTek has established the "MediaTek Environment-Friendly and Carbon-Reducing Products Policy," which encompasses four major areas of demands for its suppliers. The policy was communicated to the suppliers on December 26th of 2008 in a suppliers meeting. The goal is to reduce our carbon footprint by 1,000 metric tons in 2009.

This policy demands suppliers to make changes in the areas of design, material, transport, and minor details. Descriptions of each item are as follows:

A. Design: simplify product structure through green design in order to reduce the use of consumables and the use of pure gold in IC packaging.

B. Material: The entire product line should meet the European Directive on the "Restriction of the Use of Certain Hazardous Substances." The manufacturing process should incorporate halogen-free material and reduce the use of chemicals.

C. Transport: Use recyclable material and reduce the use of consumables during the process of loading and transporting ICs.

D. Minor Details: Inspect the IC manufacturing process for excessive waste of resources, such as water and electricity.

6.2. Social Participation

6.2.1. Social Contributions

6.2.1.1. Sponsor the "NTHU - MediaTek Dr. Wu Ta-You Scholarship"

The scholarship was established to honor the spirit of Dr. Wu Ta-You, who believed in cultivating top university students' interest in academic research and cross-strait academic exchanges. Since 2008, MediaTek has sponsored National Tsing Hua University with the Dr. Wu Ta-You Scholarship. Each year, 35 outstanding NTHU sophomores and juniors receive a NT$20,000 scholarship and an opportunity to attend a 2-month-long research seminar in China (Tsing Hua University, Shanghai Jiao Tong University, Zhejiang University, University of Science and Technology of China, Xi'An JiaoTong University, Harbin Institute of Technology.) The sponsorship program also includes inviting outstanding students from these mainland China universities to visit Taiwan to advance the mutual understanding academically and socially.

6.2.1.2. Establish the MediaTek Fellowship

MediaTek is deeply committed in its efforts to promote science education. The MediaTek Fellowship was established in 2002 with the purpose of encouraging graduate students who wish to go on to a Ph.D. program. The fellowship is intended to reward outstanding graduate students in the field of electric engineering and information technology. Since 2002, 24 students have received the fellowship, each receiving NT$50,000 per month for as long as 36 months. The fellowship allows the students to dedicate themselves to research. Some of the fellowship recipients have entered the industry or back to academia and begun making contributions in the field of research.

6.2.1.3. Partnership with Academia and Research Publications

MediaTek regularly sponsors scholarships in its efforts to promote science education. The company has sponsored the NTU-MediaTek Wireless Research Lab for eight consecutive years. Currently the project is in their third phases, which will last four years. The NTU-MediaTek Wireless Research Lab aims to be a world-class lab with a focus on analog radiofrequency wireless communication systems. The Lab has published over 120 research papers in the past four years. Of the 120 papers, 20 relating to solid-state circuits were published in the International Solid State Circuits Conference (ISSCC). The Lab has filed 18 patent applications and has been rewarded 4 patents, demonstrating a high level of achievement.

In addition, MediaTek founded the NCTU-MediaTek Lab in a partnership with National Chiao Tung University (NCTU) in 2003. The NCTU-MediaTek Lab is focused on the Internet technology, human-machine interfaces, digital content, and radio frequencies, etc. The Lab refocused its research into two areas, "WiMAX" and "Gigabit Wireless" in 2008, which has led to even greater results. The Lab has published 184 research papers in the past four years, one of which was published in ISSCC in 2009. Of the 14 patent applications the Lab has filed, 6 have received patent approval.

MediaTek also began a partnership with National Tsing Hua University in 2008 and established the "NTHU-MediaTek Embedded System Laboratory." The lab focuses its research on embedded systems and developing related designers for the system and system software. In the first five years, the research has focused on two areas, Linux-based software platforms for mobile handset use and personal communication devices with Wibree functionality.

MediaTek's partnerships have reached beyond the top universities in Taiwan. Academic institutions sponsored by MediaTek can be found in the United States, Singapore, and China. The company believes that more research opportunities can be exploited by developing talents worldwide.

MediaTek's long-term partnership with top universities serves as a bridge between the high-technology industry and academia. MediaTek's commitment to innovative research is also evidenced through its research publications. Particularly, MediaTek has been published in the ISSCC for six consecutive years, the only company to accomplish that in Taiwan. The ISSCC is widely recognized as the "Semiconductor Olympia" of the electrical engineering field and a platform where the latest technological developments can be found. Since 2004, MediaTek has been published in the ISSCC eleven times. More impressively, MediaTek has been published twice in the field of Data Converters, a field where few papers have been published from Taiwan's academia or industry.

Research publications from MediaTek can also been seen in top academic forums such as VLSI Design/CAD, A-SSCC, and IPRS. These accomplishments demonstrate MediaTek's capability in circuit design, thus elevating Taiwanese research and bringing international recognition.

6.2.1.4. Exclusive Sponsorship of the Lung Yingtai Cultural Foundation's "MediaTek Lectures"

The MediaTek Foundation is committed to helping Taiwanese youth broaden their horizons, elevate their critical thinking skills, and gain an international view of the world. The "MediaTek Lectures" was a partnership with the Lung Yintai Cultural Foundation for that very purpose. The "MediaTek Lectures" broke away from the traditional definition of "experts." Respected professionals and leaders from the field of economics, politics, science, and literature were invited to speak at the event.

An impressive list of speakers was on hand at this event in 2008: Dr. Wang Gungwu, an expert in the study of overseas Chinese, Huang Xiao Wen, a renowned adventurer, Dr. Cheng-Ning Yang, Nobel Laureate in physics, Pau Chiu, President of Hong Kong University, and Dr. Samuel Lee, Secretary-General, Korean National Commission for UNESCO. The speakers encouraged the attendees to reach for creativity and innovation in the global arena. The "MediaTek Lectures" were not only well received by the attendees but critically lauded. Some of the responses were as follows:

A. Dr. Cheng-Ning Yang found the "MediaTek Lectures" were an event of the utmost quality: Dr. Cheng-Ning Yang, the first Nobel Laureate of Chinese descent gave the event high praises on the range of discussion topics, communication with the speakers, administrative aspects, and the sophistication of the audience. Dr. Yang lauded the event as the best he has experienced in both quality and impact.

B. Broadening the youth horizons through diverse subject matter and attention to humanitarian concerns: The event encompassed five speakers and four forums with a total attendance exceeding 3000, 70% of which fell between the age of 16 and 35. The event was a resounding success in its effort to draw the youth attention to science, humanities, and democracy so that the audience would be better equipped to think critically about Taiwan's future development and its place in the world.

C. Step out from mainstream thinking and begin a social dialogue:
The subject matter covered in "MediaTek Lectures" was designed to be forward-thinking. Key ideas included the issue of Chinese identity, science education, innovation, culture, ecological preservation, democratic development, etc. These subject matters and key concepts were meant to start a dialogue between academia, media, businesses, and the public sector. Such discussions helps draw attention and focus to the most urgent and relevant topics and will ultimately help Taiwan move forward.

D. "MediaTek Lectures" were widely reported by the media: The events were not only sponsored by the local media, such as: CommonWealth Magazine, ICRT, IC 97.5, BCC (Broadcast Corporation of China), Chunghwa Telecom, but also extensively covered both locally and internationally by the China Times, United Daily News, and Taipei Times. The events also led to active discussion and dialogue in blogsphere.

E. Young volunteers learned a great deal through their participation in planning and organizing the events.

6.2.2. Charitable Donations

6.2.2.1. Donations Made to the International Red Cross for Rescue and Reconstruction of the Sichuan Earthquake

Since MediaTek was founded in 1997, it has been committed to helping government and non-profit disaster relief efforts, including donations made to the September 21st Earthquake in 1999 and the SARS Medical Team of the Hsinchu General Hospital in 2003. MediaTek employees initiated donation for the International Red Cross in response to the 2008 Sichuan Earthquake. With matching funds from the MediaTek foundation, total donations reached NT$24,520,000.

6.2.3. Community Involvement

6.2.3.1. Support the Arts and Culture – Exclusive sponsorship of IC 97.5 FM's "I Talk, You Laugh" and "Talking with History" Programs

Real changes can only be made through elevating people's social and cultural accomplishments. In response to IC 97.5 FM's slogan of "I Care, I Can, I Change," MediaTek sponsored the two programs exclusively: "I Talk, You Laugh," hosted by former President of NTHU, Dr. Chung-Laung Liu, and "Talking with History," hosted by renowned historian, Hu Zhongxin. These two programs offered insightful analysis to history that served as valuable lessons for the community. By examining historical values and ideas, people can better think critically and independently, which ultimately leads to civic participation. This sense of civic responsibility and participation is crucial to the betterment of our living standards.

6.2.3.2. "Save a Life by Donating Blood" in 2008

"Save a Life by Donating Blood" was a blood drive organized by MediaTek employees and promoted through the media. Since 2007, MediaTek employees have organized regular blood drives to the Hsinchu Blood Center during periods of low supply. The inaugural 2007 blood drive attracted 119 employees and resulted in 156 bags of donation. The second year yielded even better results with 278 employees participating and 369 bags donated. This event will continue every year from now on.

6.2.3.3. Relay the Hope to Rural Schools for a Brighter Future

Education is the foundation upon which we build our future. The MediaTek Foundation understands that education requires systematic investment over a long period of time. The foundation has combined its management skills and experience working with higher education, such as fellowships and research partnerships with NTU, NTHU, and NCTU, and put them to use at twelve rural elementary schools in the Hsinchu area. Historically, these rural schools have relied on sporadic donations but have lacked the ability to consolidate resources in a systematic manner. Thus it has been extremely difficult to make long-term progress and changes. The foundation is committed to bringing the quality of classroom equipment up to par with other elementary schools so that students can not only successfully graduate but also give back to the community. The foundation plans to take its experiences with the schools in the Hsinchu area and eventually apply them to other parts of the country as part of its efforts to promote education.

A. Rural Education's Short-Term Goal: To Establish a Learning Environment

(a) 2008 Jia-Sing Elementary School - Classroom Equipment Donation

In 2007, MediaTek began its efforts to upgrade basic class equipment for rural elementary schools with an initial donation made to the Xin-Le Elementary School. In 2008, the MediaTek Foundation began with a meeting with the staff of Jia-Sing Elementary School and teachers to understand the school's needs. The foundation also made several trips to the school to assess the situation. In the end the foundation decided to donate six brand new embedded projection systems, replace all classroom curtains, and organize volunteer days on the weekends. The hardware installation allowed for multimedia and interactive course design and made learning more fun for the students. The foundation also helped upgrade the school's library with new bookshelves, 200 new books, and a Discovery DVD box set.

Once the projection systems were installed and integrated with current computers and DVD players, the school pushed ahead with multimedia education. Students are now able to watch educational videos and learn how to utilize the multimedia equipment for discussions and reports. Overall, an upgrade to the school's hardware meant a significant upgrade to the students' education.

(b) 2008 MediaTek Volunteer Day

MediaTek believes that company-led social initiatives should be complemented by employee participation. True social responsibility begins at the individual level. Our Chairman first initiated the Volunteer Day in 2003, and in the past nine years over 100 employees participated in volunteer programs of various natures. This event has become a proud tradition here at MediaTek.

As part of the rural education program that began in 2007, in 2008 the staff made equipment donations to Jia-Sing Elementary School. The corresponding Volunteer Day saw 100 employees and their family members rolling up their sleeves and helping out the school. The "Repair Team" helped to replace library shelves and reorganize the books for better library management; while the "Health Education Team" planted indigenous cinnamon trees under the guidance of outside professionals in various corners of the school. The trees were a natural and toxic-free way of pest prevention. The team also produced natural sprays and soaps that would go a long way toward preventing bug bites. Classroom curtains were replaced and colored for better shading, which alleviated the reflection problems of the projectors. The Volunteer Day gathered the strengths of many and made maximum impact at minimum cost. The volunteers very much appreciated the social responsibility aspect of the day.

(c) "Bringing the Knowledge Home" - Exclusive Sponsorship of the Boyo Social Welfare Foundation Tribe Tutoring Initiative

Echoing Dr. Chia-Tung Lee's concept of "Don't Let Poor Children Fall into Perpetual Poverty," MediaTek exclusively sponsored the Boyo Social Welfare Foundation tribe tutoring initiative, which offered training for aboriginals and tutoring for their children in the Hsinchu area. The tutoring was instrumental in helping these children move on to junior high school and eventually high school or trade school. These initiatives not only carried on the social resources already spent in the elementary level, but allowed the students to acquire marketable skills and ultimately give back to their tribes.

MediaTek has contributed NT$38 million over three years, which translates to 70 students receiving tutoring help at the Wu-Fong Junior High School and Jian-shih

Junior High School. The foundation selects and trains social workers and volunteer tutors for the two schools. During the school semester and summer/winter breaks, the tutors conduct tutoring sessions to help the students prepare for the Basic Academic Competence Test for junior high schools. Further, they regularly visit families and schools to better assess students' learning progress. The assessment quantifies the attendance, progress, and settlement rates of each case to ensure effective learning.

(d) "Find the Stars" – Language Education for Rural Schools

Professor Daisy Hung once said, "Education is the foundation of a nation and reading is the foundation of education. Literacy is a cultural indicator. Not can books inspire creativity but also uplift our spirit. An author may take a lifetime to write a book but all we have to do is to read it and we acquire that same experience and knowledge." However, many rural and aboriginal schools lack adequate reading material. In response to that, the MediaTek Foundation founded the "Find the Stars" – Language Education for Rural Schools program. The program first donated 200 sets of reading material to the 108 rural elementary schools in the Taoyuan, Miaoli, Hsinchu, Kaohsiung, and Pintung areas. The program also put in place a reading competition to encourage reading, which was supervised by related education supervisory agencies. The goal was for students to fully utilize the reading material, discover the joy of reading, and eventually develop a positive reading habit.

(e) "Let Books Travel Around the Island" – Sponsorship of the Taiwan Fund for Children and Families Library Book Van

As an extension of the 2007 "Volunteer Day," MediaTek donated a library book van to the Taiwan Fund For Children and Families (TFCF) - Taitung Family Helper Project and named the van the "Moving Story Castle." Before the "Moving Story Castle" went on the road, MediaTek and TFCF organized a design competition for the van. One of the children's designs was selected and the pattern was painted onto the van. Since April 2008, the "Moving Story Castle" has made stops at the TFCF – Dawu Township Service Center every Wednesday afternoon, Saturday, and during winter/summer breaks. With the help of the van, the TFCF volunteers were able to offer a range of fun activities, such as reading books aloud, helping families make their own picture books, playing videos, etc. Children in the rural areas are now given better learning opportunities.

B. Rural Education Mid-Term Plans: Creating Carefree Conditions for School Attendance and Positive Learning Attitude

The "Rural Education Program" aims to bring the hardware quality of the twelve elementary schools in rural Hsinchu up to par with average schools in the short-term. Mid-term plans aim to create carefree conditions for school attendance and a positive learning attitude. Once those conditions are in place, the program's goal is to let the students attend school without outside interference, such as financial problems or even abuse at home. The MediaTek Foundation plans to provide financial support and social assistance through non-profit organizations in the form of an emergency fund, financial counseling for families, and psychological counseling for children, etc. These measures are aimed to give children the peace of mind they need in order to excel in school.

Also, the foundation has plans to design professional curriculums so that learning can be applied in the tribal daily lives and help them develop a sense of learning community. Once the aboriginal children learn about being self-sufficient and helping others, a positive learning attitude and proper motivation can be developed. The ultimate goal is for children to continue their learning paths even without assistance.

C. Rural Education Long-Term Plans: Give guidance to Career Planning and Ways for Giving Back to the Community

The concept of "take from the community and give back to the community" is the basic principle that guides the "Rural Education Program." The main idea is that we first improve the learning environment for the students and then ensure that financial and psychological conditions are met. Gradually students can develop a positive attitude toward learning and set personal goals. With a clear goal in mind, students will acquire the necessary skills they need to succeed and eventually give back to the community, and thus create a positive cycle. The tribe as whole can thrive and create a better life for itself.

MediaTek foundation's long-term plan is to consolidate all the resources that go into helping the rural students. This involves building communities, strengthening the sense of civic responsibility, and finding ways for the communities to become financially independent by leveraging their own uniqueness. Ultimately, these communities can be self-sufficient and even be able to help others and give back to society.

6.3. Environmental Efforts

6.3.1. Long-Term and Short-Term Goals

6.3.1.1. Short-Term Environmental Goals

The company's short-term environmental goals are to comply with environmental, safety, and health standards and promote green and zero-hazard initiatives, as well as implement ISO14001 and OHSAS 18001 (occupational health and safety).

6.3.1.2. Mid-Term Environmental Goals

Mid-term environmental goals are to strengthen training in the areas of environment, safety, and health. Employees are encouraged to reduce and recycle material and reduce carbon footprint. The importance of occupational health and safety is also impressed upon the entire staff.

6.3.1.3. Long-Term Environmental Goals

Long-term environmental goals are to fully implement green design for our products, avoid any toxic material, and strengthen green purchasing and green management so that product services and packaging can meet international green standards. Further, these policies have been announced to the public to demonstrate the company's commitment to the environment and employee safety.

6.3.2. MediaTek's Energy-Savings Measures and Results

MediaTek believes that being environmentally friendly and reducing the carbon footprint is part of its social responsibility. Some of the company's achievements in this area are as follows:

A. Air Conditioning System: Compared to traditional air conditioning systems, MediaTek's Variable Air Volume (VAV) AC system, saves 25.7% more energy, which translates to about NT$1.545 million a year.

B. Lighting System: Lighting control in public areas and parking structures use lighting that is CNS compliant and approved by the Energy Bureau. These measures lead to an annual saving of NT$1.536 million.

C. Energy Reduction for Parking Structures: Controlled parking on the weekends leads to an annual saving of NT$2.61 million.

D. Water Reduction: Condensed water from the company's air conditioners is reused for plant watering. Approximately 5,400 metric tons of condensed water is reused each year.

E. Waste Management and Recycling: The first step is to reduce overall waste, followed by proper sorting, recycling, and re-use. Continual improvement is also made to waste storage, transport, and processing with an emphasis on reducing the environmental impact. Waste processing and recycling vendors are first carefully chosen then monitored and audited at irregular intervals. The company takes full accountability for its waste management.

F. Promote Environmental Initiatives: The Company implements a policy of company-wide use of non-disposable utensils, organize video showings and seminars on environmental issues to employees and their families, promote energy reduction on computer use, organize emission inspection for employee's scooters, and promote a car pool network.

7. Financial Status, Operating Results and Status of Risk Management

7.1. Financial Status

7.1.1.Parent Company

Unit: NT$1,000

Item	2007	2008	Change	% of Change
Current Assets	$62,612,568	$45,752,665	($16,859,903)	(26.93%)
Funds & Investment	27,579,761	35,131,777	7,552,016	27.38%
Fixed Assets	5,221,845	5,243,216	21,371	0.41%
Intangible Assets	1,478,649	10,259,038	8,780,389	593.81%
Other Assets	397,515	200,730	(196,785)	(49.50%)
Total Assets	**97,290,338**	**96,587,426**	**(702,912)**	**(0.72%)**
Current Liability	11,285,891	14,893,337	3,607,446	31.96%
Long-Term Liability	-	-	-	-
Other Liability	67,390	83,188	15,798	23.44%
Total Liabilities	**11,353,281**	**14,976,525**	**3,623,244**	**31.91%**
Capital Stock	10,408,538	10,731,523	322,985	3.10%
Capital Reserve	2,539,843	2,757,311	217,468	8.56%
Retained Earnings (include statutory reserve and special reserve)	72,636,319	68,451,526	(4,184,793)	(5.76%)
Accumulated Conversion Adjustments	(400,047)	(17,915)	382,132	(95.52%)
Unrealized Gain of Financial Assets	808,374	(255,574)	(1,063,948)	(131.62%)
Treasury Stock	(55,970)	(55,970)	-	-
Total Shareholders' Equity	**85,937,057**	**81,610,901**	**(4,326,156)**	**(5.03%)**

Changes that exceed 20% and reach NT$10 million in the past two quarters and explanation for those changes:

(1) Decrease in current assets: Mainly due to decrease in cash, disposal of financial assets, and reduction of inventory due to market conditions.

(2) Increase in funds and investments: Equity investment in the investee company, recognition of the investee company's net income and increase in available-for-sale financial asset – noncurrent.

(3) Increase of intangible assets: Due to increase in goodwill and acquired technology as the result of the ADI handset business unit acquisition.

(4) Decrease in other asset: Due to decrease in deferred income tax asset.

(5) Increase in current liability: Due to increased expenses as the result of employee profit sharing expensing.

(6) Increase in other liability: Due to increase in pension liability.

(7) Increase in total liability: Due to increase in accrued expenses and increase in pension liability.

(8) Increase in accumulated conversion adjustments: Due to volatility in foreign exchange.

(9) Decrease in unrealized gain of financial assets: Due to recognition of decreased unrealized gain of financial assets in the equity-method investee companies.

7.1.2. Consolidated Report

Unit: NT$1,000

Item	2007	2008	Change	% of Change
Current Assets	$80,162,022	$71,225,877	($8,936,145)	(11.15%)
Funds & Investment	7,646,960	8,969,627	1,322,667	17.30%
Fixed Assets	5,921,529	6,504,012	582,483	9.84%
Intangible Assets	4,351,857	12,029,070	7,677,213	176.41%
Other Assets	784,166	345,818	(438,348)	(55.90%)
Total Assets	**98,866,534**	**99,074,404**	**207,870**	**0.21%**
Current Liability	12,720,880	17,232,353	4,511,473	35.47%
Long-Term Liability	9,016	-	(9,016)	-
Other Liability	67,390	83,188	15,798	23.44%
Total Liabilities	**12,797,286**	**17,315,541**	**4,518,255**	**35.31%**
Capital Stock	10,408,538	10,731,523	322,985	3.10%
Capital Reserve	2,539,843	2,757,311	217,468	8.56%
Retained Earnings (include statutory reserve and special reserve)	72,636,319	68,451,526	(4,184,793)	(5.76%)
Accumulated Conversion Adjustments	(400,047)	(17,915)	382,132	(95.52%)
Unrealized Gain of Financial Assets	808,374	(255,574)	(1,063,948)	(131.62%)
Treasury Stock	(55,970)	(55,970)	-	-
Minority Stock	132,191	147,962	15,771	11.93%
Total Shareholders' Equity	**86,069,248**	**81,758,863**	**(4,310,385)**	**(5.01%)**

Changes that exceed 20% and reach NT$10 million in the past two periods and explanation for those changes:

(1) Increase of intangible assets: Due to increase in goodwill and acquired technology as the result of the ADI handset business unit acquisition.

(2) Decrease in other asset: Due to decrease in deferred income tax asset.

(3) Increase in current liability: Due to increased expenses as the result of employee profit sharing expensing.

(5) Increase in total liability: Due to increase in accrued expenses and increase in pension liability.

(6) Increase in accumulated conversion adjustments: Due to volatility in foreign exchange.

(7) Decrease in unrealized gain of financial assets: Due to recognition of reduced unrealized gain of financial assets in the equity-method investee company.

7.2. Operating Results

7.2.1. Parent Company

Unit: NT$1,000

Item	2007	2008	Change	% of Change
Revenue	$76,054,533	71,248,417	(4,806,116)	(6.32%)
Less: Sales Returns & Discounts	(1,275,954)	(3,232,874)	(1,956,920)	153.37%
Net Sales	74,778,579	68,015,543	(6,763,036)	(9.04%)
Cost of Goods Sold	(32,552,182)	(31,131,461)	1,420,721	(4.36%)
Gross Profit	42,226,397	36,884,082	(5,342,315)	(12.65%)
Operating Expenses	(10,799,637)	(18,786,416)	(7,986,779)	73.95%
Income from Operation	**31,426,760**	**18,097,666**	**(13,329,094)**	**(42.41%)**
Non-Operating Incomes	3,573,546	4,674,855	1,101,309	30.82%
Non-Operating Expenses	(167,376)	(1,802,704)	(1,635,328)	977.04%
Earnings Before Tax	34,832,930	20,969,817	(13,863,113)	(39.80%)
Corporate Income Tax	(1,240,228)	(1,779,820)	(539,592)	43.51%
Net Income	**33,592,702**	**19,189,997**	**(14,402,705)**	**(42.87%)**

Changes that exceed 20% and reach NT$10 million in the past two periods and explanation for those changes:

(1) Increase in sales returns and allowances: Due to increase in sales allowances in this period.

(2) Increase in operating expenses: Due to employee profit sharing expensing.

(3) Decrease in net income: Due to increase in operating expenses.

(4) Increase in non-operating revenue and gains: Due to recognition of equity-method investment gains, foreign exchange gains, and the increase of bad debt recoveries.

(5) Increase of non-operating expenses: Due to provisions for loss on inventory valuation and obsolescence as a result of increase in necessary increase in product inventory; loss on sale of investments, revaluations loss on financial assets and recognition for impairment loss on financial assets resulted by the poor-performing financial market in the second half of 2008.

(6) Increase in income tax expenses: Due to estimated increases in income tax.

(7) Decrease in net income: As the result of the above explanations.

7.2.2. Consolidated

Unit: NT$1,000

Item	2007	2008	Change	% of Change
Revenue	$82,139,126	$94,560,270	$12,421,144	15.12%
Less: Sales Returns & Discounts	(1,467,357)	(4,158,229)	(2,690,872)	183.38%
Net Sales	80,671,769	90,402,041	9.730,272	12.06%
Cost of Goods Sold	(35,340,888)	(41,819,016)	(6,478,128)	18.33%
Gross Profit	45,330,881	48,583,025	3,252,144	7.17%
Operating Expenses	(13,441,701)	(26,275,097)	(12,833,396)	95.47%
Income from Operation	**31,889,180**	**22,307,928**	**(9,581,252)**	**(30.05%)**
Non-Operating Incomes	3,753,812	2,390,666	(1,363,146)	(36.31%)
Non-Operating Expenses	(790,707)	(3,600,464)	(2,809,757)	355.35%
Earnings Before Tax	34,852,285	21,098,130	(13,754,155)	(39.46%)
Corporate Income Tax	(1,462,151)	(1,923,890)	(461,739)	31.58%
Consolidated Net Income	33,390,134	19,174,240	(14,215,894)	(42.58%)
Net Income Attributed to Shareholders of the Parent	**33,592,702**	**19,189,997**	**(14,402,705)**	**(42.87%)**

Changes that exceed 20% and reach NT$10 million in the past two quarters and explanation for those changes:

(1) Increase in sales returns and allowances: Due to increase in sales allowances in this period.

(2) Increase in operating expenses: Due to employee profit sharing expensing and the increase of staff.

(3) Decrease in net income: Due to increase in operating expenses.

(4) Decrease in non-operating revenue and gains: Due to reduced investment gain.

(5) Increase of non-operating expenses: Due to provisions for loss on inventory valuation and obsolescence as a result of increase in necessary increase in product inventory; loss on sale of investments, revaluations loss on financial assets and recognition for impairment loss on financial assets resulted by the poor-performing financial market in the second half of 2008.

(6) Increase in income tax expenses: Due to estimated increases in income tax.

(7) Decrease in net income: As the result of the above explanations.

7.3. Evaluation on Assets and Liabilities

MediaTek assesses its assets and liabilities on a monthly basis as required by the financial accounting standards, and state relevant allowances. The basis of assessment is elaborated as follows:

7.3.1. Allowance for Doubtful Receivables

Details of provisions for notes receivables, account receivables, and account receivables – related parties are as follows:

Days Overdue	% of allowance for bad debts
0 Day	2
1~30 Days	8
31~60 Days	10
61~90 Days	20
More than 90 Days	100

7.3.2. Inventory Loss Provision

Estimated loss on slow-moving inventories that stay at the same stage for more than 60 days are recognized and included in the allowance for inventory loss. Details are in the table below:

Days of Inventory Stayed at the Same Stage	% of Inventory Loss Provision
60 Days and Less	0
61~90 Days	20
91~120 Days	60
More than 121 Days	100

7.4. Financial Assets Impairment Loss Analysis

The Company has implemented quarterly evaluation for asset impairment since January 1st of 2005, in accordance with SFAS No. 35, “Accounting for the Impairment of Assets”. The impact of this change on The Company’s net income, earnings per share, and total assets for fiscal year 2008 is as follows:

Unit: NT$1,000

Effect on 2008 Financial Status	Parent Company	Consolidated
Net Income	($12,126)	($1,423,139)
EPS	($0.01)	($1.34)
Total Assets	($12,126)	($1,423,139)

7.5. Cash Flow Analysis

7.5.1. Parent Company

Unit: NT$1,000

Cash Balance Dec. 31, 2007	Net Cash Provided by Operating Activities in 2008	Net Cash Outflows from Investing and Financing Activities in 2008	Cash Balance Dec. 31, 2008	Remedy for Cash Shortfall (Investment & Financing Plan)
$40,365,582	$33,387,022	$(38,002,156)	$35,750,448	-

7.5.1.1. Analysis of the Change in Cash Flow in 2008

Operation: Net cash inflow of NT$33,387,022,000, mainly from operating profits.

Investment: Net cash outflow of NT$14,950,351,000, mainly due to the increase of long-term investment, and the payment for acquisition of Analog Devices, Inc. (ADI) handset business.

Financing: Net cash outflow of NT$23,051,805,000, mainly due to the distribution of earnings.

7.5.1.2. Remedial Actions for Cash Shortfall

The company has ample cash on-hand; remedial actions are not required.

7.5.1.3. Cash Flow Projection for Next Year

Not applicable.

7.5.2. Consolidated

Unit: NT$1,000

Cash Balance Dec. 31, 2007	Net Cash Provided by Operating Activities in 2008	Net Cash Outflows from Investing and Financing Activities in 2008	Cash Balance Dec. 31, 2008	Remedy for Cash Shortfall (Investment & Financing Plan)
$50,588,024	$35,598,660	$(33,165,140)	$53,021,544	-

7.5.2.1. Analysis of the Change in Cash Flow in 2008

Operation: Net cash inflow of NT$35,598,660,000, mainly from operating profits.

Investment: Net cash outflow of NT$10,482,749,000, mainly due to the payment for acquisition of Analog Devices, Inc. (ADI) handset business.

Financing: Net cash outflow of NT$22,883,233,000, mainly due to the distribution of earnings.

7.5.2.2. Remedial Actions for Cash Shortfall

The company has ample cash on-hand; remedial actions are not required.

7.5.2.3. Cash Flow Projection for Next Year

Not applicable.

7.6. Major Capital Expenditure

7.6.1. Major Capital Expenditure and Sources of Funding

As of March 31, 2009. Unit: NT$1,000

Plan	Actual or Planned Source of Capital	Estimated Capital Requirement (as of Dec 31, 2008)	Status of Actual or Projected Use of Capital			
			2005	2006	2007	2008
Office Building	Cash flow generated from operation	$434,787	$1,768,554	$1,366,958	$313,259	$121,528
R&D Equipments & Software	Cash flow generated from operation	$1,167,018	$227,642	$463,885	$626,279	$540,739
Intangible Assets	Cash flow generated from operation	$4,557,794	$1,861,743	$706,197	$699,257	$3,858,537

7.6.2. Expected Future Benefits

7.6.2.1. Expected Increase of Sales Volume and Revenue

Unit: NT$1,000

Year	Item	Production Volume (1,000 pieces)	Sales Volume (1,000 pieces)	Revenue (NT$1,000)	Other Benefits
2008	Multimedia & Handset Chipsets	561,545	561,545	$9,730,272	Please refer to 7.6.2.2

7.6.2.2. Other Benefits

Other benefits of capital expenditure are listed below:

(1) Office buildings:

Investment in proper and well-planned space is necessary for attracting talents who are responsible for developing new products. Product development is crucial to The Company's sustainability.

(2) R&D equipment and software:

Equipment and software can help The Company's R&D process become more efficient and thus shortening the product development cycle.

(3) Intangible assets: technology and patents:

It is necessary for The Company' to strengthen its patent protection in order to navigate the current competitive landscape, which is often mired in complex patent disputes. The Company has continued its efforts to obtain high-value patents to improve The Company's patent portfolio. These patents can be applied in many of The Company's advanced products.

7.7. Investment Policies

Direct investment policy, reasons for profit or loss, correction plan and investment plan for the coming year: None.

7.8. Risk Management

7.8.1. Risks Associated with Interest Rate Fluctuation, Foreign Exchange Volatility, and Inflation

As the result of the financial crisis, central banks across the globe have lowered interest-rates in an effort to boost the sagging economy. We estimate that interest rates will stay low in the second half of the year. The Company will manage its cash position carefully and attempt to boost the returns with minimal risk. The Company's asset and liability denominated in a foreign currency are mostly in USD. Significant volatility in foreign exchange can adversely impact The Company's financial situation. Therefore The Company engages in FX forward contracts to minimize possible losses stemming from FX volatility.

The Finance Division is responsible for risks associated with interest rate fluctuation, foreign exchange volatility, and inflation.

7.8.2. Risks Associated with High-Risk/High-Leveraged Investment; Lending, Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions

As part of The Company's conservative financial management, it does not engage in investments that are either high-risk or high-leveraged. The Company has in place a complete and thorough policy and internal control scheme governing lending, endorsements, guarantees for other parties, and financial derivative transactions. The Company only engages in derivative transactions for hedging purposes. Any gains or losses from such transactions should roughly cancel out gains or losses in the underlying assets. For fiscal year 2008, The Company has provided lease guarantees for its subsidiaries MediaTek Wireless, Inc.(USA) and MTK Wireless Limited (UK) in the amount of NT$134,766,000 and NT$22,269,000.

The Finance Division is responsible for related risk management.

7.8.3. Future R&D Plans and Expected R&D Spending

Unit: NT$1,000

R&D Project Name	Projected Spending
High-Performance & Highly Integrated DVD-Rewritable Single-Chip	200
Highly Integrated Blu-ray Single-Chip	200
High Sensitivity and Low Power Consumption GPS Receiver Chips	150
Blu-ray DVD Player Single Chip	700
DVD Player Single Chip	150
Highly Integrated DTV Chips	950
Mobile TV Chips	250
2.75G and 3G Mobile Phone Chipsets	1,500
Total	**4,100**

7.8.4. Risk Associated with Changes in the Political and Regulatory Environment

MediaTek's management team closely monitors political and regulatory developments that could have a material impact on the Company's business and operation. MediaTek's actual tax rate has increased steadily since the implementation of the Alternative Minimum Tax on January 1st, 2006. Since the expensing of employee profit sharing was put in place on January 1st, 2008, MediaTek has allocated 25% of pro forma net income as provisions for employee profit sharing. Although such provisions would increase operating expenses, MediaTek has taken other actions to mitigate the impact of this policy.

The Finance Division and the Legal and Intellectual Property Division are responsible for risk associated with changes in the political and regulatory environment.

7.8.5. Impact of New Technology and Industry Changes

A. PC Industry:

In the PC industry, notebook computers will continue to grow, which would lead to a growth in slim optical drives. MediaTek's market share in slim optical drives will increase with the help of MediaTek's clients, who are successful players in this market. Further, DVD-Rewritable has begun to replace CD-RW and COMBI drives. MediaTek has successfully captured this trend and increased its share in the DVD-Rewritable market. MediaTek will continue to develop DVD-Rewritable single chips that combine high-performance and high-integration in order to secure its market share. MediaTek has also invested significant resources in the next-generation Blu-ray technology. As a result, MediaTek is able to offer a market-leading single chip for 12X Blu-ray drives. This technology should become the next growth driver for MediaTek.

B. GPS Market:

MediaTek has invested in the development of low-cost GPS products in response to increased demands for low-cost GPS function in mobile handsets and PND and increased competition, while continuing its development of high-performance GPS products. Further, MediaTek aims to make its low-cost GPS products more competitive by improving product integration.

C. Digital Home:

New standards emerge continuously with advances in digital home products, such as multimedia players and flat-screen televisions. In order to obtain the firsthand industry information and technical information, MediaTek will join the various associations and consortiums that set technical standards to better our product development.

D. Handset Industry:

As a result of the financial crisis, there have been both consolidation and reshuffling in the mobile handset industry. Changes in consumer behavior will impact customers, competitors, and the market in general. These changes will have to be carefully monitored and dealt with. The Baseband and RF single-chip for mobile handsets has transitioned from 2G to 3G dual mode and integration with peripherals has increased. MediaTek has been accelerating its SOC technology development to deliver products incorporate these technologies. Increased competition in smartphones and the opening of China's 3G market will create new opportunities. MediaTek can exploit these new opportunities through cooperation with mobile operators and delivering competitive products. The Business Units are responsible for the impact of new technology and industry changes.

7.8.6. Changes in Corporate Image and Impact on Company's Crisis Management

MediaTek prides itself on its corporate image. The management has always maintained a humanistic philosophy toward management. MediaTek provides a working environment that is both challenging and nurturing for its employees, who are able to grow and realize their full potential. Those are some of the reasons that MediaTek has been able to attract the top talents in the industry and maintain its leading position in global IC Design. At the same time, MediaTek's has maintained its core values, such as trust, respect, integrity, honesty, introspection, life-long learning, creativity, and team-work. As of the Annual Report's publication date, there has been no events that adversely impact in MediaTek's corporate image and impact on company's crisis management.

The business units are responsible for risks associated with corporate image and impact on company's crisis management.

7.8.7. Risks Associated with Mergers and Acquisitions

None.

7.8.8. Risks Associated with Plant Expansion

MediaTek purchased the plant on No. 8, Dusing 1st Road (located across from MediaTek's headquarters) from Allied Integrated Patterning Corp. in 2008 and began the property transfer process in the same year. The plant purchase provides additional space for office work and meetings for employees in Hsinchu and also provides room for future growth. Further, the plant expansion was funded with MediaTek's own funds. MediaTek will also reduce risks associated with the bidding process through carefully selection and adequate insurance. The Human Resources Division is responsible for managing the risks associated with plant expansion.

7.8.9. Risks Associated with Purchase Concentration and Sales Concentration

MediaTek's production allocation is flexible and diversified, and is able to deal with any emergencies from any of its production lines. Therefore there is no risk associated with purchase concentration. Sales concentration does not pose any risks since MediaTek's products are sold to many clients throughout Japan, Korea, Europe, Southeast Asia, and Greater China. The business units are responsible managing the risks associated with purchase concentration and sales concentration.

7.8.10. Risks Associated with Sales of Significant Numbers of Shares by MediaTek's Directors and Major Shareholders Who Own 10% or More of MediaTek's Total Outstanding Shares

In 2008, and as of the date of this Annual Report, there were no such risks for MediaTek.

7.8.11. Risks Associated with Change in Management

In 2008, and as of the date of this Annual Report, there were no such risks for MediaTek.

7.8.12. Risks Associated with Litigations

In 2008, and as of the date of this Annual Report, there were no such risks for MediaTek.

7.9. Other Material Events

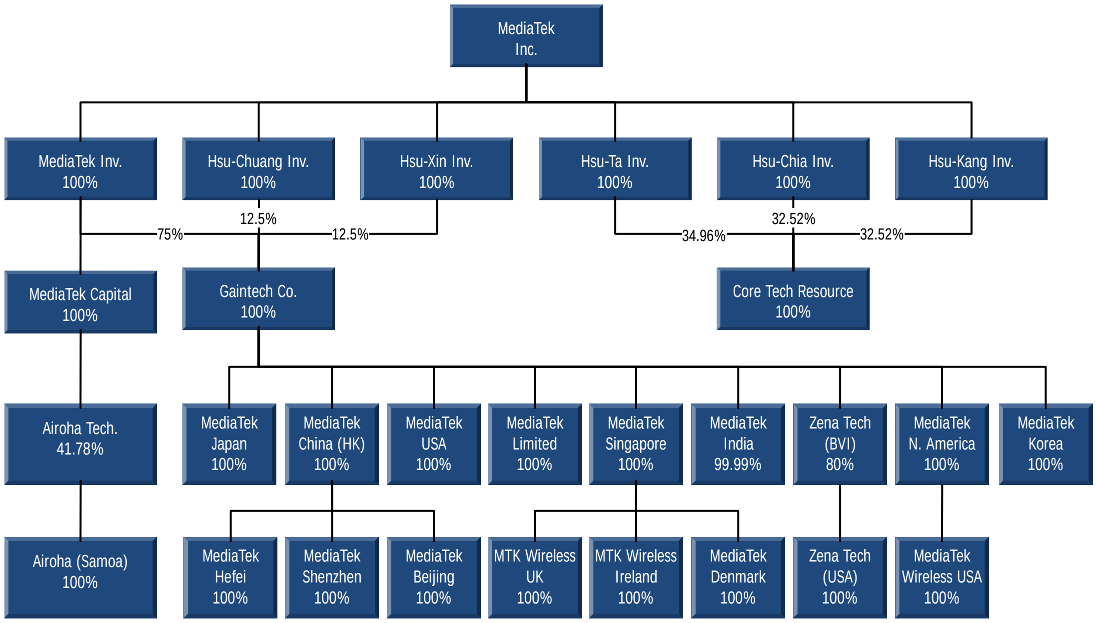
None.

8. Other Special Notes

8.1. MediaTek Affiliates

8.1.1. MediaTek Affiliated Companies Chart

December 31, 2008



Definition of Affiliates:

All directly and indirectly majority owned subsidiaries of the Company, and the accounts of investees in which the Company's ownership percentage is less than 50% but the Company has a controlling interest.

8.1.2. MediaTek Affiliated Companies

Unit: NT$1,000 / Foreign Currency 1,000

Company Name	Date of Incorporation	Place of Registration	Capital Stock		Major Business
MediaTek Investment Co.	July 2000	Taiwan	NTD	11,647,311	Investment
MediaTek Capital Co.	Sep. 2000	Taiwan	NTD	3,311,682	Investment
Hsu-Ta Investment Ltd.	Sep. 2002	Taiwan	NTD	3,913,808	Investment
Hsu-Kang Investment Ltd.	Sep. 2002	Taiwan	NTD	3,634,700	Investment
Hsu-Chia Investment Ltd.	Sep. 2002	Taiwan	NTD	3,634,418	Investment
Hsu-Chuang Investment Corp.	May 2008	Taiwan	NTD	1,500,000	Investment
Hsu-Xin Investment Corp.	May 2008	Taiwan	NTD	1,500,000	Investment
Gaintech Co. Limited	Aug. 2000	Cayman Islands	USD	319,975	Investment
MediaTek Limited	Oct. 2000	Western Samoa	USD	26,500	Investment
CoreTech Resources Inc.	Nov. 2002	B.V.I.	USD	2,860	Investment
MediaTek Singapore Pte. Ltd.	June 2004	Singapore	SGD	111,994	R&D and sales
MediaTek India Technology Pvt. Ltd.	May 2004	India	INR	55,000	R&D
MediaTek Inc. China	Dec. 2007	Hong Kong	HKD	143,000	Investment
MediaTek (Heifei) Inc.	Aug. 2003	China	USD	5,400	Customer support & service
MediaTek (ShenZhen) Inc.	Oct. 2003	China	USD	8,000	Customer support & service
MediaTek (Beijing) Inc.	Nov. 2006	China	USD	3,400	Customer support & service
MTK Wireless Limited (UK)	Dec. 2007	UK	GBP	4,414	Technological services
MediaTek Wireless Limited (Ireland)	Dec. 2007	Ireland	EUR	1,970	Technological services
MediaTek Denmark ApS	Dec. 2007	Denmark	DKK	20,000	Technological services
MediaTek USA Inc.	May 1997	USA	USD	0.1	Technological services
MediaTek Japan Inc.	June 1997	Japan	JPY	355,000	Technological services
MediaTek Korea Inc.	Feb. 2007	S. Korea	KRW	2,000,000	Technological services
MediaTek North America Inc.	Dec. 2007	USA	USD	17,000	Investment
MediaTek Wireless, Inc. (USA)	Dec. 2007	USA	USD	16,900	Technological services
Airoha Technology Corp.	Aug. 2001	Taiwan	NTD	330,375	IC design and sales
Airoha Technology (Samoa) Corp.	Feb. 2008	Samoa	USD	100	Investment
Zena Technologies Inc. (USA)	Apr. 2008	USA	USD	10	R&D
Zena Technologies Intl. Inc. (BVI)	Apr. 2008	B.V.I.	USD	8	Investment

8.1.3. Common Shareholders of MediaTek and Its Subsidiaries or Its Affiliates with Actual of Deemed Control

None.

8.1.4. Business Scope of MediaTek and Its Affiliated Companies

Business scope of MediaTek and its affiliates include the investment, R&D, promotion, after service for optical storage products, digital consumer products, wireless communication, digital TV, etc. MediaTek affiliates support the Company's core business by acquiring leading technology through investment.

8.1.5. List of Directors, Supervisors and Presidents of MediaTek's Affiliated Companies

December 31, 2008

Company Name	Title	Name or Representative	Shares	% of Holding
MediaTek Investment Co.	Chairman	MediaTek Inc. Rep.: Ching-Jiang Hsieh	1,164,731,096	100%
	Director	MediaTek Inc. Rep.: Mingto Yu		
	Director	MediaTek Inc. Rep.: David Ku		
	Supervisor	MediaTek Inc. Rep.: Kirin Liu		
MediaTek Capital Co.	Chairman	MediaTek Investment Co. Rep.: Ching-Jiang Hsieh	331,168,167	100%
	Director	MediaTek Investment Co. Rep.: Mingto Yu		
	Director	MediaTek Investment Co. Rep.: David Ku		
	Supervisor	MediaTek Investment Co. Rep.: Kirin Liu		
Hsu-Ta Investment Ltd.	Director	MediaTek Inc. Rep.: Mingto Yu	Not applicable	100%
Hsu-Kang Investment Ltd.	Director	MediaTek Inc. Rep.: Mingto Yu	Not applicable	100%
Hsu-Chia Investment Ltd.	Director	MediaTek Inc. Rep.: Mingto Yu	Not applicable	100%
Hsu-Chuang Investment Corp.	Chairman	MediaTek Investment Co. Rep.: Ching-Jiang Hsieh	150,000,000	100%
	Director	MediaTek Investment Co. Rep.: Mingto Yu		
	Director	MediaTek Investment Co. Rep.: David Ku		
	Supervisor	MediaTek Investment Co. Rep.: Kirin Liu		
Hsu-Xin Investment Corp.	Chairman	MediaTek Investment Co. Rep.: Ching-Jiang Hsieh	150,000,000	100%
	Director	MediaTek Investment Co. Rep.: Mingto Yu		
	Director	MediaTek Investment Co. Rep.: David Ku		
	Supervisor	MediaTek Investment Co. Rep.: Kirin Liu		
Gaintech Co. Limited	Director	MediaTek Investment Co. Rep.: Ming-Kai Tsai	319,975,440	100%
MediaTek Limited	Director	Gaintech Co. Limited Rep.: Ming-Kai Tsai	26,500,000	100%
CoreTech Resources Inc.	Director	Hsu-Ta Investment Ltd. Hsu-Kang Investment Ltd. Hsu-Chia Investment Ltd. Rep.: Ming-Kai Tsai	2,860,000	100%
MediaTek Singapore Pte. Ltd.	Director	Gaintech Co. Limited Rep.: Ming-Kai Tsai	111,993,960	100%
	Director	Gaintech Co. Limited Rep.: Mingto Yu		
MediaTek India Technology Pvt. Ltd.	Director	Gaintech Co. Limited Rep.: Ming-Kai Tsai	5,499,999	99.99%
	Director	Gaintech Co. Limited Rep.: Ji-Chiang Hsu		
	Director	Gaintech Co. Limited Rep.: Mingto Yu		
MediaTek Inc. China	Director	Gaintech Co. Limited Rep.: Ming-Kai Tsai	143,000,000	100%
MediaTek (Heifei) Inc.	Chairman/ Director	MediaTek Inc. China Rep.: His-Yuan Hsu	Not applicable	100%
	Director	MediaTek Inc. China Rep.: Ching-Jiang Hsieh		
	Director	MediaTek Inc. China Rep.: Wen-Hsin Wang		

(cont.)

MediaTek (ShenZhen) Inc.	Chairman/ Director	MediaTek Inc. China Rep.: His-Yuan Hsu	Not applicable	100%
	Director	MediaTek Inc. China Rep.: Ching-Jiang Hsieh		
	Director	MediaTek Inc. China Rep.: Wen-Hsin Wang		
MediaTek (Beijing) Inc.	Chairman/ Director	MediaTek Inc. China Rep.: His-Yuan Hsu	Not Applicable	100%
	Director	MediaTek Inc. China Rep.: Ji-Chang Hsu		
	Director	MediaTek Inc. China Rep.: Wen-Hsin Wang		
MTK Wireless Limited (UK)	Director	MediaTek Singapore Pte. Ltd. Rep.: Mingto Yu	4,414,003	100%
MediaTek Wireless Limited (Ireland)	Director	MediaTek Singapore Pte. Ltd. Rep.: Mingto Yu	1,969,707	100%
MediaTek Denmark ApS	Director	MediaTek Singapore Pte. Ltd. Rep.: Mingto Yu	20,000,000	100%
MediaTek USA Inc.	Director	Gaintech Co. Limited Rep.: Ming-Kai Tsai	100,000	100%
	Director	Gaintech Co. Limited Rep.: Ching-Jiang Hsieh		
	Director	Gaintech Co. Limited Rep.: Mingto Yu		
MediaTek Japan Inc.	Chairman/ Director	Gaintech Co. Limited Rep.: David Ku	7,100	100%
	Director	Gaintech Co. Limited Rep.: Jeffrey Ju		
	Director	Gaintech Co. Limited Rep.: Osamu Ito		
	Supervisor	Gaintech Co. Limited Rep.: Kirin Liu		
MediaTek Korea Inc.	Director	Gaintech Co. Limited Rep.: Ching-Jiang Hsieh	200,000	100%
	Director	Gaintech Co. Limited Rep.: PH Lu		
	Director	Gaintech Co. Limited Rep.: Mingto Yu		
	Supervisor	Gaintech Co. Limited Rep.: Kirin Liu		
MediaTek North America Inc.	Director	Gaintech Co. Limited Rep.: Mingto Yu	17,000,000	100%
MediaTek Wireless, Inc. (USA)	Director	MediaTek North America, Inc. Rep.: Mingto Yu	1,690	100%
Airoha Technology Corp.	Chairman/ Director	MediaTek Capital Co. Rep.: Ming-Kai Tsai	13,801,734	41.78%
	Director	MediaTek Capital Co. Rep.: Michael Lu		
	Director	MediaTek Capital Co. Rep.: Kuo-Hung Loh		
	Supervisor	MediaTek Capital Co. Rep.: Whitney Lin		
	Supervisor	MediaTek Capital Co. Rep.: Paul Lin		
	Director	Chorng-Kuang Wang	-	-
Airoha Technology (Samoa) Corp.	Chairman/ Director	Airoha Technology Corp. Rep.: Michael Lu	100,000	100%
Zena Technologies Intl. Inc. (BVI)	Chairman/ Director	Gaintech Co. Limited Rep: Cheng-Fong Lee	600,000	80%
	Director	Gaintech Co. Limited Rep: HC Lee		
	Director	Zhi-Hua Tang	150,000	20%
	Director	Fawaz Habbal	-	-
	Director	Mario Kurosaki	-	-
Zena Technologies Inc. (USA)	Chairman/ Director	Zena Technologies Intl. Inc. (BVI) Rep: Cheng-Fong Lee	10,000	100%
	Director	Zena Technologies Intl. Inc. (BVI) Rep: Zhi-Hua Tang		
	Director	Zena Technologies Intl. Inc. (BVI) Rep: Fawaz Habba		

8.1.6. Operation Highlights of MediaTek Affiliated Companies

Dec. 31, 2008, Unit, NT$1,000

Company Name	Capital	Assets	Liabilities	Net Worth	Net Sales	Income from Operation	Net Income	EPS (after tax)
MediaTek Investment Co.	11,647,311	16,832,454	1,886	16,830,568	3,490,068	3,488,124	3,483,408	2.99
MediaTek Capital Co.	3,311,682	5,408,257	48,876	5,359,381	764,176	72,043	24,844	0.08
Hsu-Ta Investment Ltd.	3,913,808	3,627,740	862	3,626,878	1,416	(220,515)	(220,657)	Not applicable
Hsu-Kang Investment Ltd.	3,640,700	3,372,491	833	3,371,658	1,112	(205,205)	(205,329)	Not applicable
Hsu-Chia Investment Ltd.	3,634,418	3,371,872	626	3,371,246	963	(205,351)	(205,462)	Not applicable
Hsu-Chuang Investment Corp.	1,500,000	1,889,711	-	1,889,711	71,078	70,633	70,633	0.47
Hsu-Xin Investment Corp.	1,500,000	1,889,711	-	1,889,711	71,078	70,634	70,634	0.47
Gaintech Co. Limited	10,567,189	13,355,350	4,005	13,351,345	4,812,764	3,613,906	3,613,906	11.29
MediaTek Limited	875,163	208,774	354,373	(145,599)	30,753	21,699	21,699	0.82
CoreTech Resources Inc.	94,452	10,222,825	104	10,222,721	295,376	(605,884)	(605,884)	(211.85)
MediaTek Singapore Pte. Ltd.	2,575,376	7,335,835	2,625,521	4,710,314	22,092,802	4,300,893	3,821,953	34.13
MediaTek India Technology Pvt. Ltd.	37,516	152,981	24,248	128,733	180,263	36,072	34,049	6.19
MediaTek Inc. China	609,337	799,290	107	799,183	67,231	21,469	21,469	0.15
MediaTek (Heifei) Inc.	178,335	289,805	65,835	223,970	261,667	17,756	13,021	Not applicable
MediaTek (ShenZhen) Inc.	264,200	520,626	137,662	382,964	648,622	66,688	45,351	Not applicable
MediaTek (Beijing) Inc.	112,285	225,199	38,246	186,953	503,973	37,104	34,891	Not applicable
MTK Wireless Limited (UK)	213,492	324,793	82,218	242,575	593,189	38,807	28,116	6.37
MediaTek Wireless Limited (Ireland)	91,426	113,452	13,637	99,815	104,192	6,816	7,360	3.74
MediaTek Denmark ApS	124,472	243,986	93,333	150,653	329,327	21,545	17,530	0.88
MediaTek USA Inc.	3	2,363,019	67,868	2,295,151	1,264,085	(287,998)	(250,000)	(2,500.00)
MediaTek Japan Inc.	129,220	147,920	19,250	128,670	172,381	11,277	(3,437)	(484.09)
MediaTek Korea Inc.	50,800	78,340	34,242	44,098	125,248	8,194	6,219	31.10
MediaTek North America Inc.	561,425	728,547	-	728,547	113,054	112,491	112,491	6.62
MediaTek Wireless, Inc. (USA)	558,123	1,097,587	372,303	725,284	1,729,582	151,007	112,528	66,584.87
Airoha Technology Corp.	330,375	319,271	69,994	249,277	536,931	13,674	2,656	0.08
Airoha Technology (Samoa) Corp.	3,303	1,010	1,335	(325)	-	(3,475)	(3,475)	(34.75)
Zena Technologies Inc. (USA)	330	80,886	-	80,886	-	(17,697)	(17,366)	Not applicable
Zena Technologies Intl. Inc. (BVI)	248	84,372	-	84,372	-	(3,144)	(20,391)	Not applicable

8.2. Private Placement Securities

None.

8.3. Holding or Disposition of MediaTek Stocks by Subsidiaries

Subsidiary	Paid-in Capital	Source of Funding	% Owned by MediaTek	Transaction Date	Acquire Share & Amount	Disposal Shares	Investment Gain	Balance (share & amount)	Balance of Pledged Shares	Balance of Guarantee Provided by MediaTek	Balance of Financing Provided by MediaTek
MediaTek Capital Co.	3,311,682	None	100%	July 22, 2008	76,861 share, NT$0 (note)	-	-	7,763,004 shares, NT$55,970,000	-	-	-

Note: Stock dividend distributed in 2008

8.4. Other Significant Events

Any Events in 2008 and as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Rights or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan:

None.

8.5. Other Necessary Supplement

None.

9. Financial Information

9.1. Condensed Balance Sheet

9.1.1. Condensed Balance Sheet – Parent Company

Unit: NT$1,000

Item	2004	2005	2006	2007	2008
Current assets	31,452,294	40,636,546	47,496,552	62,612,568	45,752,665
Funds and investments	12,051,928	14,387,476	21,151,006	27,579,761	35,131,777
Fixed assets	2,026,699	3,841,696	4,814,984	5,221,845	5,243,216
Intangible assets	1,397,248	2,493,732	2,081,243	1,478,649	10,259,038
Other assets	621,343	1,359,805	1,122,400	397,515	200,730
Total assets	47,549,512	62,719,255	76,666,185	97,290,338	96,587,426
Current liabilities – Before distribution	4,837,168	9,917,489	9,079,678	11,285,891	14,893,337
Current liabilities – After distribution	13,435,341	20,444,881	24,642,566	34,337,696	(Note 1)
Long-term liabilities	-	-	-	-	-
Other liabilities	74,064	57,516	60,977	67,390	83,188
Total liabilities – Before distribution	4,911,232	9,975,005	9,140,655	11,353,281	14,976,525
Total liabilities – After distribution	13,509,405	20,502,397	24,703,543	34,405,086	(Note 1)
Capital stock	7,693,359	8,640,506	9,683,127	10,408,538	10,731,523
Capital reserve	155,924	263,536	404,409	2,539,843	2,757,311
Retained earnings – Before distribution	35,559,616	44,287,929	55,297,498	72,636,319	68,451,526
Retained earnings – After distribution	26,014,296	32,717,916	39,043,617	49,261,529	(Note 1)
Unrealized gains from financial instruments	-	-	2,679,976	808,374	(255,574)
Accumulated conversion adjustment	(714,649)	(391,751)	(483,510)	(400,047)	(17,915)
Treasury stock	(55,970)	(55,970)	(55,970)	(55,970)	(55,970)
Total shareholders' equity – before distribution	42,638,280	52,744,250	67,525,530	85,937,057	81,610,901
Total shareholders' equity – after distribution	34,040,107	42,216,858	51,962,642	62,885,252	(Note 1)

Note 1: Pending on approval of shareholders at 2009 Annual General Shareholders' Meeting on June 10, 2009

9.1.2. Condensed Balance Sheet – MediaTek & Subsidiaries

Unit: NT$1,000

Item	2004	2005	2006	2007	2008
Current assets	42,608,601	56,522,823	61,096,428	80,162,022	71,225,877
Funds and investments	1,024,323	1,702,926	7,347,772	7,646,960	8,969,627
Fixed assets	2,122,362	4,527,054	5,055,525	5,921,529	6,504,012
Intangible assets	1,427,889	2,821,633	2,107,139	4,351,857	12,029,070
Other assets	625,891	2,453,083	1,137,468	784,166	345,818
Total assets	47,809,066	68,027,519	76,744,332	98,866,534	99,074,404
Current liabilities – Before distribution	4,941,898	11,438,965	9,157,825	12,720,880	17,232,353
Current liabilities – After distribution	13,540,071	21,966,357	24,720,713	35,722,685	(Note 1)
Long-term liabilities	-	921,672	-	9,016	-
Other liabilities	74,064	214,921	60,977	67,390	83,188
Total liabilities – Before distribution	5,015,962	12,575,558	9,218,802	12,797,286	17,315,541
Total liabilities – After distribution	13,614,135	23,102,950	24,781,690	35,849,091	(Note 1)
Capital stock	7,693,359	8,640,506	9,683,127	10,408,538	10,731,523
Capital reserve	155,924	263,536	404,409	2,539,843	2,757,311
Retained earnings – Before distribution	35,559,616	44,287,929	55,297,498	72,636,319	68,451,526
Retained earnings – After distribution	26,014,296	32,717,916	39,043,617	49,261,529	(Note 1)
Unrealized gains from financial instruments	-	-	2,679,976	808,374	(255,574)
Accumulated conversion adjustment	(714,649)	(391,751)	(483,510)	(400,047)	(17,915)
Treasury stock	(55,970)	(55,970)	(55,970)	(55,970)	(55,970)
Minority Interest	154,824	2,707,711	-	132,191	147,962
Total shareholders' equity – before distribution	42,793,104	55,451,961	67,525,530	86,069,248	81,758,863
Total shareholders' equity – after distribution	34,194,931	44,924,569	51,962,642	63,017,443	(Note 1)

Note 1: Pending on approval of shareholders at 2009 Annual General Shareholders' Meeting on June 10, 2009

9.2. Condensed Income Statement

9.2.1. Condensed Income Statement – Parent Company

Unit: NT$1,000

Item	2004	2005	2006	2007	2008
Revenue	40,054,302	46,491,209	52,941,605	74,778,579	68,015,543
Gross profit	19,615,448	25,383,784	30,654,218	42,226,397	36,884,082
Income from operations	14,751,591	17,254,611	23,815,569	31,426,760	18,097,666
Non-operating income and gains	244,631	1,181,605	906,246	3,573,546	4,674,855
Non-operating expenses and losses	(654,945)	(37,357)	(355,629)	(167,376)	(1,802,704)
Income from operations of continued segments – before tax	14,341,277	18,398,859	24,366,186	34,832,930	20,969,817
Income from operations of continued segments – after tax	14,322,985	18,273,633	22,571,944	33,592,702	19,189,997
Accumulated adjustment due to change in accounting principle	-	-	7,638	-	-
Net income	14,322,985	18,273,633	22,579,582	33,592,702	19,189,997
Earnings per share	18.73	21.31	23.50	32.59	18.01
Earnings per share – adjusted	13.47	17.21	21.26	31.60	(Note 1)

Note 1: Pending on approval of shareholders at 2009 Annual General Shareholders' Meeting on June 10, 2009

9.2.2. Condensed Income Statement – MediaTek & Subsidiaries

Unit: NT$1,000

Item	2004	2005	2006	2007	2008
Revenue	40,547,212	52,802,760	56,397,285	80,671,769	90,402,041
Gross profit	19,915,511	27,277,268	31,878,481	45,330,881	48,583,025
Income from operations	14,934,601	17,174,397	23,265,179	31,889,180	22,307,928
Non-operating income and gains	414,997	2,002,479	2,107,815	3,753,812	2,390,666
Non-operating expenses and losses	(913,700)	(180,416)	(388,322)	(790,707)	(3,600,464)
Income from operations of continued segments – before tax	14,435,898	18,996,460	24,984,672	34,852,285	21,098,130
Income from operations of continued segments – after tax	14,408,504	18,860,663	23,145,896	33,390,134	19,174,240
Accumulated adjustment due to change in accounting principle	-	-	9,314	-	-
Net income – consolidated	14,435,898	18,860,663	23,155,210	33,390,134	19,174,240
Net income – parent company	14,322,985	18,273,633	22,579,582	33,592,702	19,189,997
Earnings per share	18.73	21.31	23.50	32.59	18.01
Earnings per share – adjusted	13.47	17.21	21.26	31.60	(Note 1)

Note 1: Pending on approval of shareholders at 2009 Annual General Shareholders' Meeting on June 10, 2009

9.3. Independent Auditors' Opinions

Year	CPA Firm	Name of Auditors (CPA)	Audio Opinion
2004	Ernst & Young	Hwei-Hsin Yeh, Ting-Ming Chang	Unqualified Opinions
2005	Ernst & Young	Hwei-Hsin Yeh, Ting-Ming Chang	Unqualified Opinions
2006	Ernst & Young	Hwei-Hsin Yeh, Ting-Ming Chang	Revised Unqualified Opinions
2007	Ernst & Young	Hsin-Ming Hsu, Chien-uo Yang	Unqualified Opinions
2008	Ernst & Young	Shou-Pin Kuo, Hsin-Ming Hsu	Revised Unqualified Opinions

9.4. Financial Statements for the Past 5 Years

9.4.1. Financial Statements – Parent Company

Item		2004	2005	2006	2007	2008
Capital structure analysis	Debt ratio (%)	10.33	15.90	11.92	11.67	15.51
	Long-term fund to fixed assets ratio (%)	2,103.83	1,372.94	1,402.40	1,645.72	1,556.50
Liquidity analysis (%)	Current ratio (%)	650.22	409.75	523.11	554.79	307.20
	Quick ratio (%)	572.93	376.61	483.82	468.90	282.85
	Times interest earned (Times)	N/A	N/A	N/A	N/A	N/A
Operating performance analysis	Average collection turnover (Times)	10.52	11.67	12.72	15.21	16.20
	Average accounts receivable days (Days)	35	31	29	24	23
	Average inventory turnover (Times)	6.94	5.92	6.11	4.71	4.25
	Average payment turnover (Times)	6.01	5.57	4.83	5.96	5.96
	Average inventory turnover (Days)	53	62	60	77	86
	Fixed assets turnover (Times)	26.05	15.84	12.23	14.90	13.00
	Total assets turnover (Times)	0.89	0.84	0.76	0.86	0.70
Profitability analysis	Return on total assets (%)	31.99	33.14	32.4	38.62	19.80
	Return on equity (%)	36.41	38.32	37.55	43.78	22.91
	Operating income to paid-in capital (%)	191.74	199.69	245.95	301.93	168.64
	Pre-tax income to paid-in capital (%)	186.41	212.94	251.71	334.66	195.40
	Net profit margin (%)	35.76	39.30	42.65	44.92	28.21
	Basic earnings per share (NT$)	18.73	21.31	23.50	32.59	18.01
	Earnings per share – adjusted (NT$)	13.47	17.21	21.26	31.60	N/A
Cash flow	Cash flow ratio (%)	244.99	232.53	257.00	243.65	224.17
	Cash flow adequacy ratio (%)	256.89	254.70	215.68	170.33	151.35
	Cash flow reinvestment ratio (%)	13.76	28.53	19.75	14.06	14.27
Leverage	Operating leverage	1.11	1.16	1.16	1.71	2.77
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Changes that exceed 20% in the past two years and explanation for those changes:

(1) Debt ratio increased by 33%: Mainly due to increase in current liability derived from employee profit sharing expensing.

(2) Current ratio decreased by 45% and quick ratio decreased by 40%: Due to reduce in cash level, inventory, and estimated accrued liability for employee profit sharing

(3) Return on total assets decreased by 49%; Return on equity decreased by 48%; Operating income to paid-in capital decreased by 44%; Pre-tax income to paid-in capital decreased by 42%, Net profit margin decreased by 37%, Earnings per share decreased by 43%: Due to employee profit sharing expensing that resulted in decrease in operating profit, pre-tax net income and after-tax net income.

(4) Operating leverage increased by 62%: Due to decreased operating profit.

9.4.2. Financial Statements – MediaTek & Subsidiaries

Item		2004	2005	2006	2007	2008
Capital structure analysis	Debt ratio (%)	10.49	18.49	12.01	12.94	17.48
	Long-term fund to fixed assets ratio (%)	2,016.30	1,245.26	1,333.68	1,453.65	1,257.05
Liquidity analysis (%)	Current ratio (%)	862.19	494.13	667.15	630.16	413.33
	Quick ratio (%)	786.18	461.51	628.14	545.23	379.12
	Times interest earned (Times)	229,142.24	990.04	3,662.59	533.70	2,101.36
Operating performance analysis	Average collection turnover (Times)	10.49	12.20	12.65	14.10	13.91
	Average accounts receivable days (Days)	35	30	29	26	26
	Average inventory turnover (Times)	6.90	6.50	6.14	4.74	4.58
	Average payment turnover (Times)	6.01	6.13	4.93	5.98	6.72
	Average inventory turnover (Days)	52	56	59	77	80
	Fixed assets turnover (Times)	25.18	15.88	11.77	14.70	14.55
	Total assets turnover (Times)	0.90	0.91	0.78	0.92	0.91
Profitability analysis	Return on total assets (%)	32.06	32.59	32.00	38.08	19.38
	Return on equity (%)	36.54	38.40	37.66	43.48	22.85
	Operating income to paid-in capital (%)	194.12	198.77	240.27	306.38	207.87
	Pre-tax income to paid-in capital (%)	187.64	219.85	258.02	334.84	196.60
	Net profit margin (%)	35.54	35.72	41.06	41.39	21.21
	Basic earnings per share (NT$)	18.73	21.31	23.50	32.59	18.01
	Earnings per share – adjusted (NT$)	13.47	17.21	21.26	31.60	N/A
Cash flow	Cash flow ratio (%)	244.69	207.60	257.80	206.28	206.58
	Cash flow adequacy ratio (%)	283.75	241.75	217.81	165.42	149.55
	Cash flow reinvestment ratio (%)	14.50	28.54	20.17	12.93	17.57
Leverage	Operating leverage	1.95	2.23	1.79	1.87	2.94
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Changes that exceed 20% in the past two years and explanation for those changes:

(1) Debt ratio increased by 35%: Mainly due to increase in current liability derived from employee profit sharing expensing.

(2) Current ratio decreased by 34% and quick ratio decreased by 30%: Due to reduce in inventory, and estimated accrued liability for employee profit sharing.

(3) Times interest earned increased by 294%: Due to decreased interest expense.

(4) Return on total assets decreased by 49%; Return on equity decreased by 47%; Operating income to paid-in capital decreased by 32%; Pre-tax income to paid-in capital decreased by 41%, Net profit margin decreased by 49%, Earnings per share decreased by 43%: Due to employee profit sharing expensing and the increase in R&D expenses that resulted in decrease in operating profit, pre-tax net income and after-tax net income.

(5) Cash flow reinvestment ratio increased by 36%: Due to increase of cash inflow from operation and the decrease in operating capital.

(6) Operating leverage increased by 57%: Due to decreased operating profit.

Glossary:

1. Capital Structure Analysis:

(1). Debt ratio = Total liabilities / Total assets

(2). Long-term fund to fixed assets ratio = (Shareholders' Equity + Long-term liabilities) / Net fixed assets ratio

2. Liquidity Analysis:

(1). Current ratio = Current assets / Current liabilities

(2). Quick ratio = (Current assets – Inventories – Prepaid Expenses) / Current liabilities

(3). Times interest earned = Earnings before interest and taxes / Interest expenses

3. Operating Performance Analysis:

(1). Average collection turnover = Net sales / Average balance of receivable in all periods

(2). Average accounts receivable days = 365 / Average collection turnover

(3). Average inventory turnover = Cost of goods sold / Average inventory

(4). Average payment turnover = Cost of goods sold / Average balance of payable

(5). Average inventory turnover days = 365 / Inventory turnover

(6). Fixed assets turnover = Net sales / Net fixed assets

(7). Total assets turnover = Net sales / total assets

4. Profitability Analysis:

(1). Return on total assets = [Earnings + Interest expenses x (1 – tax rate)] / Average total assets

(2). Return on shareholders' equity = Earnings / Net average shareholders' equity

(3). Net profit margin = Earnings / Net sales

(4). Earnings per share = (Earning - Preferred stock dividend) / Weighted average outstanding shares

5. Cash Flow:

(1). Cash flow ratio = Net cash flow from operation / Current Liabilities

(2). Cash flow adequacy ratio = Net cash flow from operation over the last five years / (Capital spending + increase in inventory + cash dividend) in the last five years

(3). Cash flow reinvestment ratio = (Net cash flow from operation – Cash dividend) / (Gross fixed assets + Long-term investment + other assets + working capital)

6. Leverage:

(1). Operation leverage = (Net income from operation – Variable operating cost and expenses) / Income from operation

(2). Financial leverage = Income from operation / (Income from operation – Interest expenses)

9.5. Supervisors' Review Report

MediaTek Inc.
Supervisors' Report

The Financial Statements of MediaTek Inc. in fiscal year 2008 have been duly audited by Ernst & Young and are believed to fairly represent the financial standing, operation results and cash flows of MediaTek Inc. We, the Supervisors, have duly reviewed the Financial Statements along with the Business Report and proposal for profits distribution and hereby verify that they comply with the requirements of Company Law and relevant regulations. This report is duly submitted in accordance with Article 219 of the Company Law, and we hereby submit this report.

To MediaTek Inc. 2009 Annual General Shareholders' Meeting

MediaTek Inc.

Supervisor: Paul Wang (MediaTek Capital Corp., representative)
Supervisor: Chung-Lang Liu (National Tsing Hua University, representative)
Supervisor: Yan-Kuin Su (National Cheng Kung University, representative)

April 12, 2009

9.6. Financial Statements and Independent Auditors' Report – Parent Company

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

AS OF DECEMBER 31, 2008 AND 2007
AND FOR THE YEARS THEN ENDED

Independent Auditors' Report

(English translation of a report originally issued in Chinese)

To the Board of Directors and Shareholders
of MediaTek Inc.

We have audited the accompanying balance sheets of MediaTek Inc. as of December 31, 2008 and 2007, and the related statements of income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MediaTek Inc. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with requirements of the Business Entity Accounting Act and Regulation on Business Entity Accounting Handling with respect to financial accounting standards, Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the R.O.C.

As discussed in Note 3 to the financial statements, effective from January 1, 2008, the Company adopted Accounting Research and Development Foundation Interpretation No. 96-052 and recognized employees' bonuses and remunerations to directors and supervisors as expenses rather than as a distribution of retained earnings.

The Company has prepared consolidated financial statements as of December 31, 2008 and 2007 and for the years then ended. We have expressed a modified unqualified and an unqualified opinion on those consolidated financial statements, respectively.

Ernst & Young
CERTIFIED PUBLIC ACCOUNTANTS
March 17, 2008
Taipei, Taiwan
Republic of China

Notice to Readers

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

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

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC.

BALANCE SHEETS

As of December 31, 2008 and 2007

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	2008	2007	LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2008	2007
Current assets				**Current liabilities**			
Cash and cash equivalents	2, 4(1)	$ 35,750,448	$ 40,365,582	Financial liabilities at fair value through profit or loss-current	2, 4(2)	$ 2,956	$ 33,076
Financial assets at fair value through profit or loss-current	2, 4(2)	993,748	2,389,876	Accounts payable		3,443,883	6,132,307
Avaliable-for-sale financial assets-current	2, 4(3)	1,538,700	2,460,927	Payables to related parties	5	363,932	507,395
Held-to-maturity financial assets-current	2, 4(4)	371,530	501,574	Income tax payable	2, 4(20)	717,675	2,392,981
Accounts receivable, net	2, 4(5)	2,529,181	5,334,044	Accrued expenses	2, 3, 4(16)	9,768,013	1,683,398
Receivables from related parties, net	5	20,325	138,557	Payables to contractors and equipment suppliers		89,403	195,338
Other receivables	4(6)	452,585	702,220	Other current liabilities		507,475	341,396
Inventories, net	2, 4(7)	3,382,841	9,504,676	Total current liabilities		14,893,337	11,285,891
Prepayments and other current assets		501,887	625,530				
Deferred income tax assets-current	2, 4(20)	209,620	589,582				
Restricted deposits-current	6	1,800	-				
Total current assets		45,752,665	62,612,568				
Funds and investments	2, 4(8)			**Other liabilities**			
Financial assets designated as at fair value through profit or loss-noncurrent		51,442	-	Accrued pension liabilities	2, 4(11)	82,166	66,368
Available-for-sale financial assets-nocurrent		2,448,066	1,358,655	Deposits received		1,022	1,022
Held-to-maturity financial assets-nocurrent		1,158,760	350,000	Total other liabilities		83,188	67,390
Bond portfolios with no active market-noncurrent		1,000,000	1,000,000	Total liabilities		14,976,525	11,353,281
Investments accounted for using the equity method		30,473,509	24,871,106				
Total funds and investments		35,131,777	27,579,761				
Property, plant and equipment	2, 4(9)			**Shareholders' equity**			
Buildings and facilities		4,340,042	4,217,486	Capital			
Machinery and equipment		116,792	116,374	Common stock	4(12)	10,731,523	10,408,538
Research and development equipment		2,011,107	1,650,064	Capital reserve			
Miscellaneous equipment		235,828	159,541	Additional paid-in capital	4(14)	2,090,759	2,090,759
Total cost		6,703,769	6,143,465	Treasury stock transaction	4(14)	474,512	328,475
Less : Accumulated depreciation		(1,731,797)	(1,202,639)	Donated assets	4(14)	1,260	1,260
Add : Construction in progress		169,195	172,284	Long-term investment transaction	4(8), 4(14)	150,136	119,349
Prepayments for equipment		102,049	108,735	Employee stock option	2, 3, 4(8)	40,644	-
Property, plant and equipment, net		5,243,216	5,221,845	Total capital reserve		2,757,311	2,539,843
				Retained earnings			
Intangible assets	2, 4(10)			Legal reserve	4(13)	13,024,414	9,665,144
Software		627,559	683,544	Undistributed earnings	4(16)	55,427,112	62,971,175
Goodwill		6,817,211	-	Other adjustments			
Patents, IPs and others		2,814,268	795,105	Cumulative translation adjustments	2, 4(8)	(17,915)	(400,047)
Total intangible assets		10,259,038	1,478,649	Unrealized gain (loss) on financial instruments	2, 4(8)	(255,574)	808,374
				Treasury stock	2, 4(17)	(55,970)	(55,970)
Other assets				Total shareholders' equity		81,610,901	85,937,057
Refundable deposits		14,733	17,420				
Deferred income tax assets-noncurrent	2, 4(20)	185,997	380,095				
Total other assets		200,730	397,515				
Total assets		$ 96,587,426	$ 97,290,338	**Total liabilities and shareholders' equity**		$ 96,587,426	$ 97,290,338

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

Chairman : Ming-Kai Tsai   President : Ching-Jiang Hsieh   Chief Financial Officer : Mingto Yu

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC.

STATEMENTS OF INCOME

For the years ended December 31, 2008 and 2007

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

Description	Notes	2008		2007	
Gross sales		$ 71,248,417		$ 76,054,533	
Less : Sales returns and discounts		(3,232,874)		(1,275,954)	
Net sales	2, 4(18), 5	68,015,543		74,778,579	
Cost of goods sold	4(19), 5	(31,131,461)		(32,552,182)	
Gross profits		36,884,082		42,226,397	
Operating expenses	2, 4(19), 5				
Selling expenses		$ (1,496,879)		(1,453,268)	
Administrative expenses		(2,159,842)		(2,159,341)	
Research and development expenses		(15,129,695)		(7,187,028)	
Total operating expenses		(18,786,416)		(10,799,637)	
Operating income		18,097,666		31,426,760	
Non-operating income and gains					
Interest income		869,659		983,203	
Gain on equity investments, net	2, 4(8)	2,954,090		2,439,953	
Gain on disposal of property, plant and equipment		-		153	
Foreign exchange gain, net	2	404,012		58,510	
Reversal of bad debts	2, 4(5)	257,741		-	
Others		189,353		91,727	
Total non-operating income and gains		4,674,855		3,573,546	
Non-operating expenses and losses					
Loss on disposal of property, plant and equipment	2	(661)		-	
Loss on disposal of investments	2	(181,678)		(1,803)	
Inventory loss provision	2, 4(7)	(1,074,328)		(53,799)	
Impairment loss	2, 4(8)	(12,126)		(3,000)	
Valuation loss on financial assets		(391,569)		(40,246)	
Valuation loss on financial liabilities	2, 4(2)	(2,956)		(33,076)	
Others		(139,386)		(35,452)	
Total non-operating expenses and losses		(1,802,704)		(167,376)	
Income from continuing operations before income tax		20,969,817		34,832,930	
Income tax expense	2, 4(20)	(1,779,820)		(1,240,228)	
Net income		$ 19,189,997		$ 33,592,702	
Basic Earnings Per Share (in New Taiwan Dollars)	2, 4(21)	Before tax	After tax	Before tax	After tax
Net income		$ 19.68	$ 18.01	$ 32.77	$ 31.60
Pro-forma data: (Assuming that the Company's shares owned by its subsidiary were not treated as treasury stock)					
Basic Earnings Per Share (in New Taiwan Dollars)	2, 4(21)				
Net income		$ 19.68	$ 18.02	$ 32.63	$ 31.47
Diluted Earnings Per Share (in New Taiwan Dollars)	2, 4(21)				
Net income		$ 19.16	$ 17.53		

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

Chairman : Ming-Kai Tsai President : Ching-Jiang Hsieh Chief Financial Officer : Mingto Yu

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2008 and 2007

(Amounts in thousands of New Taiwan Dollars)

Description	Common stock	Capital reserve	Retained earnings			Cumulative translation adjustments	Unrealized gain (loss) on financial instruments	Treasury stock	Total
			Legal reserve	Special reserve	Undistributed earnings				
Balance as of January 1, 2007	$ 9,683,127	$ 404,409	$ 7,407,185	$ 714,649	$ 47,175,664	$ (483,510)	$ 2,679,976	$ (55,970)	$ 67,525,530
Appropriation and distribution of 2006 earnings:									
Legal reserve	-	-	2,257,959	-	(2,257,959)	-	-	-	-
Reversal of special reserve	-	-	-	(714,649)	714,649	-	-	-	-
Directors' and supervisors' remuneration	-	-	-	-	(63,109)	-	-	-	(63,109)
Employees' bonuses	206,837	-	-	-	(1,181,926)	-	-	-	(975,089)
Shareholders' dividends	484,156	-	-	-	(15,008,846)	-	-	-	(14,524,690)
Share swap in investee by new issuance	34,418	2,021,070	-	-	-	-	-	-	2,055,488
Net income for the year ended December 31, 2007	-	-	-	-	33,592,702	-	-	-	33,592,702
Unrealized gain (loss) on financial instruments	-	-	-	-	-	-	(1,871,602)	-	(1,871,602)
The effects of subsidiaries' shareholding of the Company's stock recorded as treasury stock	-	109,802	-	-	-	-	-	-	109,802
Adjustment arising from changes in the percentage of ownership in investees	-	4,562	-	-	-	-	-	-	4,562
Cumulative translation adjustments	-	-	-	-	-	83,463	-	-	83,463
Balance as of December 31, 2007	10,408,538	2,539,843	9,665,144	-	62,971,175	(400,047)	808,374	(55,970)	85,937,057
Appropriation and distribution of 2007 earnings:									
Legal reserve	-	-	3,359,270	-	(3,359,270)	-	-	-	-
Directors' and supervisors' remuneration	-	-	-	-	(75,584)	-	-	-	(75,584)
Employees' bonuses	218,900	-	-	-	(3,418,900)	-	-	-	(3,200,000)
Shareholders' dividends	104,085	-	-	-	(19,880,306)	-	-	-	(19,776,221)
Net income for the year ended December 31, 2008	-	-	-	-	19,189,997	-	-	-	19,189,997
Unrealized gain (loss) on financial instruments	-	-	-	-	-	-	(1,063,948)	-	(1,063,948)
Employee stock option distributed to subsidiaries' employees	-	40,644	-	-	-	-	-	-	40,644
The effects of subsidiaries' shareholding of the Company's stock recorded as treasury stock	-	146,037	-	-	-	-	-	-	146,037
Adjustment arising from changes in the percentage of ownership in investees	-	30,787	-	-	-	-	-	-	30,787
Cumulative translation adjustments	-	-	-	-	-	382,132	-	-	382,132
Balance as of December 31, 2008	$ 10,731,523	$ 2,757,311	$ 13,024,414	$ -	$ 55,427,112	$ (17,915)	$ (255,574)	$ (55,970)	$ 81,610,901

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

Chairman : Ming-Kai Tsai President : Ching-Jiang Hsieh Chief Financial Officer : Mingto Yu

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2008 and 2007

(Amounts in thousands of New Taiwan Dollars)

Description	Note	2008	2007
Cash flows from operating activities :			
Net income		$ 19,189,997	$ 33,592,702
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		2,525,052	1,830,415
Amortization of financial assets discount or premium		(17,539)	(10,402)
Bad debt (reversal) provision		(257,741)	129,252
Cash dividends from equity investees		74,604	58,830
Inventory loss provision		1,074,328	53,799
Net gain on equity investments		(2,954,090)	(2,439,953)
Adjustment of valuation on financial assets and liabilities		17,082	(6,627)
Loss on disposal of investments		181,678	1,803
Net loss (gain) on disposal of property, plant and equipment		661	(153)
Impairment loss		12,126	3,000
Deferred income tax		574,060	481,420
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		605,884	339,343
Accounts receivable		3,062,604	(1,606,502)
Receivables from related parties		118,232	(138,350)
Other receivables		249,635	(464,078)
Inventories		5,047,507	(6,064,412)
Prepayments and other current assets		123,643	(420,040)
Accounts payable		(2,688,424)	2,052,633
Payables to related parties		(143,463)	306,343
Income tax payable		(1,675,306)	51,532
Accrued expenses		8,084,615	(288,047)
Other current liabilities		166,079	30,085
Accrued pension liabilities		15,798	5,391
Net cash provided by operating activities		33,387,022	27,497,984
Cash flows from investing activities :			
Increase in restricted deposits		(1,800)	-
Purchase of property, plant and equipment		(938,173)	(1,126,590)
Proceeds from disposal of property, plant and equipment		9,414	4,266
Increase in available-for-sale financial assets		(1,525,347)	(3,310,631)
Proceeds from disposal of available-for-sale financial assets		1,694,842	1,940
Increase in held-to-maturity financial assets		(1,175,199)	(854,876)
Proceeds from redemption of held-to-maturity financial assets		500,000	-
Increase in investments accounted for using the equity method		(3,000,000)	(3,200,000)
Prepaid long-term investment		(12,126)	-
Purchase of intangible assets from other enterprise	4.(10)	(10,060,691)	-
Increase in intangible assets		(443,958)	(477,028)
Decrease (increase) in refundable deposits		2,687	(3,532)
Net cash used in investing activities		(14,950,351)	(8,966,451)
Cash flows from financing activities :			
Contingent consideration based on securities price		-	740,746
Increase in deposits received		-	1,022
Cash dividends		(19,776,221)	(14,524,690)
Directors' and supervisors' remuneration		(75,584)	(63,109)
Employees' bonuses		(3,200,000)	(975,089)
Net cash used in financing activities		(23,051,805)	(14,821,120)
Net (decrease) increase in cash and cash equivalents		(4,615,134)	3,710,413
Cash and cash equivalents at the beginning of the year		40,365,582	36,655,169
Cash and cash equivalents at the end of the year		$ 35,750,448	$ 40,365,582
Supplemental disclosures of cash flow information :			
Income tax paid during the year		$ 2,881,066	$ 707,276
Activities partially effected cash flows :			
Purchase of property, plant and equipment		$ 832,238	$ 1,161,767
Add: decrease (increase) in payables to contractors and equipment suppliers		105,935	(35,177)
Cash paid for the purchase of property, plant and equipment		$ 938,173	$ 1,126,590
Non-cash activities :			
Stock dividends and employees' bonuses capitalized		$ 322,985	$ 690,993
Adjustment arising from changes in percentage of ownership in investees		$ 30,787	$ 4,562
Cumulative translation adjustments		$ 382,132	$ 83,463
Change in unrealized gain (loss) on financial instruments		$ (1,063,948)	$ (1,871,602)
Adjustment of cash dividends distributed to subsidiaries holding the Company's stock		$ 146,037	$ 109,802
Share swap in investee by new issuance		$ -	$ 1,314,742

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

Chairman : Ming-Kai Tsai   President : Ching-Jiang Hsieh   Chief Financial Officer : Mingto Yu

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

1. Organization and Operation

Since its incorporation on May 28, 1997 at the Hsinchu Science-based Industrial Park, MediaTek Inc.'s (the "Company") main areas of focus includes R&D, production, manufacture and marketing of multimedia integrated circuits (ICs), computer peripherals oriented ICs, high-end consumer-oriented ICs and other ICs of extraordinary application. Meanwhile, it has rendered design, test runs, maintenance and repair and technological consultation services for software & hardware of the aforementioned products, import and export trades for the aforementioned products, sale and delegation of patents and circuit layout rights for the aforementioned products.

As of December 31, 2008 and 2007, total numbers of employees in the Company were 2,134 and 1,817, respectively.

2. Summary of Significant Accounting Policies

The Company's financial statements are prepared in accordance with requirements of the Business Entity Accounting Act and Regulation on Business Entity Accounting Handling with respect to financial accounting standards, the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China (R.O.C.) Significant accounting policies are summarized as follows:

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk of changes in value from fluctuations in interest rates. Commercial papers, negotiable certificates of deposit, and bank acceptances with original maturities of three months or less are considered cash equivalents.

Foreign Currency Transactions and Translation of Financial Statements in Foreign Currency

A. The presentation and functional currency of the Company is New Taiwan dollars ("NT Dollars" or "NT$"), the national currency of the R.O.C. Non-derivative transactions denominated in foreign currencies are recorded in NT Dollars using the exchange rates in effect at the dates of the transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Exchange differences on the retranslation of monetary assets and liabilities denominated in foreign currencies are included in the profit or loss for the period.

Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. When a gain or loss on a non-monetary asset measured at fair value is recognized directly in shareholders' equity, any exchange component of that gain or loss shall be recognized directly in equity. Conversely, when a gain or loss on a non-monetary item measured at fair value is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss.
Non-monetary assets and liabilities that are measured at historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction. Exchange differences arising from the settlement of assets or liabilities denominated in foreign currency shall be recognized in profit or loss in the period in which they arise.

B. Foreign subsidiaries of the Company have their presentation and functional currency in their local currencies. The assets and liabilities of the foreign subsidiaries are translated into NT Dollars, at the spot exchange rate at the balance sheet date. Shareholders' equity accounts should be translated at the historical rate except for the beginning balance of the retained earnings, which is the translated amount from prior period carried forward. Dividends are translated at the spot rate of the declaration date. Revenue and expense accounts are translated using a weighted average exchange rate for the relevant period. The accumulated exchange gains or losses resulting from the translation are recorded as cumulative translation adjustments under shareholders' equity.

Financial Assets and Financial Liabilities

A. Financial asset or liability is recognized on the balance sheet when the Company becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets are recognized using either trade date accounting on equity instrument or settlement date accounting on debt security, beneficiary certificate and derivative instrument. Financial assets and financial liabilities are derecognized when the Company loses control of the contractual rights that comprise the financial asset or a portion of the financial asset. The Company loses such control if it realizes the rights to benefits specified in the contract, the rights expire, or the Company surrenders those rights.

If a financial assets is transferred but the transfer does not satisfy the conditions for loss of control, the transferor accounts for the transaction as a secured borrowing.
The Company should derecognize an entire or a part of financial liability when the obligation specified in the contract is discharged, cancelled, or it expires.

B. Upon initial recognition of financial assets or financial liabilities, they are measured at fair value, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

C. Financial assets or financial liabilities are classified as follows:

a. Financial assets or financial liabilities at fair value through profit or loss
Financial assets or financial liabilities at fair value through profit or loss include financial assets or liabilities held for trading and financial assets and liabilities designated upon initial recognition as at fair value through profit or loss. Such assets or liabilities are subsequently measured at fair value and changes in fair value are recognized in profit or loss.

Apart from derivatives and financial instruments designated as at fair value through profit or loss, financial instruments may be reclassified out of the fair value through profit or loss category if the financial instruments are no longer held for the purpose of selling them in the near term, and either of the following requirements is met:

(a) Financial asset that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss category if the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
(b) Financial instruments that would not have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss category only in rare circumstances.

The financial instrument shall be reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in profit or loss shall not be reversed. The fair value of the financial instrument on the date of reclassification becomes its new cost or amortized cost, as applicable. Financial instrument shall not be reclassified into fair value through profit or loss category after initial recognition.

b. Bond portfolios with no active market

These are bond portfolios with fixed or determinable payments which are not quoted in an active market; or preference shares which are not quoted in an active market that issuer has an obligation to redeem the preference shares in a specific price on a specific date, which shall be measured at amortized cost. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

c. Financial assets carried at cost

These are not measured at fair value because the fair value cannot be reliably measured, they are either holdings in unquoted equity instrument or emerging stocks that have no material influence or derivative assets that are linked to and must be settled by delivery of the abovementioned unquoted equity instruments. If there is objective evidence that an impairment loss has incurred on an unquoted equity instrument, an impairment loss is recognized. Such impairment loss shall not be reversed.

d. Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity financial assets if the Company has both the positive intention and ability to hold the financial assets to maturity. Investments intended to be held to maturity are measured at amortized cost. The Company recognizes an impairment loss if objective evidence of such impairment exists. However, if in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

e. Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as in any of the preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses being recognized directly in equity. When the investment is derecognized, the cumulative gain or loss previously recorded in equity is recognized in profit or loss.

If there is objective evidence which indicates that the investment is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to shareholders' equity; for debt securities, the amount of the decrease is recognized in profit or loss, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

An available-for-sale financial asset that would have met the definition of loans and receivables may be reclassified as the bond portfolios with no active market if the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity. The financial instrument shall be reclassified at its fair value on the date of reclassification. Any gain or loss already recognized as adjustment to stockholder's equity shall be amortized and charge to current income. The fair value of the financial instrument on the date of reclassification becomes its new cost or amortized cost, as applicable.

The fair value for publicly traded securities or close-ended funds is based on closing prices at the balance sheet date, while those of open-ended funds are determined based on net assets value of the balance sheet date. If a published price quotation in an active market does not exist for a financial instrument in its entirety, but active market exists for its component parts, fair value is determined on the basis of the relevant market price for the component part.

Allowance for Doubtful Accounts

The allowance for doubtful accounts are provided based on the collectibility and aging analysis of notes receivable, accounts receivable, receivables from related parties and by examining current trends in the credit quality of its customers as well as its internal credit policies.

Inventories

Inventories are carried at lower of cost or market value. Cost is determined based on the weighted average method. Replacement cost is used to determine the market value of raw materials. Net realizable value is used to determine the market value of work in process and finished goods. The lower of cost or market value is applied on a gross basis to the entire inventory. Inventories that are not sold or moved for further production within 60 days are deemed to be slow-moving items and certain allowance is set aside to reflect the potential loss from stock obsolescence.

Investment Accounted for Using the Equity Method

A. Long-term investments in which the Company holds an interest of 20% or more or has the ability to exercise significant influence are accounted for under the equity method of accounting. The difference between the cost of the investment and the net equity value of the investee ('investment premium") at the date of acquisition is amortized over 5 years. Effective from January 1, 2006, pursuant to the newly revised R.O.C. SFAS No. 25 "Business Combinations - Accounting Treatment under Purchased Method", investment premiums, representing goodwill, are no longer amortized but are assessed for impairment at least on an annual basis. In some cases, the fair value of the net identifiable assets of the investee will exceed the investment cost, that excess represents investment discount. Investment discounts generated before January 1, 2006, continue to be amortized over the remaining period. Investment discounts generated after December 31, 2005 shall be allocated as a pro rata reduction of the amounts that otherwise would have been assigned to all of the acquired noncurrent assets. If any excess remains after reducing to zero the amounts that otherwise would have been assigned to those assets, that remaining excess shall be recognized as an extraordinary gain in profit or loss. Adjustment to capital reserve and long-term investment is required when the holding percentage changes due to unproportional subscription to investee's new shares issued. If the capital reserve is insufficient, retained earnings are adjusted. An investor shall discontinue the use of the equity method from the date that it ceases to have significant influence over an investee and shall account for the investment in accordance with the R.O.C. SFAS No. 34 "Accounting for Financial Instruments" from that date. The carrying amount of the investment at the date that he Company ceases to have significant influence over the investee shall be regarded as its cost on initial measurement as a financial asset.

B. Unrealized gains and losses arising from intercompany transactions are deferred and recognized when realized.

For equity investees in which the Company does not possess control, the Company recognizes its investee's losses only to the extent of the Company's long-term investment on that investee. However, if the Company intends to provide further financial support for the investee company, or the investee company's losses are temporary and there exists sufficient evidence showing imminent return to profitable operations, then the Company shall continue to recognize investment losses in proportion to the stock ownership percentage. Such credit balance for the long-term investment shall first be offset by the advance (if any) the Company made to the investee company, the remaining shall be recorded under other liabilities. For equity investees in which the Company possesses control, the Company recognizes its investee's total losses unless other investors are obligated to and have the ability to assume a portion of the loss. Once the investee company begins to generate profit, such profit is allocated to the Company until all the losses previously absorbed by the Company have been recovered.

C. The accompanying consolidated financial statements include the accounts of all directly and indirectly majority owned subsidiaries of the Company, and the accounts of investees in which the Company's ownership percentage is less than 50% but the Company has a controlling interest.

Property, Plant and Equipment

A. Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment. Depreciation is computed on a straight-line basis over the following useful lives:

Buildings and facilities	3 to 50	years
Machinery and equipment	3 to 5	years
Research and development equipment	3 to 5	years
Miscellaneous equipment	2 to 5	years

B. Improvements and replacements are capitalized and depreciated over their estimated useful lives while ordinary repairs and maintenance are expensed as incurred.

C. When property, plant and equipment are disposed of, their original cost, accumulated depreciation and accumulated impairment are written off and related gains or losses are included as non-operating income or expenses.

Intangible Assets

A. Software (design software), patents, IPs and other separately identifiable intangibles with finite lives are stated at cost and amortized on a straight-line basis over the following useful lives:

Software (design software)	3	Years
Patents, IPs and Others	3 to 5	Years

The Company will reassess the useful lives and the amortization method of its recognized intangible assets at the end of each reporting period. If there is any change to be made, it will be treated as changes of accounting estimations.

B. Expenditures related to research activities as well as those expenditures not meeting the criteria for capitalization are expensed when incurred. Expenditures related to development activities meeting the criteria for capitalization are capitalized.

Asset Impairment

In accordance with the R.O.C. SFAS No. 35 "Accounting for Assets Impairment", the Company is required to perform (1) impairment testing on goodwill annually; (2) impairment testing for intangible assets which have indefinite lives or are not available for use annually; and (3) evaluating whether indicators of impairment exist for assets subject to guidelines set forth under the Statement. The Statement requires that such assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Impairment losses shall be recognized when the carrying amount exceeds the recoverable amount. Recognized losses on goodwill impairment shall not be reversed subsequently. For non-goodwill assets impaired in prior periods, the Company assesses at the balance sheet date if any indication that the impairment loss no longer exists or may have diminished. If there is any such indication, the Company recalculates the recoverable amount of the asset, and if the recoverable amount has increased as a result of the increase in the estimated service potential of the assets, the Company reverses the impairment loss so that the resulting carrying amount of the asset does not exceed the amount (net of amortization or depreciation) that would otherwise result had no impairment loss been recognized for the assets in prior years. However, the reversal of impairment loss for goodwill should not be recognized.

Capital Expenditures vs. Operating Expenditures

If the expenditure increases the future service potential of assets and the lump sum purchase price per transaction exceeds certain criteria, the expenditure is capitalized, while the others are expensed as incurred.

Revenue Recognition

The Company recognizes revenue when the goods have been delivered, the significant risks and rewards of ownership of the goods have been transferred to the buyer, the price is fixed or determinable, and collectibility is reasonably assured. Provisions for estimated sales returns and other allowances are recorded in the period the related revenue is recognized, based on any known factors that would significantly affect the level of provisions.

Employee Retirement Benefits

A. In accordance with the Labor Standards Law (the "Law") of the R.O.C., the Company makes a monthly contribution equal to 2% of the wages and salaries paid during the period to a pension fund maintained with the Central Trust of China. The fund is administered by the Employees' Retirement Fund Committee and is deposited in the committee's name. Therefore, the pension fund is not included in the financial statements of the Company.

B. The Labor Pension Act (the "Act"), which provides for a new defined contribution plan, took effect on July 1, 2005. Employees already covered by the Law can choose to remain to be subject to the pension mechanism under the Law or to be subject to the Act. Under the Act, the rate of the employer monthly contribution to the pension fund should be at least 6% of the employee's monthly wages.

C. The Company also has a defined benefit pension plan which is accounted for in accordance with the R.O.C. SFAS No. 18 "Accounting for Pensions". Pension assets or liabilities are recorded based on actuarial calculations. The minimum pension liability was recorded for the excess of accumulated pension obligations over the fair value of plan assets. Net transition obligations from the plan assets are amortized using the straight-line method over the employees' expected average remaining service period of 20 years. For employees under defined contribution pension plans, pension costs are expensed in the period based on the actual contributions made to employees' individual pension accounts.

Income Tax

A. In accordance with the R.O.C. SFAS No. 22 “Accounting for Income Taxes”, income tax is accounted for under the inter-period and intra-period income tax allocation method. Deferred income tax liabilities are recognized for taxable temporary differences; while deferred income tax assets are recognized for deductible temporary differences, tax losses and investment tax credits. Valuation allowance on deferred tax assets is provided to the extent that it is more than 50% probable that it will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

B. Income tax credit is accounted for in accordance with the R.O.C. SFAS No. 12 “Accounting for Income Tax Credit”. Income tax credits resulting from the acquisition of equipment, research and development expenditures and employee training shall be recognized using the flow-through method.

C. Income taxes of 10% on undistributed earnings are recorded as expenses in the year when the stockholders have resolved that the earnings shall be retained.

D. Income Basic Tax Act took effect on January 1, 2006. The alternative minimum tax ("AMT") imposed under the Income Basic Tax Act is a supplemental tax levied at a rate of 10% which is payable if the income tax payable determined pursuant to the Income Tax Law is lower than the minimum amount prescribed under the Income Basic Tax Act. The tax effect of such amounts was taken into consideration in determining the recoverability of deferred income tax assets recognized.

Employee Stock Option

The Company used the intrinsic value method to recognize compensation cost for its employee stock options, which are classified as equity-settled share-based payment transaction, issued between 2004 and 2007, in accordance with Accounting Research and Development Foundation interpretation Nos. 92-070~072. For options granted on or after January 1, 2008, the Company recognizes compensation cost using the fair value method in accordance with R.O.C. SFAS No. 39 “Accounting for Share-Based Payment.”

According to R.O.C. SFAS No. 39, for transactions measured by reference to the fair value of the equity instruments granted, the Company shall measure the fair value of equity instruments granted at the measurement date, based on market prices which the Company shall use an applicable valuation technique to estimate.
For equity-settled share-based payment transaction, in accordance with R.O.C. SFAS No. 39, the Company shall measure the goods or services received, and the corresponding increase in stockholder’s equity. If there is no vesting condition set for equity instrument granted, it shall be considered vested immediately. In this case, on grant date the Company shall recognize the services received in full, with corresponding increase in shareholder’s equity. If the equity instruments granted do not vest until the counterparty completes a specified period of service, it shall account for those services as they are rendered by the counterparty during the vesting period, with a corresponding increase in shareholder’s equity.

Vesting condition, other than market condition, shall not be taken into account when estimating the fair value of the share or share options at the measurement date. Instead, vesting conditions shall be taken into account by adjusting the number of options included in the measurement of the transaction amount. The Company shall recognize an amount for goods or services received during the vesting period based on the best available estimate of the number of options expected to vest and shall revise the estimate, if necessary, if subsequent information indicates that the number of options expected to vest differs from previous estimates. On vesting date, the entity shall revise the estimate to equal to the number of options ultimately vested. However, for grants of options with market condition, irrespective of whether that market condition is satisfied, the Company shall recognize the goods or services received when all other vesting conditions are satisfied.

Employee Bonuses and Remunerations Paid to Directors and Supervisors

In accordance with Accounting Research and Development Foundation Interpretation No. 96-052 "Accounting for Employees' Bonuses and Remunerations to Directors and Supervisors", effective from January 1, 2008, employee bonuses and remunerations paid to directors and supervisors are charged to expense at fair value and are no longer accounted for as an appropriation of retained earnings.

Earnings Per Share

A. The Company's EPS is computed according to R.O.C. SFAS No. 24 "Earnings Per Share". Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the current reporting period. Diluted earnings (loss) per share is computed by taking basic earnings (loss) per share into consideration plus additional common shares that would have been outstanding if the dilutive share equivalents had been issued. Net income (loss) is also adjusted for interest and other income or expenses derived from any underlying dilutive share equivalents. The weighted-average of outstanding shares is adjusted retroactively for stock dividends. According to Accounting Research and Development Foundation interpretation Nos. 97-169, bonus share issues shall not be retroactively adjusted.

B. In accordance with the R.O.C. SFAS No. 30 "Accounting for Treasury Stock", the pro-forma earnings per share were computed on the assumption that the Company's shares owned by its subsidiary were not treated as treasury stock.

Treasury Stock

A. The Company's shares owned by subsidiaries were accounted for as treasury stock in accordance with the R.O.C. SFAS No. 30 "Accounting for Treasury Stock". Cash dividends distributed to the Company's subsidiaries are deducted from investment income account and credited to capital reserves-treasury stock transaction.

B. Treasury stock transactions are accounted for under the cost method. The acquisition cost of shares is recorded under the caption of treasury stock, a contra shareholders' equity account.

C. When treasury stock is sold for more than its acquisition cost, the difference is credited to capital reserve-treasury stock transaction. If treasury stock is sold for less than its acquisition cost, the difference is charged to the same capital reserve account to the extent that the capital reserve account is reduced to zero. If the balance of the capital reserve is insufficient, any further reduction shall be charged to retained earnings instead.

D. When treasury stock is retired, the treasury stock account is credited and all capital account balances related to the treasury shares, including additional paid in capital-share issuance in excess of par and paid in capital, is debited on a proportionate basis. Any difference, if on credit side, is recorded in capital reserve-treasury stock transaction; if on debit side, it is recorded against retained earnings.

Derivative Financial Instruments-Held for Trading

Derivative financial instruments that have been designated for hedging but not qualified for hedging effectiveness criterion under SFAS No. 34 are classified as financial assets/liabilities held for trading; for example, forward contract is recognized and remeasured at fair value. When the fair value is positive, the derivative is recognized as a financial asset; when the fair value is negative, the derivative is recognized as a financial liability. The changes in fair value are recognized in profit and loss.

3. Reasons and Effects for Change in Accounting Principles

A. Effective from January 1, 2008, the Company adopted the newly released R.O.C. SFAS No.39 “Accounting for Share-Based Payment”. The adoption decreased the Company’s net income by NT$39,843 thousand and basic earnings per share by NT$0.04 for the year ended December 31, 2008.

B. Effective from January 1, 2008, the Company adopted the newly released Accounting Research and Development Foundation Interpretation No. 96-052 to account for employee bonuses and remunerations paid to directors and supervisors. The adoption decreased the Company’s net income by NT$6,327,236 thousand and basic earnings per share by NT$5.94 for the year ended December 31, 2008.

C. Effective from July 1, 2008, the Company adopted the second amendment of R.O.C. SFAS No. 34 “Accounting for Financial Instruments” and reclassified certain of its financial assets and liabilities in accordance with the new standards. Such a change in accounting principles increased net income by NT$29,400 thousand and basic earnings per share by NT$0.03 for the year ended December 31, 2008.

D. On January 1, 2007, the Company adopted the newly released R.O.C. SFAS No. 37, “Accounting for Intangible Assets”. The accounting change had no material effect on total assets as of December 31, 2007 and on net income and earnings per share for the year then ended.

4. Contents of Significant Accounts

(1) Cash and Cash Equivalents

	As of December 31,	
	2008	2007
Savings and checking accounts	$1,040,840	$3,048,250
Time deposits	34,709,608	30,160,720
Cash equivalents-bonds-Repo	-	7,156,612
Total	$35,750,448	$40,365,582

Cash and cash equivalents were not pledged as of December 31, 2008 and 2007.

(2) Financial assets and liabilities at fair value through profit or loss

a.

	As of December 31,	
	2008	2007
Held-for-trading financial assets		
Mutual fund	$-	$1,045,667
Corporate bonds	147,675	150,770
Forward exchange contracts	32,587	1,480
Subtotal	180,262	1,197,917
Financial assets designated as at fair value through profit or loss		
Credit-linked deposits	565,536	943,744
Interest rate-linked deposits	247,950	-
Exchange rate-linked deposits	-	248,215
Subtotal	813,486	1,191,959
Total	$993,748	$2,389,876

Credit-linked deposit and exchange rate-linked are hybrid financial instruments. Since it is impractical to measure the fair value of the embedded derivative separately either at acquisition or at a subsequent financial reporting date, the entire hybrid contract shall be designated as a financial instrument at fair value through profit or loss. Please refer to Note 10 to the financial statements for the disclosures of relative risks information for those financial instruments.

b. Reclassification of financial instruments

(a) Reason and amount for reclassification of financial assets:

Held–for–trading financial assets:
The Company's financial assets classified as held-for-trading are no longer for near-term trading, but did not meet the definition of loans and receivables. However, based on the relevant guidance issued by International Accounting Board, Financial Supervisory Commission, Executive Yuan, and Accounting Research and Development Foundation, the Company believes that the economy condition during third quarter had constituted "the rare circumstances" described by the reclassification amendments in R.O.C. SAFS No. 34, thus the Company reclassified some investments originally classified as held-for-trading, which amounted to NT$691,600 thousand, into available for sale category.

(b) Book value and fair value of financial instrument after reclassification:

	As of December 31, 2008	
	Book value	Fair value
Available for sale financial assets	$662,200	$662,200

(c) Gain or loss on reclassified financial assets recognized arising from variance of fair value:
For the years ended December 31, 2008 and 2007, the Company recognized losses of NT$29,400 thousand and NT$32,900 thousand, respectively, on the financial instruments reclassified during the third quarter of 2008.

(d) The pro-forma gain or loss assuming no financial assets had been reclassified was computed as follows:

	Financial assets originally classified as held–for–trading	
	Loss would have been recognized if not reclassified	Loss recognized after reclassification
For the year ended December 31, 2008	($58,800)	($29,400)

c.

	As of December 31,	
	2008	2007
Held-for-trading financial liabilities-current		
Forward exchange contracts	$2,956	$33,076

The Company entered into derivative contracts during the years ended December 31, 2008 and 2007 to manage exposures to foreign exchange rate changes. The derivative contracts entered into by the Company did not meet the criteria of hedge accounting prescribed by SFAS No. 34. Therefore, they were recorded as the financial assets or liabilities at fair value through profit or loss. Please refer to Note 10 to the financial statements for the disclosure of relative risk information.

As of December 31, 2008 and 2007, outstanding forward exchange contracts were as follows:

(a) As of December 31, 2008:

Held-for-trading financial assets:

Financial Instruments	Type	Maturity	Contract amount (US$'000)
Forward exchange	Sell USD	January 2009~ February 2009	USD100,000

Held-for-trading financial liabilities:

Financial Instruments	Type	Maturity	Contract amount (US$'000)
Forward exchange	Sell USD	February 2009	USD15,000

(b) As of December 31, 2007:

Held-for-trading financial assets:

Financial Instruments	Type	Maturity	Contract amount (US$'000)
Forward exchange	Sell USD	January 2008	USD20,000

Held-for-trading financial liabilities:

Financial Instruments	Type	Maturity	Contract amount (US$'000)
Forward exchange	Sell USD	January 2008~ February 2008	USD151,000

For the years ended December 31, 2008 and 2007, losses arising from the forward exchange contracts were NT$322,808 thousand and NT$97,856 thousand, respectively

(3) Available-for-sale financial assets-current

	As of December 31,	
	2008	2007
Funds	$1,538,700	$2,460,927

(4) Held-to-maturity Financial Assets-current

	As of December 31,	
	2008	2007
Financial debentures	$247,199	$501,574
Corporate bonds	124,331	-
Total	$371,530	$501,574

(5) Accounts Receivable-Net

	As of December 31,	
	2008	2007
Accounts receivable	$2,588,129	$5,650,733
Less: Allowance for doubtful accounts	(58,948)	(316,689)
Net	$2,529,181	$5,334,044

(6) Other Receivables

	As of December 31,	
	2008	2007
Interest receivable	$114,849	$115,576
VAT refundable	318,034	506,512
Others	19,702	80,132
Total	$452,585	$702,220

(7) Inventories-Net

	As of December 31,	
	2008	2007
Raw materials	$-	$104
Work in process	1,878,314	4,666,586
Finished goods	2,866,010	5,246,905
Subtotal	4,744,324	9,913,595
Less: Allowance for inventory obsolescence	(1,361,483)	(408,919)
Net	$3,382,841	$9,504,676

Inventories were not pledged as of December 31, 2008 and 2007

(8) Funds and Investments

a.

Investee Company	Type	Share/unit	Amount	Ownership
	As of December 31, 2008			
Financial assets designated as at fair value through profit or loss-noncurrent				
Foxconn Credit-linked deposit	Credit-linked deposit	-	$51,442	-
Available-for-sale financial assets-noncurrent				
Cathay No. 1 Real Estate Investment Trust	Mutual fund	70,000,000	$662,200	-
IIT Private Equity Real Estate Fund	Mutual fund	4,685,006	50,554	-
Cathay No. 2 Real Estate Investment Trust	Mutual fund	50,000,000	442,000	-
Chinatrust 2006-1 Collateralized Loan Obligation-D	Securities	608	598,640	-
Chinatrust 2006-1 Collateralized Loan Obligation-E	Securities	246	245,238	-
Nanya 96-1 Corporate Bonds	Bond	250	246,445	-
Chinatrust 92-2 Financial Debenture	Financial debenture	2	202,989	-
Subtotal			2,448,066	
Held-to-maturity financial assets- noncurrent				
Cathay Real Estate Investment Trust -Tun Nan C	Securities	20	100,000	-
Chinatrust 96-2 Second Financial Debenture with no mortgage	Financial debenture	25	250,000	-
Taiwan Power 93-1 the Fourth Corporate Bond-E	Bond	20	98,771	-
Nanya 94-2 the Second Corporate Bond-C	Bond	400	397,295	-
Taiwan Power 92-2 the Third Corporate Bond-K	Bond	25	124,330	-
Mega 41P1 Second Financial Debenture	Financial debenture	20	188,364	-
Subtotal			1,158,760	

(To be continued)

(Continued)

Investee Company	Type	Share/unit	Amount	Ownership
	As of December 31, 2008			
Financial assets carried at cost-noncurrent				
Yuantonix, Inc.	Common share	300,000	-	3.75%
Bond portfolios with no active market-noncurrent				
Chinatrust Financial Holding Co. Ltd.	Series B Preferred stock	25,000,000	1,000,000	-
Long-term investments accounted for using the equity method				
MediaTek Investment Corp.	Common share	1,164,731,096	15,118,826	100.00%
Hsu-Ta Investment Limited	Capital	-	3,626,880	100.00%
Hsu-Chia Investment Limited	Capital	-	3,371,248	100.00%
Hsu-Kang Investment Limited	Capital	-	3,371,659	100.00%
Hsu-Chung Investment Corp.	Common share	150,000,000	1,889,711	100.00%
Hsu-Xin Investment Corp.	Common share	150,000,000	1,889,711	100.00%
ALi Corporation	Common share	64,034,349	1,208,514	21.14%
Subtotal			30,476,549	
Add：Unrealized gain (loss) on disposal of long-term equity investments			(3,040)	
Subtotal			30,473,509	
Total			$35,131,777	

Investee Company	Type	Share/unit	Amount	Ownership
	As of December 31, 2007			
Available-for-sale financial assets-noncurrent				
IIT Private Equity Real Estate Fund	Mutual fund	4,810,274	$50,543	-
Cathay No. 2 Real Estate Investment Trust	Mutual fund	50,000,000	500,000	-
Chinatrust 2006-1 Collateralized Loan Obligation-D	Securities	608	565,015	-

(To be continued)

(Continued)

Investee Company	As of December 31, 2007 Type	Share/unit	Amount	Ownership
Chinatrust 2006-1 Collateralized Loan Obligation-E	Securities	246	243,097	-
Subtotal			1,358,655	
Held-to-maturity financial assets- noncurrent				
Cathay Real Estate Investment Trust -Tun Nan C	Securities	20	100,000	-
Chinatrust 96-2 second financial debenture with no mortgage	Financial debenture	25	250,000	-
Subtotal			350,000	
Financial assets carried at cost-noncurrent				
Yuantonix, Inc.	Common share	300,000	-	3.75%
Bond portfolios with no active market-noncurrent				
Chinatrust Financial Holding Co. Ltd.	Series B Preferred stock	25,000,000	1,000,000	-
Long-term investments accounted for using the equity method				
MediaTek Investment Corp.	Common share	1,091,474,200	12,954,152	100.00%
Hsu-Ta Investment Limited	Capital	-	3,752,064	100.00%
Hsu-Chia Investment Limited	Capital	-	3,487,900	100.00%
Hsu-Kang Investment Limited	Capital	-	3,488,178	100.00%
ALi Corporation	Common share	62,169,271	1,177,707	21.48%
Wiseali Technology Inc.	Common share	200,000	5,429	100.00%
Subtotal			24,865,430	
Add：Unrealized gain (loss) on disposal of long-term equity investments			5,676	
Subtotal			24,871,106	
Total			$27,579,761	

b. For the years ended December 31, 2008 and 2007, the Company recognized investment gain accounted for under the equity method in the amount of NT$2,954,090 thousand and NT$2,439,953 thousand, respectively, based on the audited financial statements of the investee companies.

c. In August 2008, as Wiseali Technology Inc. was liquidated, the Company recognized an investment disposal loss of NT$5,334 thousand.

d. For the years ended December 31, 2008 and 2007, the Company recognized an unrealized loss of NT$862,633 thousand and NT$1,740,636 thousand in shareholders' equity for the changes in available-for-sale financial assets held by its investee companies accounted for under the equity method, respectively.

e. In April 2008, the Company invested NT$1,500,000 thousand in both Hsu-Chung Investment Corp. and Hsu-Xin Investment Corp., representing 100% of their total common shares. In September 2007, the Company increased its investment in MediaTek Investment Corp. by NT$3,200,000 thousand.

f. The Company issued employee stock options to subsidiaries' employees in March 2008 and August 2008 and recorded an increase in capital reserve in an aggregate amount of NT$40,644 thousand. Please refer to note 4(15).

g. In September 2007, the Company issued 3,441,733 new shares in exchange of 69% ownership of NuCORE Technology, Inc. ("NuCORE"). One common share of the Company was used to exchange for one NuCORE's preferred share that can be converted into 21.36 common shares of NuCORE. After the share swap, NuCORE was renamed MediaTek USA Inc. The Company traded out its holding of preferred stocks in MediaTek USA Inc. in a price of NT$1,314,742 thousand for the holding of common stocks of MediaTek Investment Corp. This exchange of shares was accounted for as a capital re-structuring.

h. In 2007, a subsidiary of MediaTek Investment Corp. resolved a rights offering for cash. MediaTek Investment Corp.'s interest in the subsidiary changed since it gave up its preemptive right and did not subscribe to this new issuance and also due to employees of its subsidiary exercising their stock options. As a result, the Company recognized a reduction in capital reserve of NT$3,597 thousand.

i. In 2008, under the equity method, the Company recognized changes in investees' capital reserve by NT$30,787 thousand.

j. In 2007, as ALi Corporation, an investee accounted for under the equity method, issued new shares for purposes of conversion of convertible bonds, exercise of employees' stock options and capitalization of employees' bonus, the Company's holding interest in ALi Corporation has been changed. As a result, the Company recognized an increase in capital reserve of NT$8,159 thousand.

k. In light of Yuantonix, Inc.'s capital reduction in May 2006, the Company assessed that its investment in Yuantonix, Inc. has been impaired, and therefore recognized an impairment loss of NT$12,000 thousand. In 2007, the Company recognized a full impairment loss of NT$3,000 thousand for the investment in this investee. Additionally, in 2008, the Company assessed that its investment in EoNex Technologies Inc. has been impaired and recognized an impairment loss of NT$12,126 thousand.

l. In 2008, the Company invested in Nanya 96-1 Corporate Bonds and Chinatrust 92-2 Financial Debenture which were classified as available-for-sale financial assets. The investment cost and face value amounted to NT$445,347 thousand and NT$450,000 thousand, respectively.

m. In 2008, the Company invested in Taiwan Power 93-1 the Fourth Corporate Bond-E, Nanya 94-2 the Second Corporate Bond-C, Taiwan Power 92-2 the Third Corporate Bond-K and Mega 41P1 Second Financial Debenture which were classified as held-to-maturity financial assets. The investment cost and face value amounted to NT$805,466 thousand and NT$825,000 thousand, respectively.

n. In June 2007 and December 2007, the Company invested in Cathay Real Estate Investment Trust -Tun Nan C and Chinatrust 96-2 second financial debenture with no mortgage. The investment cost and face value amounted to NT$350,000 thousand and NT$350,000 thousand, respectively.

o. In December 2005, our investment in series B preferred stocks (“Preferred B”) of Chinatrust Financial Holding Company was increased by NT$1,000,000 thousand. Terms and conditions of the stock are listed as follows:
   (a) Duration： 7 years
   (b) Par value：$10 per share
   (c) Issuing price：$40 per share
   (d) Dividends:
   Dividend is at 3.5% per year based on actual issuing price and is paid in cash annually and in arrears.
   (e) Redemption at maturity:
   Preferred B is a 7-year preferred stock. Redemption price at maturity is at 100% of the issuing price, i.e. NT$40 per share.

p. Funds and investments mentioned above were not pledged as of December 31, 2008 and 2007.

(9) Property, Plant and Equipment
   a. No interest was capitalized for the years ended December 31, 2008 and 2007.

   b. Property, plant and equipment were not pledged as of December 31, 2008 and 2007.

(10) Intangible Assets

a.

	For the year ended December 31, 2008		
	Software (Design software)	Patents, IPs and Others	Total
Original cost			
Balance at beginning of period	$1,299,300	$3,599,564	$4,898,864
Increase - separately acquired	594,131	20,926	615,057
Increase - acquired through business combination	-	3,243,480	3,243,480
Balance at end of period	1,893,431	6,863,970	8,757,401
Accumulated amortization			
Balance at beginning of period	(615,756)	(2,804,459)	(3,420,215)
Increase - amortization	(650,116)	(1,245,243)	(1,895,359)
Balance at end of period	(1,265,872)	(4,049,702)	(5,315,574)
Net	$627,559	$2,814,268	$3,441,827

	For the year ended December 31, 2007		
	Software (Design software)	Patents, IPs and Others	Total
Original cost			
Balance at beginning of period	$618,215	$3,581,392	$4,199,607
Increase - separately acquired	681,085	18,172	699,257
Balance at end of period	1,299,300	3,599,564	4,898,864
Accumulated amortization			
Balance at beginning of period	(339,945)	(1,778,419)	(2,118,364)
Increase - amortization	(275,811)	(1,026,040)	(1,301,851)
Balance at end of period	(615,756)	(2,804,459)	(3,420,215)
Net	$683,544	$795,105	$1,478,649

b. In January 2008, the Company acquired Analog Devices, Inc's cellular radio and baseband chipset operations for NT$10,060,691 thousand (USD 310,182 thousand). According to R.O.C. SFAS No. 25 "Business Combinations-Purchase Accounting", the Company recorded goodwill of NT$6,817,211 thousand and patents, IPs and other intangibles of NT$3,243,480 thousand, respectively.

(11) Accrued Pension Liabilities

a. The Company's pension fund contributed to a fiduciary account in Bank of Taiwan amounted to NT$44,069 thousand and NT$42,281 thousand as of December 31, 2008 and 2007, respectively. The total pension expenses, including net pension cost under the Standard Labor Law and the pension expenses under the Labor Pension Act, amounted to NT$137,267 thousand and NT$94,846 thousand for the years ended December 31, 2008 and 2007, respectively. The pension expenses under the Labor Pension Act amounted to NT$121,131 thousand and NT$89,184 thousand for the years ended December 31, 2008 and 2007, respectively.

b. The components of net pension cost under the Labor Standards Law

	For the year ended December 31,	
	2008	2007
Service cost	$1,680	$1,191
Interest cost	7,641	3,812
Expected return on plan assets	(1,268)	(1,127)
Amortization	8,083	1,786
Net pension cost	$16,136	$5,662

c. The funded status of the Company's pension plans under the Labor Standards Law

	As of December 31,	
Benefit obligations	2008	2007
Vested benefit obligation	$-	$-
Non-vested benefit obligation	(98,129)	(80,309)
Accumulated benefit obligation	(98,129)	(80,309)
Effect of projected future salary increase	(72,274)	(174,388)
Projected benefit obligation	(170,403)	(254,697)
Fair value of plan assets	44,069	42,281
Funded status of pension plan	(126,334)	(212,416)
Unrecognized net transitional obligation	795	883
Unrecognized loss	43,596	145,392
Over-accrual	(223)	(227)
Accrued pension liabilities	$(82,166)	$(66,368)

d. The vested benefit was nil as of December 31, 2008 and 2007.

e.The underlying actuarial assumptions

	For the year ended December 31,	
	2008	2007
Discount rate	2.50%	3.00%
Rate of increase in future compensation levels	2.00%	5.00%
Expected long-term rate of return on plan assets	2.50%	3.00%

(12) Common Stock

As of January 1, 2007, the authorized and issued common shares of the Company amounted to NT$12,000,000 thousand and NT$9,683,127 thousand, divided into 1,200,000,000 shares and 968,312,683 shares, respectively, each share at par value of NT$10.

Based on the resolution of shareholders' general meeting on June 11, 2007, the Company resolved to issue 69,099,346 new shares at per value of NT$10 for the capitalization of shareholders' dividends of NT$484,156 thousand and employees' bonus of NT$206,837 thousand. The record date was set on July 31, 2007 and the government approval has been successfully obtained.

On March 21 and April 19, 2007, the Board of Directors resolved to issue 3,441,733 shares, each at par value of NT$10, in exchange of 69% of the ownership of NuCORE. The exchange date was set on September 4, 2007 which had been approved by the government in September, 2007.

Based on the resolution of shareholders' general meeting on June 13, 2008, the Company resolved to issue 32,298,537 new shares at par value of NT$10 for the capitalization of shareholders' dividends of NT$104,085 thousand and employees' bonus of NT$218,900 thousand. The record date was set on July 22, 2008 and the government approval has been successfully obtained.

As of December 31, 2008, the authorized and issued common shares of the Company amounted to NT$12,000,000 thousand and NT$10,731,523 thousand, divided into 1,200,000,000 shares (including 20,000,000 shares reserved for exercise of employee stock options) and 1,073,152,299 shares, respectively, each share at par value of NT$10.

(13) Legal Reserve

According to the R.O.C. Company Law, 10% of the Company's net income after tax shall be appropriated to legal reserve prior to any distribution until such reserve is equal to the Company's paid-in capital. When the legal reserve is equal to or more than 50% of net assets, 50% of such reserve may be distributed to the Company's shareholders through the issuance of additional common share.

(14) Capital Reserve

	As of December 31,	
	2008	2007
Additional paid-in capital	$2,090,759	$2,090,759
Treasury stock transaction	474,512	328,475
Donated assets	1,260	1,260
Long-term equity investment	150,136	119,349
Employee stock option	40,644	-
Total	$2,757,311	$2,539,843

According to the R.O.C. Company Law, capital reserve can only be used for making up losses or reclassifying to paid-in capital using only balances in additional paid-in capital or donated assets. The Company shall not use capital reserve to make up its loss unless legal reserve is insufficient for making up such losses.

The Company had paid cash dividends in the amount of NT$146,037 thousand and NT$109,802 thousand to the subsidiary who owned the Company's common shares for the years ended December 31, 2008 and 2007, respectively. Since the Company's shares held by its subsidiary are treated as treasury stocks, the cash dividends paid to the Company's subsidiary are accounted for as an adjustment to capital reserve; under the category of treasury stock transactions.

In September 2007, paid-in capital in excess of par was increased by NT$1,280,324 thousand due to a share swap of 69% ownership of NuCORE. The contingent consideration received by the Company under this transaction was NT$740,746 thousand, which was recorded as an adjustment to paid-in capital in excess of par-common stock. Please refer to note 4(8) and 4(12) to the financial statements for more details.

(15) Employee Stock Options

In December 2007, the Company was authorized by the Financial Supervisory Commission, Executive Yuan, to issue employee stock options with a total number of 5,000,000 units, each option eligible to subscribe for one common share. The options may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries, in which the Company's shareholding with voting rights, directly or indirectly, is more than fifty percent. The options are valid for ten years and exercisable at certain percentage subsequent to the second anniversary of the granted date. Under the terms of the plan, the options are granted at an exercise price equal to the closing price of the Company's common share listed on the TWSE on the grant date. The exercise prices have been adjusted to reflect the change of outstanding shares (i.e. the share issued for cash or the appropriations of earnings) in accordance with the plan.

Detailed information relevant to the employee stock options is disclosed as follows:

Date of grant	Total number of options granted	Total number of options outstanding	Shares available for option holders	Exercise price (NTD)
2008.03.31	1,134,119	1,080,054	1,080,054	$388
2008.08.28	1,640,285	1,596,481	1,596,481	371

The compensation cost was recognized under the fair value method and the Black-Scholes Option Pricing model was used to estimate the fair value of options granted. The investment loss on equity investment arising from employee stock option compensation cost was NT$40,644 thousand. Detailed information to the weighted-average assumptions are disclosed as follows:

	Employee Stock Option
Expected dividend yield	4.70%~6.63%
Expected volatility	42.12%~50.06%
Risk free interest rate	2.30%~2.49%
Expected life	6.5 years

The respective information of the units and weighted average exercise prices for stock option plans of the Company is disclosed as follows:

	For the year ended December 31, 2008	
	Options (Unit)	Weighted-average Exercise Price per share (NTD)
Outstanding at beginning of period	-	$-
Granted	2,774,404	378
Exercised	-	-
Forfeited (Expired)	(97,869)	381
Outstanding at end of period	2,676,535	378
Exercisable at end of period	-	
Weighted-average fair value of options granted during the period(in NTD)	$109	

The information on the Company’s outstanding stock options as of December 31, 2008 is disclosed as follows:

		Outstanding Stock Options			Exercisable Stock Options	
	Range of Exercise Price (NTD)	Options (Unit)	Weighted-average Expected Remaining Years	Weighted-average Exercise Price per Share (NTD)	Options (Unit)	Weighted-average Exercise Price per Share (NTD)
Stock option plan of 2007	$371~388	2,676,535	6	$378	-	$-

(16) Earnings Distribution and Dividends Distribution Policy

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

(a) Income tax obligation;
(b) Offsetting accumulated deficits, if any;
(c) Legal reserve at 10% of net income after tax;
(d) Special reserve in compliance with the Company Law or the Securities and Exchange Law;
(e) Remuneration for directors and supervisors to a maximum of 0.5% of the remaining current year's earnings after deducting for item (a) through (d). Remuneration for directors and supervisors' services is limited to cash payments.
(f) The remaining after all above appropriations and distributions, combining with undistributed earnings from prior years, shall be fully for shareholders' dividends and employees' bonuses and may be retained or distributed proportionally. The portion of employees' bonuses may not be less than 1% of total earnings resolved to distribute for shareholders' dividends and employees' bonuses. Employees' bonuses may be distributed in the form of shares or cash, or a combination of both. The criteria for qualifying for employees' bonuses are at the discretion of Board. Employees serving the subsidiaries of the Company are also entitled to the bonuses.

Shareholders' dividends may be distributed in the form of shares or cash, or a combination of both, and cash dividends to be distributed may not be less than 10% of total dividends to be distributed.

According to the regulations of Taiwan SFC, the Company is required to appropriate a special reserve in the amount equal to the sum of debit elements under shareholders' equity, such as unrealized loss on financial instruments and negative cumulative translation adjustment, at every year-end. Such special reserve is prohibited from distribution. However, if any of the debit elements is reversed, the special reserve in the amount equal to the reversal may be released for earnings distribution or making up for losses.

During the year ended December 31, 2008, the amounts of the employee' bonuses and remunerations to directors and supervisors were estimated to be at NT$6,403,395 thousand and NT$50,993 thousand, respectively. Employee bonuses were estimated based on 25% of net income for the year ended December 31, 2008 (excluding the impact of expensing employees' bonuses and the related income tax effect) while remunerations to directors and supervisors were estimated based on the Company's Articles of Incorporation. Estimated amount of employee bonuses and remunerations paid to directors and supervisors were charged to current income as operating expenses. If stock bonuses are resolved for distribution to employees, the number of shares distributed is determined by dividing the amount of bonuses by the closing price (after considering the effect of cash and stock dividends) of the shares on the day preceding the shareholders'meeting. If the resolution of shareholders' general meeting modifies the estimates significantly in the subsequent year, the Company shall recognize the change as an adjustment to income of the financial year ending 2009.

(17) Treasury Stock

The Company's shares owned by subsidiaries are accounted for as treasury stock. Movement schedule of the Company's treasury stock was as follows:

Owner	January 1, 2008		Additions		December 31, 2008		
	Shares	Amount	Shares	Amount	Shares	Amount	Market Value
MediaTek Capital Corp.	7,686,143	$55,970	76,861 (Note)	$-	7,763,004	$55,970	$1,711,742

Owner	January 1, 2007		Additions		December 31, 2007		
	Shares	Amount	Shares	Amount	Shares	Amount	Market Value
MediaTek Capital Corp.	7,320,137	$55,970	366,006 (Note)	$-	7,686,143	$55,970	$3,235,866

Note：Bonus shares granted

(18) Net Operating Revenue

	For the year ended December 31,	
	2008	2007
Revenues from sales of multimedia and cell phone chipsets	$70,507,637	$75,469,492
Other operating revenue	740,780	585,041
Subtotal	71,248,417	76,054,533
Less: Sales returns and sales discounts	(3,232,874)	(1,275,954)
Net Operating Revenue	$68,015,543	$74,778,579

(19) Personnel, Deprecation and Amortization Expenses

	For the year ended December 31,					
	2008			2007		
	Recorded under cost of goods sold	Recorded under operating expense	Total	Recorded under cost of goods sold	Recorded under operating expense	Total
Personnel Expense						
Salaries & wage expense	$103,291	$10,297,257	$10,400,548	$95,117	$3,327,904	$3,423,021
Insurance	4,694	139,846	144,540	3,614	105,752	109,366
Pension	4,500	132,767	137,267	3,164	91,682	94,846
Other expenses	1,312	41,891	43,203	933	42,470	43,403
Total	$113,797	$10,611,761	$10,725,558	$102,828	$3,567,808	$3,670,636
Depreciation	$4,214	$625,479	$629,693	$4,783	$523,781	$528,564
Amortization	$676	$1,894,683	$1,895,359	$2,320	$1,299,531	$1,301,851

(20) Income Tax

a.

Income tax payable and income tax expense are reconciled as follows:

	For the year ended December 31,	
	2008	2007
Income tax payable	$374,526	$1,218,822
10% surtax on undistributed earnings	685,864	406,774
Investment tax credits	(530,195)	(812,798)
Deferred income tax effects		
Investment tax credits	(5,053,225)	29,077
Valuation allowance	5,615,030	477,715
Others	12,255	(25,372)
Others	675,565	(53,990)
Income tax expense from continuing operations	$1,779,820	$1,240,228

b.

Temporary differences generated from deferred income tax assets (liabilities)	As of December 31,			
	2008		2007	
	Amount	Tax effect	Amount	Tax effect
Deferred income tax assets				
Recognition of unrealized allowance for inventory obsolescence	$1,361,483	$26,794	$408,919	$15,683
Allowance for doubtful debt in excess of deductible limit	32,864	647	258,597	9,918
Unrealized technology license fee	-	-	361,350	13,859
Unrealized foreign exchange loss	53,142	1,046	-	-
Unrealized loss on asset impairment	12,126	239	3,000	115
Unrealized loss on valuation of financial assets	-	-	31,596	1,212
Investment tax credits		8,348,922		3,295,697
Deferred income tax assets		8,377,648		3,336,484
Valuation allowance for deferred income tax assets		(7,981,245)		(2,366,215)
Net deferred income tax assets		396,403		970,269
Deferred income tax liabilities				
Unrealized foreign exchange gain	(10,305)	(203)	(15,428)	(592)
Unrealized gain on valuation of financial assets	(29,631)	(583)	-	-
Deferred income tax liabilities		(786)		(592)
Net deferred income tax assets and liabilities		$395,617		$969,677

	As of December 31,	
	2008	2007
Deferred income tax assets-current	$210,406	$590,174
Valuation allowance for deferred income tax assets-current	-	-
Net deferred income tax assets-current	210,406	590,174
Deferred income tax liabilities-current	(786)	(592)
Net deferred income tax assets and liabilities-current	$209,620	$589,582

	As of December 31,	
	2008	2007
Deferred income tax assets-noncurrent	$8,167,242	$2,746,310
Valuation allowance for deferred income tax assets-noncurrent	(7,981,245)	(2,366,215)
Net deferred income tax assets-noncurrent	185,997	380,095
Deferred income tax liabilities-noncurrent	-	-
Net deferred income tax assets and liabilities-noncurrent	$185,997	$380,095

c. Pursuant to Article 9-2 of the "Statute for Upgrading Industries", the Company is qualified as a technical service industry and is therefore entitled to an income tax exemption period for five consecutive years on the income generated from qualifying high technology activities. The Company has elected the tax exemption periods from January 1, 2004 through December 31, 2008, January 1, 2005 through December 31, 2009, and January 1, 2007 through December 31, 2011.

d. The Company's income tax returns for the years from 2002 to 2005 have been assessed by the tax authorities and NT$1,835,978 thousand of additional income tax payable was imposed. The discrepancy between the Company's tax return filing and the result of tax authority's assessment was mainly due to different interpretations on calculating exempted income. After assessing the potential outcome, the Company has fully accrued the additional tax liability. Although the Company has vigorously filed several administrative appeals to tax authority and Courts, the Company has paid the amount in full.

e. The Company's available investment tax credits as of December 31, 2008 were as follows:

Total credit amount	Unused amount	Year expired
$1,312,977	$513,783	2010
2,424,111	2,424,111	2011
5,411,028	5,411,028	2012
$9,148,116	$8,348,922	

f.

Integrated income tax information	As of December 31,	
	2008	2007
Balance of the imputation credit account (ICA)	$2,207,442	$972,323
	2008	2007
Expected (Actual) creditable ratio	4.81%(Note)	5.08%

Note: The ratio was computed based on the amount of actual available shareholders' tax credits plus estimated income tax payable as of December 31, 2008.

g.

Information related to undistributed retained earnings	As of December 31,	
	2008	2007
Prior to 1998	$-	$-
After 1997	55,427,112	62,971,175
Total	$55,427,112	$62,971,175

(21) Earnings Per Share

The Company's capital structure is classified as complex capital structure after the issuance of employee stock options in 2008. The shares of employee stock options (if exercised) have no dilutive effect. However, the shares of employee bonuses as expense have a dilutive effect. Basic earnings per share and dilutive earnings per share were disclosed as follows:

The weighted average numbers of common share outstanding were computed as follows: (in shares)

Contents	For the year ended December 31, 2008	2007
Common shares outstanding, beginning	1,040,853,762	968,312,683
Stock issuance for stockholder' bonus, July 31, 2007	-	48,415,634
Stock issuance for employees' bonus, July 31, 2007	-	20,683,712
Weighted-average of new shares issued on September 4, 2007	-	1,122,099
Stock issuance for stockholder' bonus, July 22, 2008	10,408,537	10,408,537
Stock issuance for employees' bonus, July 22, 2008	21,890,000	21,890,000
Subtotal	1,073,152,299	1,070,832,665
Less: the Company's shares owned by its subsidiary	(7,763,004)	(7,763,004)
Weighted-average shares outstanding for the period	1,065,389,295	1,063,069,661
Effect of dilutive potential common shares:		
Bonus to employees	29,040,340	-
Weighted-average of dilutive shares outstanding	1,094,429,635	1,063,069,661

	Amount (Numerator)			Earnings per share	
	Before tax	After tax	Shares (Denominator)	Before tax	After tax
For the year ended December 31, 2008					
Basic EPS					
Net income	$20,969,817	$19,189,997	1,065,389,295	$19.68	$18.01
Effect of dilutive potential common shares:					
Bonus to employees	-	-	29,040,340		
Diluted EPS	$20,969,817	$19,189,997	1,094,429,635	$19.16	$17.53
For the year ended December 31, 2007					
Basic EPS					
Net income	$34,832,930	$33,592,702	1,063,069,661	$32.77	$31.60

The pro-forma earnings per share were computed as follows, assuming that the Company's shares owned by its subsidiary were not treated as treasury stock:

	Amount (Numerator)			Earnings per share	
	Before tax	After tax	Shares (Denominator)	Before tax	After tax
For the year ended December 31, 2008					
Pro-forma EPS					
Net income	$20,969,817	$19,189,997	1,065,389,295		
The effect of the Company's shares owned by its subsidiary not treated as treasury stock	146,037	146,037	7,763,004		
Total	$21,115,854	$19,336,034	1,073,152,299	$19.68	$18.02

	Amount (Numerator)			Earnings per share	
	Before tax	After tax	Shares (Denominator)	Before tax	After tax
For the year ended December 31, 2007					
Pro-forma EPS					
Net income	$34,832,930	$33,592,702	1,063,069,661		
The effect of the Company's shares owned by its subsidiary not treated as treasury stock	109,802	109,802	7,763,004		
Total	$34,942,732	$33,702,504	1,070,832,665	$32.63	$31.47

5. Related Party Transactions

(1) Related Parties and Relations with the Company

Related parties	Relations
King Yuan Electronics Co., Ltd. ("King Yuan")	The chairmen of the Company and the chairman of King Yuan are close relatives
ALi Corporation ("ALi")	Equity investee
Alpha Imaging Technology Corp. ("Alpha")	A subsidiary of the Company served as Alpha's director(Note)
JMicron Technology Corporation ("JMicron")	The Company's chairman doubles as JMicron's chairman
Airoha Technology, Inc.("Airoha")	Affiliated company
MediaTek Sigapore Pte. Ltd.("MSL")	Affiliated company
MTK Wireless Limited-UK("MUK")	Affiliated company
MediaTek Wireless Limited-Ireland("MIR")	Affiliated company
MediaTek Wireless, Inc.-USA("MWS")	Affiliated company
MediaTek Denmark ApS (MDK)	Affiliated company
All numbers of directors, supervisors and key managers	The Company's major managers

Note: Due to the disposal of the Company's indirect holdings in Alpha on January 2007, the Company no longer treated Alpha as an equity investee since then.

(2) Major transactions with related parties

a. Sales

	For the year ended December 31,			
	2008		2007	
	Amount	% of net sales	Amount	% of net sales
MSL	$412,553	0.61	$134,460	0.18
ALi	-	-	18,994	0.03
Alpha	5,002	0.00	10,993	0.01
Total	$417,555	0.61	$164,447	0.22

Sales prices to the above related parties were similar to those to third-party customers. For the years ended 31 December, 2008 and 2007, the trade credit terms for both the abovementioned related parties and third-party customers were 45 to 60 days. Third-party customers may prepay their accounts in advance.

b. IC testing, experimental services and manufacturing technology services

		For the year ended December 31,	
		2008	2007
King Yuan	IC testing and experimental services	$1,562,878	$1,918,307

c. Rental Income

	Rental Income		Other Receivables	
	For the year ended December 31,		As of December 31,	
	2008	2007	2008	2007
Airoha	$12,318	$568	$3,066	$186
JMicron	7,993	6,014	-	-
Others	1,499	-	-	-
Total	$21,810	$6,582	$3,066	$186

NT$876 thousand were received from JMicron, which were accounted for as deposits received due to a lease of office space.

d. Other receivables from MDK, MUK, MIR and MWS, due to the Company incurring set-up expenses and operating expenditures on behalf of the abovementioned related parties, were shown as follows:

	As of December 31,	
	2008	2007
MDK	$2,683	$-
MUK	2,152	290
MIR	1,025	969
MWS	836	61,100
Total	$6,696	$62,359

e. As of December 31, 2008, the lease guarantees provided by the Company for MUK and MWS were NT$22,269 thousand and NT$134,766 thousand, respectively.

(3) Receivables and payables resulted from the above transactions

a. Receivables from related parties

	As of December 31,			
	2008		2007	
	Amount	%	Amount	%
MSL	$20,325	0.80	$134,183	2.45
Alpha	-	-	4,374	0.08
Total	$20,325	0.80	$138,557	2.53

b. Payables to related parties

	As of December 31,			
	2008		2007	
	Amount	%	Amount	%
King Yuan	$363,932	9.56	$502,819	7.57
Others	-	-	4,576	0.07
Total	$363,932	9.56	$507,395	7.64

c. Remunerations paid to major managers

	For the year ended December 31,	
	2008	2007
Salaries, reward, compensation, special allowance and bonus	$73,400 (Note)	$578,665

Note: The appropriation of the 2008 earnings is not shown since the actual amount will not be finalized until the shareholders' meeting in 2009.

The Company's major managers include all directors, supervisors and key managers. The information about the compensation of directors and management personnel is available in the annual report for the shareholders' meeting.

6. Assets Pledged As Collateral

1. As of December 31, 2008

	Amount	Party to which assets was pledged	Purpose of pledge
Restricted deposits-Current	$1,800	Administrative Bureau of HSIP	Land lease guarantee

2. As of December 31, 2007

   None

7. Commitments and Contingencies

The Company has entered into certain lease agreements for land with the Administrative Bureau of HSIP for its need of operations. Related rent to be incurred in the future is as follows:

Lease Period	Amount
2009.01.01~2009.12.31	$25,171
2010.01.01~2010.12.31	25,171
2011.01.01~2011.12.31	25,171
2012.01.01~2012.12.31	25,171
2013.01.01~2013.12.31	25,171
2014.01.01~2027.12.31	258,388
Total	$384,243

8. Significant Casualty Loss

None

9. Significant Subsequent Events

None

10. Others

(1) Financial Instruments

a. Fair value of financial instruments

	As of December 31,			
	2008		2007	
	Carrying value	Fair value	Carrying value	Fair value
Non-derivative				
Assets				
Cash and cash equivalents	$35,750,448	$35,750,448	$40,365,582	$40,365,582
Held-for-trading financial assets-current (excluding derivatives)	$147,675	$147,675	$1,196,437	$1,196,437
Financial assets designated as at fair value through profit or loss	$864,928	$864,928	$1,191,959	$1,191,959
Receivables (including receivables from related parties)	$2,549,506	$2,549,506	$5,472,601	$5,472,601
Other receivables	$452,585	$452,585	$702,220	$702,220
Available-for-sale financial assets	$3,986,766	$3,986,766	$3,819,582	$3,819,582
Held-to-maturity financial assets	$1,530,290	$1,528,760	$851,574	$851,574
Bond portfolios with no active market	$1,000,000	$1,084,628	$1,000,000	$1,100,598
Investments accounted for using the equity method				
-with market value	$1,208,514	$1,299,897	$1,177,707	$3,866,929
-without market value	$29,264,995	$-	$23,693,399	$-
Refundable deposits	$14,733	$14,733	$17,420	$17,420
Restricted deposits-current	$1,800	$1,800	$-	$-
Liabilities				
Payables (including related parties)	$3,807,815	$3,807,815	$6,639,702	$6,639,702
Income taxes payable	$717,675	$717,675	$2,392,981	$2,392,981
Accrued expenses	$9,768,013	$9,768,013	$1,683,398	$1,683,398
Payables to contractors and equipment suppliers	$89,403	$89,403	$195,338	$195,338
Deposits received	$1,022	$1,022	$1,022	$1,022
Derivatives				
Assets				
Held-for-trading financial assets				
-Forward exchange contracts	$32,587	$32,587	$1,480	$1,480
Liabilities				
Held-for-trading financial liabilities				
-Forward exchange contracts	$2,956	$2,956	$33,076	$33,076

(a) The following methods and assumptions were used by the Company in estimating the fair value of financial instruments:

(i) The fair values of the Company's short-term financial instruments approximate their carrying values at the reporting date due to their short maturities. This method was applied to cash and cash equivalents, receivables, other receivables, payables, income taxes payables, accrued expenses and payables to contractors and equipment suppliers.

(ii) The fair values of the Company's refundable deposits, deposits received and restricted deposits approximate their carrying value because the Company predicts the future cash inflows or outflows will be of similar amounts to the carrying values.

(iii) The fair values of held-for-trading financial assets and available-for-sale financial assets were based on their quoted market prices, if available, at the reporting date. If market prices were impractical and not available, fair values are determined using valuation techniques.

(iv) The fair values of held-to-maturity financial assets were based on their quoted market prices, if available, at the reporting date. If market prices were impractical and not available, fair values are determined using valuation techniques. Such techniques use rates of returns from similar financial instruments as discount rates.

(v) The bond portfolios with no active market have no quoted price from active market but have fixed or determinable payments. Fair values are estimated using the discounted cash flow method.

(vi) The fair values of the Company's investments accounted for under the equity method were based on quoted market prices, if available, at the reporting date. If the quoted prices were impractical and not available, the Company did not provide the information of fair values.

(vii) The fair values of derivative financial instruments and financial assets designated as at fair value through profit or loss were based on their quoted market prices, if available, at the reporting date. If market prices were impractical and not available, fair values are determined using valuation techniques.

(b) Gain (Loss) recognized for the changes in fair values of financial assets estimated using valuation techniques were NT$30,601 thousand and NT$(30,581 thousand) for the years ended December 31, 2008 and 2007, respectively.

(c) As of December 31, 2008 and 2007, financial assets exposed to fair value risk from fixed interest rate were NT$38,295,963 thousand and NT$32,794,752 thousand, respectively, and financial assets exposed to cash flow risk from variable interest rate were NT$251,650 thousand and NT$7,530,000 thousand, respectively.

(d) Interest income recognized from financial assets and financial liabilities that are not at fair value through profit or loss amounted to NT$749,912 thousand and NT$900,771 thousand for the years ended December 31, 2008 and 2007, respectively. The Company recognized an unrealized loss of NT$368,943 thousand and NT$130,923 thousand in shareholder's equity for the changes in fair value of available-for-sale financial assets for the years ended December 31, 2008 and 2007, respectively, and the amounts that were recycled from equity to (loss) or profit were NT$(167,628 thousand) thousand and NT$43 for the years ended December 31, 2008 and 2007, respectively. The Company also recognized an unrealized gain of NT$862,633 thousand and NT$1,740,636 thousand in shareholders' equity for the changes in available-for-sale financial assets held by its investee companies accounted for under the equity method for the years ended December 31, 2008 and 2007, respectively. Please refer to Note 4.(8) to the financial statements for details.

(e) The impairment loss on financial assets amounted to NT$12,126 thousand and NT$3,000 thousand for the years ended December 31, 2008 and 2007, respectively.

b.

(a) Risk management policy and hedge strategy for financial instruments

The Company held certain non-derivative financial instruments, including cash and cash equivalents, available-for-sale financial assets, held-for-trading financial assets-mutual fund, government bonds, corporate bonds and financial debentures. The Company held the financial instruments to meet operating cash needs. The Company also held other financial instruments such as receivables, other receivables, payables, financial assets designated as at fair value through profit or loss, held-to maturity financial assets, financial assets measured at cost, bond portfolios with no active market and long-term investments accounted for using the equity method.

The Company entered into forward exchange contracts. Forward contracts were used to hedge assets and liabilities denominated in foreign currency. However, as these derivatives did not meet the criteria for hedge accounting, they were recognized as current financial assets/liabilities at fair value through profit or loss.

(b) Information of financial risks

The Company manages its exposure to key financial risks, including market risk, credit risk, liquidity risk and cash flow risk from variable interest rate in accordance with the Company's financial risk management policy. The management policy was summarized as follows:

Market risk

Market risk mainly includes currency risk. It comes from the purchases or sales activities which are not denominated in the Company's functional currency. The Company reviews its assets and liabilities denominated in foreign currency and enters into forward exchange contracts to hedge the exposure from exchange rate fluctuations. The level of hedging depends on the foreign currency requirements from each operating unit. As the purpose of holding forward exchange contracts is to hedge exchange rate fluctuation risk, the gain or loss made on the contracts from the fluctuation in exchange rates are expected to mostly offset gains on loss made on the hedged item. Had the USD moved against NTD by increasing 1 cent, the fair value of the forward exchange contracts would decrease by NT$1,150 thousand and NT$1,710 thousand as of December 31, 2008 and 2007, respectively. Credit-linked deposits are affected by interest rates. When interest rate increases, the market value may decrease and may even be below the initial investment cost, and vice versa. The fair value of exchange rate-linked deposits is affected by interest rate fluctuation. The fair value of mutual fund, government bonds and corporate bonds will be exposed to fluctuations from other market factors as well as movement in interest rates.

Credit risk

The Company's exposure to credit risk arises from potential default of the counter-party or other third-party. The level of exposure depends on several factors including concentrations of credit risk, components of credit risk, the price of contract and other receivables of financial instruments. The Company's credit risk mainly comes from the collectibility of accounts receivable while receivable balances are monitored on an ongoing basis and an allowance for doubtful receivables is provided. Thus, the net book value of accounts receivable are properly evaluated and reflect the credit risk the Company expose to. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk, which arises when counter-party or third-party to a financial instrument fails to discharge an obligation and the Company suffer a financial loss as a result.

Since the counter-party or third-party to the foregoing forward exchange contracts are all reputable financial institutions, management believes that the Company's exposure to default by those parties is minimal. Credit risk of credit-linked deposits and exchange rate-linked deposits arises if the issuing banks breached the contracts or the debt issuer could not pay off the debts; the maximum exposure is the carrying value of credit-linked deposits. Therefore, the Company minimized the credit risk by only transacting with counter-party who is reputable, transparent and in good financial standing.

Liquidity risk

The Company has sufficient operating capital to meet cash needs upon settlement of derivatives financial instruments. Therefore, the liquid risk is low.

Except for financial assets measured at cost, investments in bonds with no active market and long-term investments accounted for under the equity method that may have significant liquidity risks resulted from lack of an active market, the equity securities, bonds and funds held by the Company are traded in active markets and can be sold promptly at the prices close to their fair values. Since the Company intends to and is able to hold financial bonds and real estate investment trust to maturity, the liquid risk is low. Since the exchange rates of forward exchange contracts are fixed at the time the contracts are entered into and the Company does hold and anticipates to hold sufficient financial assets denominated in USD, no significant additional cash requirement is anticipated.

The liquidity risk for structured investments arises when the Company decides to have the instrument redeemed or called prior to its maturity, which must be at the market prices determined by the issuing bank; therefore the Company is exposed to potential liquidity risk. The Company minimized such risk by prudential evaluation when entering into such contract.

Cash flow risk from variable interest rate

The Company's main financial instruments exposed to cash flow risk are the investments in time deposits with variable interest rates. However, since the duration of the time deposit is short, the fluctuation in interest rates has no significant impact. As such the cash flow risk is minimal.

(2) Other information

Certain accounts in the financial statements of the Company as of December 31, 2007 have been reclassified to conform to the presentation of the current period.

11. Segment Information

(1) Major Customers

Sales to customers representing over 10% of the Company's net sales were as follows:

	For the year ended December 31,			
	2008		2007	
Customers	Amounts	%	Amounts	%
A	$25,904,963	38.09	$17,471,224	23.36
B	10,064,737	14.80	8,705,957	11.64
C	10,028,991	14.75	5,662,383	7.57
Total	$45,998,691	67.64	$31,839,564	42.57

(2) Export Sales

The Company's export sales totaled NT$63,296,383 thousand and NT$67,608,828 thousand for the years ended December 31, 2008 and 2007, respectively, representing 93.06% and 90.41% of the Company's net sales for corresponding years.

(3) Geographic data

The Company has no significant foreign operation.

(4) Industry data

The Company operates predominantly in one industry segment, which is the designing, manufacturing, and supply of integrated circuit chips and decoders.

9.7. Financial Statements and Independent Auditors' Report – MediaTek & Subsidiaries

English Translation of a Report and Financial Statements Originally Issued in Chinese

MEDIATEK INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

AS OF DECEMBER 31, 2008 AND 2007
AND FOR THE YEARS THEN ENDED

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2008 and for the year then ended prepared under the R.O.C.'s Statement of Financial Accounting Standards No.7 (referred to as "Consolidated Financial Statements") are the same as the entities to be included in the combined financial statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as "Combined Financial Statements"). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

Very truly yours,

MediaTek Inc.

Chairman: Ming-Kai Tsai

March 17, 2009

Independent Auditors' Report: MediaTek Inc. & Subsidiaries

(English translation of a report originally issued in Chinese)

To the Board of Directors and Shareholders
of MediaTek Inc.

We have audited the consolidated balance sheets of MediaTek Inc. and its subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MediaTek Inc. and its subsidiaries as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with requirements of the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

As discussed in Note 3 to the financial statements, effective from January 1, 2008, the Company adopted Accounting Research and Development Foundation Interpretation No. 96-052 and recognized share-based employees' bonuses and remunerations to directors and supervisors as expenses rather than as a distribution of retained earnings.

Ernst & Young
CERTIFIED PUBLIC ACCOUNTANTS
March 17, 2008
Taipei, Taiwan
Republic of China

Notice to Readers

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

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

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC.AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2008 and 2007

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	2008	2007
Current assets			
Cash and cash equivalents	2, 4(1)	$ 53,021,544	$ 50,588,024
Financial assets at fair value through profit or loss-current	2, 4(2)	993,748	3,144,085
Avaliable-for-sale financial assets-current	2, 4(3)	3,207,472	6,276,611
Held-to-maturity financial assets-current	2, 4(4)	371,530	501,574
Accounts receivable, net	2, 4(5)	5,428,620	7,077,379
Receivables from related parties, net	5	-	4,374
Other receivables	4(6)	739,307	731,389
Inventories, net	2, 4(7)	5,547,299	10,540,372
Prepayments and other current assets		1,653,568	702,189
Deferred income tax assets-current	2, 4(23)	257,254	594,462
Resticted deposits-current	6	5,535	1,563
Total current assets		71,225,877	80,162,022
Funds and investments	2, 4(8)		
Financial assets designated as at fair value through profit or loss-noncurrent		994,848	433,893
Available-for-sale financial assets-noncurrent		3,224,681	3,779,870
Held-to-maturity financial assets-nocurrent		1,762,612	641,987
Financial assets carried at cost-noncurrent		769,806	547,843
Bond portfolios with no active market-noncurrent		1,000,000	1,000,000
Investments accounted for using the equity method		1,208,569	1,243,367
Prepayments for long-term investments		9,111	-
Total funds and investments		8,969,627	7,646,960
Property, plant and equipment	2, 4(9), 6		
Land		-	12,041
Buildings and facilities		4,480,979	4,301,500
Machinery and equipment		266,945	688,934
Research and development equipment		2,843,007	1,769,967
Miscellaneous equipment		819,919	438,518
Total cost		8,410,850	7,210,960
Less : Accumulated depreciation		(2,181,410)	(1,628,117)
Add : Construction in progress		171,562	172,284
Prepayments for equipment		103,010	166,402
Property, plant and equipment, net		6,504,012	5,921,529
Intangible assets	2, 4(10)		
Software		692,988	708,953
Goodwill		6,945,969	758,698
Patents, IPs and others		4,390,113	2,884,206
Total intangible assets		12,029,070	4,351,857
Other assets			
Refundable deposits		103,897	368,577
Deferred assets	2	48,494	43,349
Deferred income tax assets-noncurrent	2, 4(23)	163,937	369,137
Resticted deposits-noncurrent	6	29,490	3,103
Total other assets		345,818	784,166
Total assets		$ 99,074,404	$ 98,866,534

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2008	2007
Current liabilities			
Short-term loans	4(11)	$ -	$ 25,000
Financial liabilities at fair value through profit or loss-current	2, 4(2)	2,956	44,704
Accounts payable		4,273,034	6,891,874
Payables to related parties	5	633,674	644,658
Income tax payable	2, 4(23)	839,461	2,591,244
Accrued expenses		10,630,907	1,996,335
Payables to contractors and equipment suppliers		89,403	198,852
Current portion of long-term liabilities	4(12)	-	2,223
Leased payable -current	4(13)	1,392	4,933
Other current liabilities		761,526	321,057
Total current liabilities		17,232,353	12,720,880
Long-term liabilities			
Long-term loans	2, 4(12), 6	-	7,712
Lease payables-noncurrent	4(13)	-	1,304
Total long-term liabilities		-	9,016
Other liabilities			
Accrued pension liabilities	2, 4(14)	82,166	66,368
Deposits received		1,022	1,022
Total other liabilities		83,188	67,390
Total liabilities		17,315,541	12,797,286
Shareholders' equity			
Capital			
Common stock	4(15)	10,731,523	10,408,538
Capital reserve			
Additional paid-in capital	4(17)	2,090,759	2,090,759
Treasury stock transaction	4(17)	474,512	328,475
Donated assets	4(17)	1,260	1,260
Long-term investment transaction	4(8), 4(17)	150,136	119,349
Employee stock option	2, 3, 4(18)	40,644	-
Total capital reserve		2,757,311	2,539,843
Retained earnings			
Legal reserve	4(16)	13,024,414	9,665,144
Undistributed earnings	4(19)	55,427,112	62,971,175
Other adjustments			
Cumulative translation adjustments	2	(17,915)	(400,047)
Unrealized gain (loss) on financial instruments	2,4(2), 4(8)	(255,574)	808,374
Treasury stock	2, 4(20)	(55,970)	(55,970)
Total shareholders' equity attributable to parent company		81,610,901	85,937,057
Minority interests		147,962	132,191
Total shareholders' equity		81,758,863	86,069,248
Total liabilities and shareholders' equity		$ 99,074,404	$ 98,866,534

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

Chairman : Ming-Kai Tsai President : Ching-Jiang Hsieh Chief Financial Officer : Mingto Yu

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC.AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2008 and 2007

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

Description	Notes	2008		2007	
Gross sales		$ 94,560,270		$ 82,139,126	
Less : Sales returns and discounts		(4,158,229)		(1,467,357)	
Net sales	2, 4(21), 5	90,402,041		80,671,769	
Cost of goods sold	4(22), 5	(41,819,016)		(35,340,888)	
Gross profits		48,583,025		45,330,881	
Operating expenses	2, 4(22), 5				
Selling expenses		(2,059,025)		(1,647,098)	
Administative expenses		(2,941,169)		(2,640,562)	
Research and development expenses		(21,274,903)		(9,154,041)	
Total operating expenses		(26,275,097)		(13,441,701)	
Operating income		22,307,928		31,889,180	
Non-operating income and gains					
Interest income		1,299,883		1,555,191	
Gain on disposal of property, plant and equipment		-		219	
Gain on equity investments, net	2, 4(8)	184,393		168,721	
Gain on disposal of investments	2, 4(8)	-		1,757,267	
Foreign exchange gain, net	2	458,172		-	
Reversal of bad debts	2, 4(5)	152,470		-	
Others	5	295,748		272,414	
Total non-operating income and gains		2,390,666		3,753,812	
Non-operating expenses and losses					
Interest expense		(10,045)		(65,426)	
Loss on disposal of property, plant and equipment	2	(3,093)		(2,858)	
Loss on disposal of investments		(39,638)		-	
Foreign exchange loss, net		-		(18,242)	
Inventory loss provision	2, 4(7)	(1,311,878)		(95,290)	
Impairment loss	2, 4(3), 4(8), 4(10)	(1,423,139)		(375,312)	
Valuation loss on financial assets		(645,864)		(5,026)	
Valuation loss on financial liabilities	2, 4(2)	(2,956)		(44,704)	
Others		(163,851)		(183,849)	
Total non-operating expenses and losses		(3,600,464)		(790,707)	
Income from continuing operations before income tax		21,098,130		34,852,285	
Income tax expense	2, 4(23)	(1,923,890)		(1,462,151)	
Consolidated net income		$ 19,174,240		$ 33,390,134	
Income Attibutable to :					
Shareholders of the parent		$ 19,189,997		$ 33,592,702	
Minority interests		(15,757)		(202,568)	
Consolidated net income		$ 19,174,240		$ 33,390,134	
Basic Earnings Per Share (in New Taiwan Dollars)	2, 4(24)	Before tax	After tax	Before tax	After tax
Consolidated net income		$ 19.81	$ 18.00	$ 32.79	$ 31.41
Net loss attibutable to minority interests		0.01	0.01	0.19	0.19
Net income attibutable to the parent		$ 19.82	$ 18.01	$ 32.98	$ 31.60
Diluted Earnings Per Share (in New Taiwan Dollars)	2, 4(24)				
Consolidated net income		$ 19.28	$ 17.52		
Net loss attibutable to minority interests		0.01	0.01		
Net income attibutable to the parent		$ 19.29	$ 17.53		

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

Chairman : Ming-Kai Tsai President : Ching-Jiang Hsieh Chief Financial Officer : Mingto Yu

MEDIATEK INC.AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2008 and 2007

(Amounts in thousands of New Taiwan Dollars)

Description	Common stock	Capital reserve	Retained Earnings			Cumulative translation adjustments	Unrealized gain (loss) on financial instruments	Treasury stock	Total shareholder's equity attibutable to parent company	Minority interests	Total shareholder's equity
			Legal reserve	Special reserve	Undistributed earnings						
Balance as of January 1, 2007	$ 9,683,127	$ 404,409	$ 7,407,185	$ 714,649	$ 47,175,664	$ (483,510)	$ 2,679,976	$ (55,970)	$ 67,525,530	$ -	$ 67,525,530
Appropriation and distribution of 2006 earnings:											
Legal reserve	-	-	2,257,959	-	(2,257,959)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(714,649)	714,649	-	-	-	-	-	-
Directors' and supervisors' remuneration	-	-	-	-	(63,109)	-	-	-	(63,109)	-	(63,109)
Employees' bonuses	206,837	-	-	-	(1,181,926)	-	-	-	(975,089)	-	(975,089)
Shareholders' dividends	484,156	-	-	-	(15,008,846)	-	-	-	(14,524,690)	-	(14,524,690)
Share swap in investee by new issuance	34,418	2,021,070	-	-	-	-	-	-	2,055,488	-	2,055,488
Net income attibutable to parent company for the year ended December 31, 2007	-	-	-	-	33,592,702	-	-	-	33,592,702	-	33,592,702
Unrealized gain (loss) on financial instruments	-	-	-	-	-	-	(1,871,602)	-	(1,871,602)	-	(1,871,602)
The effects of subsidiaries' shareholding of the Company's stock recorded as treasury stock	-	109,802	-	-	-	-	-	-	109,802	-	109,802
Adjustment arising from changes in the percentage of ownership in investees	-	4,562	-	-	-	-	-	-	4,562	-	4,562
Cumulative translation adjustments	-	-	-	-	-	83,463	-	-	83,463	-	83,463
Increase in minority interest	-	-	-	-	-	-	-	-	-	132,191	132,191
Balance as of December 31, 2007	10,408,538	2,539,843	9,665,144	-	62,971,175	(400,047)	808,374	(55,970)	85,937,057	132,191	86,069,248
Appropriation and distribution of 2007 earnings:											
Legal reserve	-	-	3,359,270	-	(3,359,270)	-	-	-	-	-	-
Directors' and supervisors' remuneration	-	-	-	-	(75,584)	-	-	-	(75,584)	-	(75,584)
Employees' bonuses	218,900	-	-	-	(3,418,900)	-	-	-	(3,200,000)	-	(3,200,000)
Shareholders' dividends	104,085	-	-	-	(19,880,306)	-	-	-	(19,776,221)	-	(19,776,221)
Net income attibutable to parent company for the year ended December 31, 2008	-	-	-	-	19,189,997	-	-	-	19,189,997	-	19,189,997
Unrealized gain (loss) on financial instruments	-	-	-	-	-	-	(1,063,948)	-	(1,063,948)	-	(1,063,948)
Employee stock option distributed to subsidiaries' employees	-	40,644	-	-	-	-	-	-	40,644	-	40,644
The effects of subsidiaries' shareholding of the Company's stock recorded as treasury stock	-	146,037	-	-	-	-	-	-	146,037	-	146,037
Adjustment arising from changes in the percentage of ownership in investees	-	30,787	-	-	-	-	-	-	30,787	-	30,787
Cumulative translation adjustments	-	-	-	-	-	382,132	-	-	382,132	-	382,132
Increase in minority interests	-	-	-	-	-	-	-	-	-	15,771	15,771
Balance as of December 31, 2008	$ 10,731,523	$ 2,757,311	$ 13,024,414	$ -	$ 55,427,112	$ (17,915)	$ (255,574)	$ (55,970)	$ 81,610,901	$ 147,962	$ 81,758,863

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

Chairman :Ming-Kai Tsai President : Ching-Jiang Hsieh Chief Financial Officer : Mingto Yu

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC.AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2008 and 2007

(Amounts in thousands of New Taiwan Dollars)

Description	Note	2008	2007
Cash flows from operating activities :			
Consolidated net income		$ 19,174,240	$ 33,390,134
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		3,294,710	2,106,157
Amortization of financial assets discount or premium		(19,043)	(10,402)
Bad debt (reversal) provision		(152,470)	129,646
Inventory loss provision		1,311,878	95,290
Cash dividends from equity investees		74,604	58,830
Net gain on equity investments		(184,393)	(168,721)
Loss (gain) on disposal of investment (including interest income)		39,638	(1,765,821)
Impairment loss		1,423,139	375,312
Adjustment of valuation of financial assets and liabilities		132,230	(28,634)
Net loss on disposal of property, plant and equipment		3,093	2,639
Deferred income tax		542,067	480,057
Employee stock option distributed		40,644	-
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		731,228	(520,375)
Accounts receivable		1,790,276	(3,350,231)
Receivables from related parties		4,374	(4,167)
Other receivables		90,901	(385,107)
Inventories		3,656,655	(7,141,599)
Prepayments and other current assets		(972,054)	(491,837)
Accounts payable		(2,583,108)	2,803,131
Payables to related parties		(10,984)	448,186
Income taxes payable		(1,751,783)	249,673
Accrued expenses		8,640,573	(41,585)
Other current liabilities		306,447	5,083
Accrued pension liabilities		15,798	5,391
Net cash provided by operating activities		35,598,660	26,241,050
Cash flows from investing activities :			
Increase in restricted deposits		(30,359)	(4,666)
Increase in available-for-sale financial assets		(2,471,734)	(5,576,788)
Increase in available-for-sale financial asset refundable		-	14
Proceeds from disposal of available-for-sale financial assets		5,437,065	626,016
Increase in held-to-maturity financial assets		(1,612,351)	(984,648)
Proceeds from redemption of held-to-maturity financial assets		500,000	-
Proceeds from disposal of financial assets carried at cost		2,207	39,880
Disinvestment of financial assets carried at cost refundable		6,509	22,155
Increase in financial assets carried at cost		(223,553)	(105,265)
Net Changes in investments accounted for using the equity method		-	1,844,705
Proceeds from disposal of investments accounted for using the equity method		-	1,452,250
Increase in prepaid long-term investments		(72,861)	-
Purchase of property, plant and equipment		(1,704,547)	(1,696,126)
Proceeds from disposal of property, plant and equipment		38,751	5,987
Purchase of intangible assets from other enterprise	4.(10)	(10,060,691)	-
Increase in intangible assets and deferred assets		(547,557)	(3,520,633)
Decrease (increase) in refundable deposits		256,372	(343,226)
Net cash used in investing activities		(10,482,749)	(8,240,345)
Cash flows from financing activities :			
(Decrease) increase in short-term debts		(25,000)	25,000
(Decrease) increase in lease payable		(4,845)	6,237
Contingent consideration based on securituies price		-	740,746
Increase in deposits received		-	1,022
(Decrease) increase in long-term debts		(9,935)	9,935
Cash dividends		(19,776,221)	(14,524,690)
Directors' and supervisors' remuneration		(75,584)	(63,109)
Employees' bonuses		(3,200,000)	(975,089)
Cash dividends distributed to subsidiaries holding the Company's stock		146,037	109,802
Increase in minority interests		62,315	331,162
Net cash used in financing activities		(22,883,233)	(14,338,984)
Effect of exchange rate		200,842	88,063
Net increase in cash and cash equivalents		2,433,520	3,749,784
Cash and cash equivalents at the beginning of the year		50,588,024	46,838,240
Cash and cash equivalents at the end of the year		$ 53,021,544	$ 50,588,024
Supplemental disclosures of cash flow information :			
Interest paid during the year		$ 9,493	$ 64,050
Income tax paid during the year		$ 3,133,606	$ 732,421
Activities partially effected cash flows :			
Purchase of property, plant and equipment		$ 1,595,098	$ 1,732,419
Add: decrease (increase) in payables to contractors and equipment suppliers		109,449	(36,293)
Cash paid for the purchase of property, plant and equipment		$ 1,704,547	$ 1,696,126
Non-cash activities :			
Stock dividends and employees' bonuses capitalized		$ 322,985	$ 690,993
Change in unrealized gain (loss) on financial instruments		$ (1,063,948)	$ (1,871,602)

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

Chairman : Ming-Kai Tsai　　President : Ching-Jiang Hsieh　　Chief Financial Officer : Mingto Yu

MEDIATEK INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

1. Organization and Operation

As officially approved, MediaTek Inc. (the "Company") was incorporated at Hsinchu Science-based Industrial Park on May 28, 1997. Since then, it has been specialized in the R&D, production, manufacture and marketing of multimedia integrated circuits (ICs), computer peripherals oriented ICs, high-end consumer-oriented ICs and other ICs of extraordinary application. Meanwhile, it has rendered design, test runs, maintenance and repair and technological consultation services for software & hardware of the aforementioned products, import and export trades for the aforementioned products, sale and delegation of patents and circuit layout rights for the aforementioned products.

As of December 31, 2008 and 2007, total numbers of employees in company and subsidiaries' were 4,081 and 3,031, respectively.

2. Summary of Significant Accounting Policies

The accompanying consolidated financial statements are prepared in accordance with the requirements of the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the R.O.C. Significant accounting policies are summarized as follows.

General Descriptions of the Consolidated Entities

The accompanying consolidated financial statements include the accounts of the Company, all directly or indirectly majority-owned subsidiaries by the Company and those investees in which the Company's ownership percentage is less than 50% but the Company has a controlling power. The consolidated subsidiaries are listed as follows:

Company	Main Business	Percentage of Ownership As of December 31, 2008	2007	Note
MediaTek Investment Corp.	General investing	100.00%	100.00%	-
Hsu-Chung Investment Corp.	General investing	100.00%	-	1
Hsu-Xin Investment Corp.	General investing	100.00%	-	1
Hsu-Ta Investment Limited	General investing	100.00%	100.00%	-
Hsu-Chia Investment Limited	General investing	100.00%	100.00%	-
Hsu-Kang Investment Limited	General investing	100.00%	100.00%	-
Wiseali Technology Inc.	IC design and sales	100.00%	100.00%	2
Core Tech Resources Inc.	General investing	100.00%	100.00%	-
MediaTek Capital Corp.	General investing	100.00%	100.00%	-
AdvMatch Technology, Inc.	IC design	80.29%	73.23%	3
Aimgene Technology, Co. Ltd.	Mode manufacturing	100.00%	100.00%	4
Airoha Technology, Inc.	IC design and sales	41.78%	41.90%	5

(To be continued)

(Continued)

Company	Main Business	Percentage of Ownership As of December 31, 2008	2007	Note
Airoha Technology (Samoa) Corporation	General investing	100.00%	-	6
Gaintech Co. Limited	General investing	100.00%	100.00%	-
MediaTek Inc. (HK)	General investing	100.00%	100.00%	7
MediaTek Inc. China	Technology services	100.00%	100.00%	8
MediaTek (Beijing) Inc.	Technology services	100.00%	100.00%	8
MediaTek (ShenZhen) Inc.	Technology services	100.00%	100.00%	8
MediaTek Singapore Pte. Ltd.	Technology services and sales	100.00%	100.00%	-
MTK Wireless Limited (UK)	Technology services	100.00%	100.00%	9
MediaTek Wireless Limited (Ireland)	Technology services	100.00%	100.00%	9
MediaTek Denmark ApS	Technology services	100.00%	100.00%	9
CrystalMedia Technology, Inc.	Technology services	-	100.00%	10
MediaTek USA Inc.	Technology services	100.00%	100.00%	11
Zena Technologies International Inc. (BVI)	General investing	80.00%	-	12
Zena Technologies, Inc. (USA)	Technology services	100.00%	100.00%	12
MediaTek Japan Inc.	Technology services	100.00%	100.00%	11
MediaTek Limited	Trading and general investing	100.00%	100.00%	-
K-Will Corporation (Japan)	Equipment manufacturing	-	87.00%	13
K-WILL Corporation (USA)	Equipment manufacturing and sales	-	100.00%	13
MediaTek North America, Inc.	General investing	100.00%	100.00%	14
MediaTek Wireless, Inc.(USA)	Technology services	100.00%	100.00%	15
MediaTek India Technology Pvt. Ltd.	Technology services	99.99%	99.99%	-
MediaTek Korea Inc.	Technology services	100.00%	100.00%	16

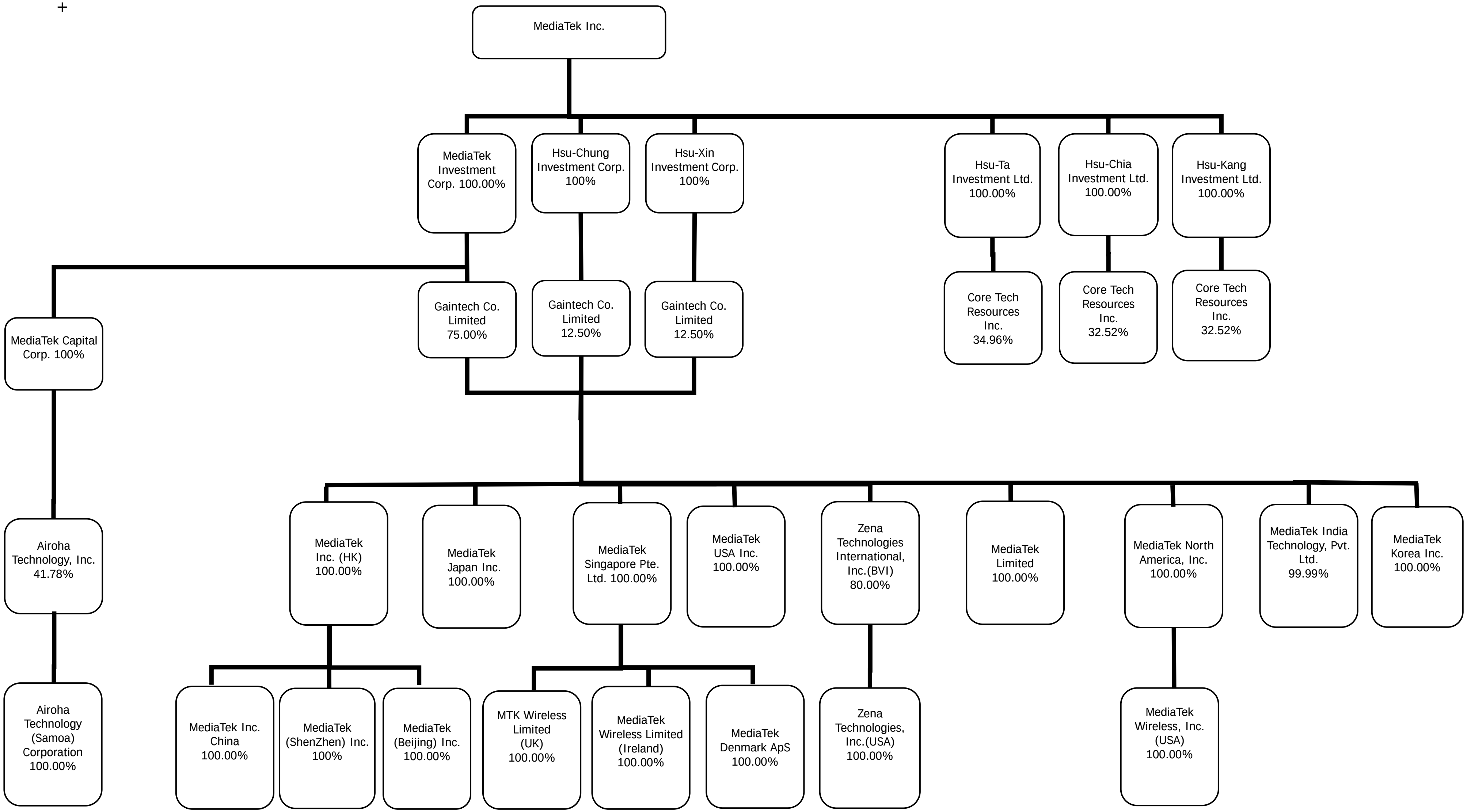
1. The Company established Hsu-Chung Investment Corp. and Hsu-Xin Investment Corp. in April 2008.
2. Wiseali Technology Inc. was in liquidation since August 2008 and was not included in the Company's 2008 consolidated financial statements.
3. AdvMatch Technology, Inc. was in liquidation since December 2008 and was not included in the Company's 2008 consolidated financial statements.
4. Aimgene Technology, Co. Ltd. was in liquidation since November 2008 and was not included in the Company's 2008 consolidated financial statements.
5. MediaTek Capital Corp.'s direct and indirect shareholding in Airoha Technology, Inc.'s was under 50%. However, the Company continued to include Airoha in its consolidated financial statements since the Board of Airoha has been controlled by MediaTek Capital Corp.
6. Airoha Technology (Soman) Corporation was established by Airoha Technology, Inc. in February 2008.
7. MediaTek Inc. (HK) was established by Gaintech Co. Limited in December 2007.
8. In 2008, MediaTek Limited transferred all of its shares of MediaTek (ShenZhen) Inc., MediaTek Inc. China, and MediaTek (Beijing) Inc. to MediaTek Inc. (HK) for purpose of capital re-structuring.
9. MTK Wireless Limited (UK), MediaTek Wireless Limited (Ireland) and MediaTek Denmark ApS were legally established by MediaTek Singapore Pte. Ltd. in December 2007.
10. MediaTek USA Inc. merged with CrystalMedia Technology Inc. in January 2008.
11. The Company and Gaintech Co. Limited successfully conducted a share swap by issuing new shares in exchange of 69% and acquired 31% by using cash, respectively, of NuCORE Technology Inc.("NuCORE") in September 2007. Afterwards, NuCORE was renamed MediaTek USA Inc. For a purpose of capital restructuring, the Company and

Gaintech further transferred their ownership on MediaTek USA Inc. to CrystalMedia Technology Inc., a subsidiary of Gaintech Co. Limited, in October 2007. NuCORE Technology Co., Ltd., a Japan-based subsidiary of MediaTek USA Inc., was renamed MediaTek Japan Inc. thereafter. In January 2008, MediaTek USA Inc. merged with CrystalMedia Technology Inc.

12. In August 2008, Zena Technologies Inc. (USA) was established by Zena Technologies International Inc. (BVI), which was invested by Gaintech Co. Limited.
13. K-Will Corporation (Japan) was acquired by Gaintech Co. Limited in September 2007. As a result, the ownership of K-WILL Corporation (USA), a subsidiary of K-Will Corporation (Japan), became a consolidated subsidiary of the Company since then. Afterwards, Gaintech Co. Limited sold K-Will Corporation (Japan) in December 2008, K-WILL Corporation (USA), the subsidiary of K-Will Corporation (Japan) was not included in the Company's 2008 consolidated financial statements.
14. MediaTek North America, Inc. was established by Gaintech Co. Limited in December 2007.
15. MediaTek Wireless, Inc.(USA) was established by MediaTek North America, Inc. in December 2007.
16. MTK Korea Inc. has been renamed MediaTek Korea Inc. since November 2008.

The following diagram presented information regarding the relationship and ownership percentages among the Company and subsidiaries as of December 31, 2008.

+



Principles of Consolidation

A. The consolidated financial statements were prepared in accordance with SFAS No. 7. The transactions between the consolidated entities were appropriately eliminated in the consolidated financial statements.

B. Investees in which the Company and subsidiaries hold more than 50% of voting rights, including those that are exercisable or convertible, are accounted for under the equity method and shall be consolidated, since the Company and subsidiaries are considered to possess control. An entity shall also be consolidated if any of the following circumstances exists:

   a. The total amount of voting rights held by the investee exceeds 50% due to agreement with other investors;
   b. As permitted by law, or by contract agreements, the Company controls an entity's finances, operations and personnel affairs;
   c. The Company has authority to appoint or discharge more than half members of board of directors (or equivalents), by whom the investee is controlled;
   d. The Company leads and controls more than half of the members of the board of directors(or equivalents), by whom the investee is controlled;
   e. Other indications of control possession.

C. A non-current asset (i.e. the subsidiary classified as a disposal group) to be sold shall be classified as held for sale in the period in which all of the following criteria are met and measured at the lower of its carrying amount or fair value less cost to sell:
   a. Management, having the authority to approve the action, commits to a plan to sell the asset (disposal group).
   b. The asset (disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (disposal groups).
   c. An active program to locate a buyer and other actions required to complete the plan to sell the asset (disposal group) have been initiated.
   d. The sale of the asset (disposal group) is probable, and transfer of the asset (disposal group) is expected to qualify for recognition as a completed sale, within one year, except that when certain criterion would be met.
   e. The asset (disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value.
   f. Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

D. If the acquisition cost is greater or less than the proportionate book value of the investee, it is accounted for in accordance with the R.O.C. SFAS No. 25 "Business Combinations - Accounting Treatment under Purchased Method". Effective from January 1, 2006, pursuant to the newly revised SFAS No. 25, investment premiums, representing goodwill, are no longer amortized, and is assessed for impairment at least on an annual basis; while investment discounts continue to be amortized over the remaining period. In some cases, the fair value will exceed the investment cost. That excess generated after December 31, 2005 shall be allocated as a pro rata reduction of the amounts that otherwise would have been assigned to all of the acquired noncurrent assets. If any excess remains after reducing to zero the amounts that otherwise would have been assigned to those assets, that remaining excess shall be recognized as an extraordinary gain.

Foreign Currency Transactions and Translation of Financial Statements in Foreign Currency

A. The Company maintains its accounting records in New Taiwan dollars ("NT Dollars" or "NT$"), the national currency of the R.O.C. Transactions denominated in foreign currencies are recorded in NT Dollars using the exchange rates in effect at the dates of the transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences arising from the settlements of the monetary assets and liabilities, and on the retranslation of monetary assets and liabilities are included in earnings for the period. Exchange differences arising from the retranslation of non-monetary assets and liabilities carried at fair value are included in earnings for the period except for differences arising from the retranslation of non-monetary assets and liabilities of which gains and losses are recognized directly in equity. For such non-monetary assets and liabilities, any exchange component of that gain or loss is also recognized directly in equity. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction. Foreign exchange gains and losses are included in the statements of operations.

B. The assets and liabilities of the foreign subsidiaries are translated into NT Dollars, with the local currency of each foreign subsidiary as its functional currency, at current exchange rates in effect at the balance sheet date. Shareholders' equity accounts should be translated at the historical rate except for the beginning balance of the retained earnings, which is carried by the translated amount of the last period. Dividends are translated at the spot rate of the declared date. Revenue and expense accounts are translated using a weighted average exchange rate for the relevant period. Translation gains and losses are included as a component of shareholders' equity. The accumulated exchange gains or losses resulting from the translation are recorded as cumulative translation adjustments under shareholders' equity.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk of changes in value from fluctuations in interest rates. Commercial papers, negotiable certificates of deposit, and bank acceptances with original maturities of three months or less are considered cash equivalents.

Financial Assets and Financial Liabilities

A. Financial asset or liability is recognized on the balance sheet when the Company becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets are recognized using either trade date accounting on equity instrument or settlement date accounting on debt security, beneficiary certificate and derivative instrument. Financial assets and financial liabilities are derecognized when the Company loses control of the contractual rights that comprise the financial asset or a portion of the financial asset. The Company loses such control if it realizes the rights to benefits specified in the contract, the rights expire, or the Company surrenders those rights.

   If a financial assets is transferred but the transfer does not satisfy the conditions for loss of control, the transferor accounts for the transaction as a secured borrowing.

   The Company should derecognize an entire or a part of financial liability when the obligation specified in the contract is discharged, cancelled, or it expires.

B. Upon initial recognition of financial assets or financial liabilities, they are measured at fair value, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

C. Financial assets or financial liabilities are classified as follows:

a. Financial assets or financial liabilities at fair value through profit or loss

Financial assets or financial liabilities at fair value through profit or loss include financial assets or liabilities held for trading and financial assets and liabilities designated upon initial recognition as at fair value through profit or loss. Such assets or liabilities are subsequently measured at fair value and changes in fair value are recognized in profit or loss.

Apart from derivatives and financial instruments designated as at fair value through profit or loss, financial instruments may be reclassified out of the fair value through profit or loss category if the financial instruments are no longer held for the purpose of selling them in the near term, and either of the following requirements is met:

(a) Financial asset that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss category if the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

(b) Financial instruments that would not have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss category only in rare circumstances.

The financial instrument shall be reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in profit or loss shall not be reversed. The fair value of the financial instrument on the date of reclassification becomes its new cost or amortized cost, as applicable. Financial instrument shall not be reclassified into fair value through profit or loss category after initial recognition.

b. Bond portfolios with no active market

These are bond portfolios with fixed or determinable payments which are not quoted in an active market; or preference shares which are not quoted in an active market that issuer has an obligation to redeem the preference shares in a specific price on a specific date, which shall be measured at amortized cost. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

c. Financial assets carried at cost

These are not measured at fair value because the fair value cannot be reliably measured, they are either holdings in unquoted equity instrument or emerging stocks that have no material influence or derivative assets that are linked to and must be settled by delivery of the abovementioned unquoted equity instruments. If there is objective evidence that an impairment loss has incurred on an unquoted equity instrument, an impairment loss is recognized. Such impairment loss shall not be reversed.

d. Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity financial assets if the Company has both the positive intention and ability to hold the financial assets to maturity. Investments intended to be held to maturity are measured at amortized cost. The Company recognizes an impairment loss if objective evidence of such impairment loss exists. However, if in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment is reversed to the extent of the decrease. The reversal may not result in a carrying amount that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

e. Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as in any of the preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses being recognized directly in equity. When the investment is derecognized, the cumulative gain or loss previously recorded in equity is recognized in profit or loss.

If there is objective evidence which indicates that the investment is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to shareholders' equity; for debt securities, the amount of the decrease is recognized in profit or loss, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

An available-for-sale financial asset that would have met the definition of loans and receivables may be reclassified as the bond portfolios with no active market if the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity. The financial instrument shall be reclassified at its fair value on the date of reclassification. Any gain or loss already recognized as adjustment to stockholder's equity shall be amortized and charge to current income. The fair value of the financial instrument on the date of reclassification becomes its new cost or amortized cost, as applicable.

The fair value for publicly traded securities or close-ended funds is based on closing prices at the balance sheet date, while those of open-ended funds are determined based on net assets value of the balance sheet date. If a published price quotation in an active market does not exist for a financial instrument in its entirety, but active market exists for its component parts, fair value is determined on the basis of the relevant market price for the component part.

Allowance for Doubtful Accounts

The allowance for doubtful accounts are provided based on the collectibility and aging analysis of notes receivable, accounts receivable, receivables from related parties and by examining current trends in the credit quality of its customers as well as its internal credit policies.

Inventories

Inventories are carried at lower of cost or market value. Cost is determined based on the weighted average method. Replacement cost is used to determine the market value of raw materials. Net realizable value is used to determine the market value of work in process and finished goods. The lower of cost or market value is applied on a gross basis to the entire inventory. Inventories that are not sold or moved for further production within 60 days are deemed to be slow-moving items and certain allowance is set aside to reflect the potential loss from stock obsolescence.

Investment Accounted for Using the Equity Method

A. Long-term investments in which the Company holds an interest of 20% or more or has the ability to exercise significant influence are accounted for under the equity method of accounting. The difference between the cost of the investment and the net equity value of the investee (‘investment premium”) at the date of acquisition is amortized over 5 years. Effective from January 1, 2006, pursuant to the newly revised R.O.C. SFAS No. 25 “Business Combinations - Accounting Treatment under Purchased Method”, investment premiums, representing goodwill, are no longer amortized but are assessed for impairment at least on an annual basis. In some cases, the fair value of the net identifiable assets of the investee will exceed the investment cost, that excess represents investment discount. Investment discounts generated before January 1, 2006, continue to be amortized over the remaining period. Investment discounts generated after December 31, 2005 shall be allocated as a pro rata reduction of the amounts that otherwise would have been assigned to all of the acquired noncurrent assets. If any excess remains after reducing to zero the amounts that otherwise would have been assigned to those assets, that remaining excess shall be recognized as an extraordinary gain in profit or loss.

B. Adjustment to capital reserve and long-term investment is required when the holding percentage changes due to unproportional subscription to investee’s new shares issued. If the capital reserve is insufficient, retained earnings are adjusted. An investor shall discontinue the use of the equity method from the date that it ceases to have significant influence over an investee and shall account for the investment in accordance with the R.O.C. SFAS No. 34 “Accounting for Financial Instruments” from that date. The carrying amount of the investment at the date that he Company ceases to have significant influence over the investee shall be regarded as its cost on initial measurement as a financial asset.

C. Unrealized gains and losses arising from intercompany transactions are deferred and recognized when realized.

D. For equity investees in which the Company does not possess control, the Company recognizes its investee’s losses only to the extent of the Company’s long-term investment on that investee. However, if the Company intends to provide further financial support for the investee company, or the investee company’s losses are temporary and there exists sufficient evidence showing imminent return to profitable operations, then the Company shall continue to recognize investment losses in proportion to the stock ownership percentage. Such credit balance for the long-term investment shall first be offset by the advance (if any) the Company made to the investee company, the remaining shall be recorded under other liabilities. For equity investees in which the Company possesses control, the Company recognizes its investee's total losses unless other investors are obligated to and have the ability to assume a portion of the loss. Once the investee company begins to generate profit, such profit is allocated to the Company until all the losses previously absorbed by the Company have been recovered.

E. The accompanying consolidated financial statements include the accounts of all directly and indirectly majority owned subsidiaries of the Company, and the accounts of investees in which the Company's ownership percentage is less than 50% but the Company has a controlling interest.

Property, Plant and Equipment

A. Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment. Depreciation is computed on a straight-line basis over the following useful lives:

Buildings and facilities	3 to 50	Years
Machinery and equipment	3 to 6	Years
Research and development equipment	2 to 5	Years
Miscellaneous equipment	2 to 10	Years

B. Improvements and replacements are capitalized and depreciated over their estimated useful lives while ordinary repairs and maintenance are expensed as incurred.

C. When property, plant and equipment are disposed of, their original cost, accumulated depreciation and accumulated impairment are written off and related gains or losses are included as non-operating income or expenses.

Intangible Assets

A. Software (design software), patents, IPs and other separately identifiable intangibles with finite lives are stated at cost and amortized on a straight-line basis over the following useful lives:

Software (design software)	2 to 6	Years
Patents, IPs and Others	3 to 5	Years

The Company will reassess the useful lives and the amortization method of its recognized intangible assets at the end of each reporting period. If there is any change to be made, it will be treated as changes of accounting estimations.

B. Expenditures related to research activities as well as those expenditures not meeting the criteria for capitalization are expensed when incurred. Expenditures related to development activities meeting the criteria for capitalization are capitalized.

C. Rental asset is carried at the lower of market value or the discounted present value of guaranteed residual value and full expected rental payment (minus the cost shared by lesser). The expected useful life is used for amortization on a straight-line basis when the Company has granted an option bargain price at the end of lease term while the lease duration is used otherwise.

Deferred Assets

Deferred assets, including subsidy for electric wire, are amortized on a straight-line basis over 2 to 5 years.

Asset Impairment

In accordance with the R.O.C. SFAS No. 35 "Accounting for Assets Impairment", the Company is required to perform (1) impairment testing on goodwill annually; (2) impairment testing for intangible assets which have indefinite lives or are not available for use annually; and (3) evaluating whether indicators of impairment exist for assets subject to guidelines set forth under the Statement. The Statement requires that such assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Impairment losses shall be recognized when the carrying amount exceeds the recoverable amount. Recognized losses on goodwill impairment shall not be reversed subsequently. For non-goodwill assets impaired in prior periods, the Company assesses at the balance sheet date if any indication that the impairment loss no longer exists or may have diminished. If there is any such indication, the Company recalculates the recoverable amount of the asset, and if the recoverable amount has increased as a result of the increase in the estimated service potential of the assets, the Company reverses the impairment loss so that the resulting carrying amount of the asset does not exceed the amount (net of amortization or depreciation) that would otherwise result had no impairment loss been recognized for the assets in prior years. However, the reversal of impairment loss for goodwill should not be recognized.

Capital Expenditures vs. Operating Expenditures

If the expenditure increases the future service potential of assets and the lump sum purchase price per transaction exceeds certain criteria, the expenditure is capitalized, while the others are expensed as incurred.

Revenue Recognition

The Company recognizes revenue when the goods have been delivered, the significant risks and rewards of ownership of the goods have been transferred to the buyer, the price is fixed or determinable, and collectibility is reasonably assured. Provisions for estimated sales returns and other allowances are recorded in the period the related revenue is recognized, based on any known factors that would significantly affect the level of provisions.

Employee Retirement Benefits

A. In accordance with the Labor Standards Law (the "Law") of the R.O.C., the Company makes monthly contribution equal to 2% of the wages and salaries paid during the period to a pension fund maintained with the Central Trust of China. The fund is administered by the Employees' Retirement Fund Committee and is deposited in the committee's name. The pension fund is not included in the financial statements of the Company.

B. The Labor Pension Act (the "Act"), which provides for a new defined contribution plan, took effect on July 1, 2005. Employees already covered by the Law can choose to remain with the pension mechanism under the Law or to change for the Act. Under the Act, the rate of an employer monthly contribution to the pension fund should be at least 6% of the employee's monthly wages.

C. For employees under a defined benefit pension plan the Company and subsidiaries account for the pension liabilities under the R.O.C. SFAS No. 18 "Accounting for Pensions". The minimum pension liability was recorded for the excess of accumulated pension obligations over the fair value of plan assets. Net transition obligations from the plan assets are amortized using the straight-line method over the employees' expected average remaining service period of 15~23 years. For employees under defined contribution pension plans, pension costs are recorded based on the actual contributions made to employees' individual pension accounts.

D. The Company's foreign subsidiaries under a defined contribution pension plan make monthly contributions to pension funds in accordance with the local related regulations and laws. The monthly contribution is recorded as an expense at the respective months when incurred.

Income Tax

A. In accordance with the R.O.C. SFAS No. 22 "Accounting for Income Taxes", income tax is accounted for under the inter-period and intra-period income tax allocation method. Deferred income tax liabilities are recognized for taxable temporary differences; while deferred income tax assets are recognized for deductible temporary differences, tax losses and investment tax credits. Valuation allowance on deferred tax assets is provided to the extent that it is more than 50% probable that it will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

B. Income tax credit is accounted for in accordance with the R.O.C. SFAS No. 12 "Accounting for Income Tax Credit". Income tax credits resulting from the acquisition of equipment, research and development expenditures and employee training shall be recognized using the flow-through method.

C. The Company and its domestic subsidiaries' income taxes (10%) on undistributed earnings are recorded as expenses in the year when the stockholders have resolved that the earnings shall be retained.

D. Income Basic Tax Act took effect on January 1, 2006. The alternative minimum tax ("AMT") imposed under the Income Basic Tax Act is a supplemental tax levied at a rate of 10% which is payable if the income tax payable determined pursuant to the Income Tax Law is below the minimum amount prescribed under the Income Basic Tax Act. The tax effect of such amounts was taken into consideration in determining the realization of deferred income tax assets.

Employee Stock Option

The Company used the intrinsic value method to recognize compensation cost for its employee stock options, which are classified as equity-settled share-based payment transaction, issued between 2004 and 2007, in accordance with Accounting Research and Development Foundation interpretation Nos. 92-070~072. For options granted on or after January 1, 2008, the Company recognizes compensation cost using the fair value method in accordance with R.O.C. SFAS No. 39 "Accounting for Share-Based Payment".

According to R.O.C. SFAS No. 39, for transactions measured by reference to the fair value of the equity instruments granted, the Company shall measure the fair value of equity instruments granted at the measurement date, based on market prices which the Company shall use an applicable valuation technique to estimate.

For equity-settled share-based payment transaction, in accordance with R.O.C. SFAS No. 39, the Company shall measure the goods or services received, and the corresponding increase in stockholder's equity. If there is no vesting condition set for equity instrument granted, it shall be considered vested immediately. In this case, on grant date the Company shall recognize the services received in full, with corresponding increase in shareholder's equity. If the equity instruments granted do not vest until the counterparty completes a specified period of service, it shall account for those services as they are rendered by the counterparty during the vesting period, with a corresponding increase in shareholder's equity.

Vesting condition, other than market condition, shall not be taken into account when estimating the fair value of the share or share options at the measurement date. Instead, vesting conditions shall be taken into account by adjusting the number of options. The Company shall recognize an amount for goods or services received during the vesting period based on the best available estimate of the number of options expected to vest and shall revise the estimate, if necessary, if subsequent information indicates that the number of options expected to vest differs from previous estimates. On vesting date, the entity shall revise the estimate to equal to the number of options ultimately vested. However, for grants of options with market condition, irrespective of whether that market condition is satisfied, the Company shall recognize the goods or services received when all other vesting conditions are satisfied.

Employee Bonuses and Remunerations Paid to Directors and Supervisors

In accordance with Accounting Research and Development Foundation Interpretation No. 96-052 "Accounting for Employees' Bonuses and Remunerations to Directors and Supervisors", effective from January 1, 2008, employee bonuses and remunerations paid to directors and supervisors are charged to expense at fair value and are no longer accounted for as an appropriation of retained earnings.

Earnings Per Share

The Company's EPS is computed according to R.O.C. SFAS No. 24 "Earnings Per Share". Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the current reporting period. Diluted earnings (loss) per share is computed by taking basic earnings (loss) per share into consideration plus additional common shares that would have been outstanding if the dilutive share equivalents had been issued.

Net income (loss) is also adjusted for interest and other income or expenses derived from any underlying dilutive share equivalents. The weighted-average of outstanding shares is adjusted retroactively for stock dividends. According to Accounting Research and Development Foundation interpretation Nos. 97-169, bonus share issues shall not be retroactively adjusted.

Treasury Stock

A. The Company's shares owned by subsidiaries were accounted for as treasury stock in accordance with the R.O.C. SFAS No. 30 "Accounting for Treasury Stock". Cash dividends distributed to the Company's subsidiaries are deducted from investment income account and credited to capital reserves-treasury stock transaction.

B. Treasury stock transactions are accounted for under the cost method. The acquisition cost of shares is recorded under the caption of treasury stock, a contra shareholders' equity account.

C. When treasury stock is sold for more than its acquisition cost, the difference is credited to capital reserve-treasury stock transaction. If treasury stock is sold for less than its acquisition cost, the difference is charged to the same capital reserve account to the extent that the capital reserve account is reduced to zero. If the balance of the capital reserve is insufficient, any further reduction shall be charged to retained earnings instead.

D. When treasury stock is retired, the treasury stock account is credited and all capital account balances related to the treasury shares, including additional paid in capital-share issuance in excess of par and paid in capital, is debited on a proportionate basis. Any difference, if on credit side, is recorded in capital reserve-treasury stock transaction; if on debit side, it is recorded against retained earnings.

Derivative Financial Instruments-Held for Trading

Derivative financial instruments that have been designated for hedging but not qualified for hedging effectiveness criterion under SFAS No. 34 are classified as financial assets/liabilities held for trading; for example, forward contract is recognized and remeasured at fair value. When the fair value is positive, the derivative is recognized as a financial asset; when the fair value is negative, the derivative is recognized as a financial liability. The changes in fair value are recorded in profit and loss.

3. Reasons and Effects for Change in Accounting Principles

A. Effective from January 1, 2008, the Company adopted the newly released R.O.C. SFAS No.39 "Accounting for Share-Based Payment". The adoption decreased the Company's net income by NT$39,843 thousand and basic earnings per share by NT$0.04 for the year ended December 31, 2008.

B. Effective from January 1, 2008, the Company adopted the newly released Accounting Research and Development Foundation Interpretation No. 96-052 to account for employees' bonuses and remunerations paid to directors and supervisors. The adoption decreased the Company's net income by NT$6,327,236 thousand and basic earnings per share by NT$5.94 for the year ended December 31, 2008.

C. Effective from July 1, 2008, the Company adopted the second amendment of R.O.C. SFAS No. 34 "Accounting for Financial Instruments" and reclassified certain of its financial assets and liabilities in accordance with the new standards. Such a change in accounting principles increased net income by NT$29,400 thousand and basic earnings per share by NT$0.03 for the year ended December 31, 2008.

D. On January 1, 2007, the Company adopted the newly released R.O.C. SFAS No. 37, "Accounting for Intangible Assets". The accounting change had no material effect on total assets as of December 31, 2007 and on net income and earnings per share for the year then ended.

4. Contents of Significant Accounts

(1) Cash and Cash Equivalents

	As of December 31,	
	2008	2007
Petty cash	$1,941	$1,090
Savings and checking accounts	8,225,989	6,974,020
Time deposits	44,783,604	34,172,572
Cash equivalents- bonds-Repo	10,010	9,440,342
Total	$53,021,544	$50,588,024

a. As of December 31, 2008, the Company and subsidiaries were committed to selling the bonds-Repo back to the brokers in January 2009.

b. Cash and cash equivalents were not pledged as of December 31, 2008 and 2007.

(2) Financial assets and liabilities at fair value through profit or loss

a.

	As of December 31,	
	2008	2007
Held for trading financial assets		
Mutual fund	$-	$1,045,667
Financial debentures	147,675	150,770
Forward exchange contracts	32,587	44,130
Subtotal	180,262	1,240,567
Financial assets designated as at fair value through profit or loss		
Credit-linked deposits	565,536	943,744
Exchange rate-linked deposits	-	248,215
Interest rate-linked deposits	247,950	-
Other deposits	-	711,559
Subtotal	813,486	1,903,518
Total	$993,748	$3,144,085

Credit-linked deposit and exchange rate-linked are hybrid financial instruments. Since it is impractical to measure the fair value of the embedded derivative separately either at acquisition or at a subsequent financial reporting date, the entire hybrid contract shall be designated as a financial instrument at fair value through profit or loss. Please refer to Note 10 to the financial statements for the disclosures of relative risks information for those financial instruments.

b. Reclassification of financial instruments

(a) Reason and amount for reclassification of financial assets:

Held–for–trading financial assets:

The Company's financial assets classified as held-for-trading are no longer for near-term trading, but did not meet the definition of loans and receivables. However, based on the relevant guidance issued by International Accounting Board, Financial Supervisory Commission, Executive Yuan, and Accounting Research and Development Foundation, the Company believes that the economy condition during third quarter had constituted "the rare circumstances" described by the reclassification amendments in R.O.C. SAFS No. 34, thus the Company reclassified some investments originally classified as held-for-trading, which amounted to NT$691,600 thousand, into available for sale category.

(b) Book value and fair value of financial instrument after reclassification:

	As of December 31, 2008	
	Book value	Fair value
Available for sale financial assets	$662,200	$662,200

(c) Gain or loss on reclassified financial assets recognized arising from variance of fair value:

For the years ended December 31, 2008 and 2007, the Company recognized losses of NT$29,400 thousand and NT$32,900 thousand, respectively, on the financial instruments reclassified during the third quarter of 2008.

(d) The pro-forma gain or loss assuming no financial assets had been reclassified was computed as follows:

	Financial assets originally classified as held-for-trading	
	Loss would have been recognized if not reclassified	Loss recognized after reclassification
For the year ended December 31, 2008	($58,800)	($29,400)

c.

	As of December 31,	
	2008	2007
Held for trading financial liabilities-current		
Forward exchange contracts	$2,956	$33,076
Options	-	4,864
Cross currency swap contracts	-	6,764
Total	$2,956	$44,704

(a) Forward exchange contracts

The Company and subsidiaries entered into derivative contracts during the years ended December 31, 2008 and 2007 to manage exposures to foreign exchange rate changes. The derivative contracts entered into by the Company did not meet the criteria of hedge accounting prescribed by SFAS No. 34. Therefore, they were recorded as the financial assets or liabilities at fair value through profit or loss. Please refer to note 10 to the financial statements for the disclosure of relative risk information.

As of December 31, 2008 and 2007, forward exchange contracts outstanding were as follows:

i. As of December 31, 2008:

Held-for-trading financial assets:

Financial Instruments	Type	Maturity	Contract amount (US$'000)
Forward exchange	Sell USD	January 2009~ February 2009	USD100,000

Held-for-trading financial liabilities

Financial Instruments	Type	Maturity	Contract amount (US$'000)
Forward exchange	Sell USD	February 2009	USD15,000

ii. As of December 31, 2007:

Held-for-trading financial assets:

Financial Instruments	Type	Maturity	Contract amount (US$'000)
Forward exchange	Sell USD	January 2008	USD60,259

Held-for-trading financial liabilities

Financial Instruments	Type	Maturity	Contract amount (US$'000)
Forward exchange	Sell USD	January 2008~ February 2008	USD151,000

For the years ended December 31, 2008 and 2007, losses arising from the forward exchange contracts were NT$493,627 thousand and NT$65,360 thousand, respectively.

(b) Options

i. For the year ended December 31, 2008, the loss arising from the options was NT$3,808 thousand.

ii. As of December 31, 2007, option contracts outstanding were as follows:

Held for trading financial assets:

Financial Instruments	Type	Maturity	Contract amount (US$'000)
Options	Sell USD	January 2008	USD10,000

Held for trading financial liabilities:

Financial Instruments	Type	Maturity	Contract amount (US$'000)
Options	Sell USD	January 2008	USD10,000

For the year ended December 31, 2007, the gain arising from the options was NT$13,847 thousand.

(c) Cross currency swap contracts

i. For the year ended December 31, 2008, the loss arising from the cross currency swap contracts was NT$943 thousand.

ii. As of December 31, 2007, cross currency swap contracts outstanding was as follow:

Held for trading financial liabilities:

Financial Instruments	Maturity	Contract amount (US$'000)	Range of Interest Rates Paid	Range of Interest Rates Received
Cross currency swap contracts	January 2008	USD50,000	5.2%	1.7%

For the year ended December 31, 2007, the loss arising from the cross currency swap contracts was NT$6,764 thousand.

(3) Available-for-sale Financial Assets-current

	As of December 31, 2008	As of December 31, 2007
Funds	$1,559,000	$3,902,882
Bonds	1,648,472	2,373,729
Total	$3,207,472	$6,276,611

The Company and subsidiaries assessed that their available-for-sale financial assets-current have been impaired, and therefore recognized impairment loss in amount of NT$238,530 thousand.

(4) Held-to-maturity Financial Assets-current

	As of December 31,	
	2008	2007
Financial Debentures	$247,199	$501,574
Corporate bonds	124,331	-
Total	$371,530	$501,574

(5) Accounts Receivable-Net

	As of December 31,	
	2008	2007
Accounts receivable	$5,594,149	$7,395,293
Less: Allowance for doubtful accounts	(165,529)	(317,914)
Net	$5,428,620	$7,077,379

(6) Other Receivables

	As of December 31,	
	2008	2007
Interest receivable	$209,106	$207,236
VAT refundable	339,553	516,941
Others	190,648	7,212
Total	$739,307	$731,389

(7) Inventories-Net

	As of December 31,	
	2008	2007
Raw materials	$21,223	$91,237
Work in process	3,424,494	5,273,777
Finished goods	3,832,117	5,637,236
Subtotal	7,277,834	11,002,250
Less: Allowance for inventory obsolescence	(1,730,535)	(461,878)
Net	$5,547,299	$10,540,372

Inventories were not pledged as of December 31, 2008 and 2007.

(8) Funds and Investments

	As of December 31, 2008			
Investee Company	Types	Shares/ units	Amounts	Ownership
Financial assets designated as at fair value through profit or loss-noncurrent				
Dynamic Credit Protection Notes	Credit-linked deposit	-	$47,387	-
Csi Best of 3 Cppi Portfolios USD 5yrs Principal Protected Note	Credit-linked deposit	-	234,530	-
Foxconn Credit-Linked Deposit	Credit-linked deposit	-	51,442	-

(To be continued)

(Continued)

Investee Company	Type	Share/unit	Amount	Ownership
	As of December 31, 2008			
Pimco USD Principal Protection Note	Bond	1,000	320,478	-
GS Globalization Basket Note	Bond	-	152,064	-
GS Inflation Shield Note	Bond	-	131,689	-
Open Design Microelectronics Corporation	Bond	-	40,746	-
Imera System Inc. Note and Warrant	Bond	-	16,512	-
Subtotal			994,848	
Available-for-sale financial assets-noncurrent				
Pixart Imaging Inc.	Common share	1,284,513	146,435	1.03%
IIT Private Equity Real Estate Fund	Mutual fund	4,685,006	50,554	-
Cathay No.1 Real Estate Investment Trust	Mutual fund	70,000,000	662,200	-
Cathay No.2 Real Estate Investment Trust	Mutual fund	50,000,000	442,000	-
Chinatrust 2006-1 Collateralized Loan Obligation-D	Securities	608	598,640	-
Chinatrust 2006-1 Collateralized Loan Obligation-E	Securities	246	245,238	-
Chinatrust 92-2 Financial Debenture	Financial debenture	2	202,989	-
Nanya 96-1 Corporate Bonds	Bond	250	246,445	-
ING BNP Paribas Mjsd Perp	Bond	-	80,360	-
RBC 30yrs Nc 3m Zero Callable Note	Bond	-	289,134	-
15 Years 5.2% USD Callable Fixed Coupon Note	Bond	-	260,686	-
Subtotal			3,224,681	
Held-to-maturity financial assets-noncurrent				
Cathay Real Estate Investment Trust -Tun Nan C	Securities	20	100,000	-
Chinatrust 96-2 Second Financial Debenture with No Mortgage	Financial debenture	25	250,000	-

(To be continued)

(Continued)

Investee Company	Type	Share/unit	Amount	Ownership
	As of December 31, 2008			
Taiwan Power 93-1 the Fourth Corporate Bond-E	Bond	20	98,771	-
Nanya 94-2 the Second Corporate Bond-C	Bond	400	397,295	-
Taiwan Power 92-2 the Third Corporate Bond-K	Bond	25	124,330	-
Mega 41P1 Second Financial Debenture	Financial debenture	20	188,364	-
Gvec CBO Series 2006-B Bonds	Bond	-	165,125	-
AIG FRN	Bond	-	158,015	-
Gevcr II 36-Month Debentures	Bond	850	280,712	-
Subtotal			1,762,612	
Financial assets carried at cost-noncurrent				
Yuantonix, Inc.	Common share	300,000	-	3.75%
Browave Corporation	Common share	580,000	-	1.06%
Communication V.C. Corp.	Common share	7,200,000	(420) (Note)	14.41%
Legend Tech. V.C. Inc. Corp.	Common share	952,168	(2,620) (Note)	6.33%
Inprocomm Inc.	Common share	1,080,000	-	-
Tenor Electronics Corporation	Common share	4,012,500	-	13.88%
Alpha Imaging Technology Corp.	Common share	7,850,969	179,485	15.63%
Via Optical Solution, Inc.	Common share	77	-	-
Andes Technologies, Inc.	Common share	8,000,000	-	12.70%
Integrated System Solution Corp.	Common share	1,882,746	-	2.90%
Young Fast Optoelectronics Co., Ltd.	Common share	627,920	66,000	0.59%
Prime sensor Technology Inc.	Common share	2,250,000	22,500	15.00%
Sino Photonics	Common share	134,400	-	9.88%
V Web Corp.	Preferred share	1,250,000	-	3.51%
Wi Harper Inc Fund Vi Ltd.	Preferred share and Common share	32,970	99,075	4.92%
Genesis Venture	Common share	4,000,000	132,100	18.03%

(To be continued)

(Continued)

Investee Company	As of December 31, 2008 Type	Share/unit	Amount	Ownership
JAFCO V2-(D) FUND	Capital	-	126,807	-
JAFCO V3-(B) FUND	Capital	-	51,107	-
JAFCO ASIA (FATF4)	Capital	-	29,722	-
Pacific Growth Ventures, L.P.	Capital	-	66,050	-
Subtotal			769,806	
Bond portfolios with no active market-noncurrent				
Chinatrust Financial Holding Co. Ltd.	Series B Preferred stock	25,000,000	1,000,000	-
Long-term investments accounted for using the equity method				
ALi Corporation	Common share	64,035,703	1,208,569	21.14%
Prepayment for long-term investment				
Nozomi Fund		-	9,111	-
Total			$8,969,627	

Investee Company	As of December 31, 2007 Types	Shares/units	Amounts	Ownership
Financial assets designated as at fair value through profit or loss-noncurrent				
Dynamic Credit Protection Notes	Credit-linked deposit	-	$51,948	-
Pimco USD Principal Protection Note	Bond	1,000	325,695	-
Open Design Microelectronics Corporation	Bond	-	40,028	-
Imera System INC. Note and Warrant	Bond	-	16,222	-
Subtotal			433,893	
Available-for-sale financial assets-noncurrent				
Pixart Imaging Inc.	Common share	4,560,109	1,119,182 (Note)	3.90%
Stocks	Common share	10,224	828	-
IIT Private Equity Real Estate Fund	Mutual fund	4,810,274	50,543	-
Cathay No.2 Real Estate Investment Trust	Mutual fund	50,000,000	500,000	-
Chinatrust 2006-1 Collateralized Loan Obligation-D	Securities	608	565,015	-

(To be continued)

(Continued)

Investee Company	Type	Share/unit	Amount	Ownership
	As of December 31, 2007			
Chinatrust 2006-1 Collateralized Loan Obligation-E	Securities	246	243,097	-
ING Lehman Bros Cap Perp	Bond	-	149,247	-
ING BNP Paribas Mjsd Perp	Bond	-	95,757	-
15 Year 5.2% USD Callable Fixed Coupon Note	Bond	-	255,443	-
RBC Logan III	Bond	-	36,725	-
RBC 20Yrs NC 1YR Zero Callable Note	Bond	-	163,837	-
RBC 30Yrs NC 3M Zero Callable Note	Bond	-	275,766	-
20Yrs NC 3M Zero Callable Note	Bond	-	162,215	-
15Yrs NC 3M Zero Callable Note	Bond	-	162,215	-
Subtotal			3,779,870	
Held-to-maturity financial assets- noncurrent				
Cathay Real Estate Investment Trust -Tun Nan C	Securities	20	100,000	-
Chinatrust 96-2 Second Corporate Bond with No Mortgage	Financial debenture	25	250,000	-
Gvec CBO Series 2006-B Bonds	Bond	-	162,215	-
Eonex Technologies, Inc. Bonds	Bond	372	129,772	-
Subtotal			641,987	
Financial assets carried at cost-noncurrent				
Yuantonix, Inc.	Common share	300,000	-	3.75%
Browave Corporation	Common share	623,032	-	1.14%
Communication V.C. Corp.	Common share	8,000,000	(420) (Note)	14.41%
Legend Tech. V.C. Inc. Corp.	Common share	1,700,300	(2,620) (Note)	6.33%
Inprocomm Inc.	Common share	1,080,000	-	14.81%
Tenor Electronics Corporation	Common share	4,012,500	-	13.88%
Alpha Imaging Technology Corp.	Common share	7,406,575	179,485	17.32%
VIA Optical Solution, Inc.	Common share	77	-	-
Andes Technologies, Inc.	Common share	8,000,000	-	12.70%
Integrated System Solution Corp.	Common share	2,087,746	-	3.21%

(To be continued)

(Continued)

Investee Company	Types	Share/unit	Amounts	Ownership
	As of December 31, 2007			
SINO Photonics	Common share	960,000	-	9.88%
V WEB Corp.	Preferred share	1,250,000	-	3.51%
Wi Harper Inc Fund Vi Ltd.	Preferred share and Common share	32,970	97,329	4.92%
Genesis Venture	Common share	4,000,000	129,772	18.03%
JAFCO V2-(D) FUND	Capital	-	124,572	-
JAFCO V3-(B) FUND	Capital	-	6,748	-
JAFCO ASIA (FATF4)	Capital	-	12,977	-
Subtotal			547,843	
Bond portfolios with no active market-noncurrent				
Chinatrust Financial Holding Co. Ltd.	Series B Preferred stock	25,000,000	1,000,000	-
Long-term investments accounted for using the equity method				
ALi Corporation	Common share	62,170,586	1,177,762	21.48%
Star semiconductor Corporation	Common share	7,650,000	65,605	36.89%
Subtotal			1,243,367	
Total			$7,646,960	

Note:

a. Includes the adjustment of intercompany unrealized gains or losses arising from the disposal of long-term investments.

b. For the years ended December 31, 2008 and 2007, the Company recognized investment gain accounted for under the equity method in the amount of NT$184,393 thousand and NT$168,721 thousand, respectively, based on the audited financial statements of the investee companies.

c. In 2008 and 2007, the Company sold shares of Pixart at the prices of NT$521,686 thousand and NT$558,055 thousand, respectively, and recognized a disposal gain of NT$494,077 thousand and NT$546,993 thousand, respectively.

d. In 2008, the Company sold shares of HON HAI Technology and other listed stocks at the price of NT$876 thousand and recognized a gain of NT$348 thousand.

e. In 2007, the Company's subsidiary sold shares of Alpha Imaging Technology Corp. and Taifatech Inc. at the prices of NT$1,452,250 thousand and NT$39,880 thousand respectively. Gains and losses arising from such disposal were NT$1,206,302 thousand and NT$120 thousand, respectively.

f. In 2007, as ALi Corporation, an equity investee of the Company, issued new shares for the purposes of convertible bonds conversion, exercise of employees' stock options and capitalization of employees' bonus, the Company's holding interest in

ALi Corporation has been changed. As a result, the Company recognized an increase in capital reserve of NT$8,159 thousand.

g. The Company and subsidiaries assessed their investments in Yuantonix, Inc., Browave Corporation, Communication V.C. Corp., Legend Tech. V.C. Inc. Corp, Tenor Electronics Corporation, VIA Optical Solution, Inc., Andes Technologies, Inc., ARAFTEK (liquidated), IPC (liquidated), SINO Photonics, V Web Corp., Venglobal International Fund (liquidated) were impaired and recognized impairment losses in the aggregate amount of NT$375,312 thousand in 2007. In 2008, the Company and subsidiaries sold partial investments in Integrated System Solution Corp. and Browave Corporation. Gains arising from such disposal were NT$2,207 thousand. In November, 2008, the investee company- Star semiconductor Corporation has been dissolved.

h. In 2008, the Company and subsidiaries determined that part of available-for-sale financial assets-noncurrent, financial assets carried at cost-noncurrent, and held-to-maturity financial assets- noncurrent were impaired and, therefore, recognized an impairment loss in the amount of NT$534,609 thousand.

i. In 2008, the Company invested in Nanya 96-1 Corporate Bonds and Chinatrust 92-2 Financial Debenture which were classified as available-for-sale financial assets. The investment cost and face value amounted to NT$445,347 thousand and NT$450,000 thousand, respectively.

j. In 2008, the Company and subsidiaries invested in Taiwan Power 93-1 the Fourth Corporate Bond-E, Nanya 94-2 the Second Corporate Bond-C, Taiwan Power 92-2 the Third Corporate Bond-K and Mega 41P1 Second Financial Debenture, GEVCR II 36-Month Debentures and AIG FRN which were classified as held-to-maturity financial assets. The investment cost and face value amounted to NT$1,244,193 thousand and NT$1,270,838 thousand, respectively.

k. In June 2007 and December 2007, the Company invested in Cathay Real Estate Investment Trust -Tun Nan C and Chinatrust 96-2 second financial debenture with no mortgage. The investment cost and face value amounted to NT$350,000 thousand and NT$350,000 thousand, respectively.

l. In December 2005, our investment in series B preferred stocks (“Preferred B”) of Chinatrust Financial Holding Company was increased by NT$1,000,000 thousand. Terms and conditions of the stock are listed as follows:
   (a) Duration： 7 years.
   (b) Par value： $10 per share.
   (c) Issuing price：$40 per share.
   (d) Dividends:
      Dividend is at 3.5% per year based on actual issuing price and is paid in cash annually and in arrears.
   (e) Redemption at maturity:
      Preferred B is a 7-year preferred stock. Redemption price at maturity is at 100% of the issuing price, i.e. NT$40 per share.

   The preferred stock is a financial instrument with nature of bonds in substance and is classified as bond portfolios with no active market.

m. Funds and investments mentioned above were not pledged as of December 31, 2008 and 2007.

(9) Property, Plant and Equipment

a. No interest was capitalized for the years ended December 31, 2008 and 2007.

b. Please refer to the Note 6 to the financial statements for property, plant, equipment and leased assets pledged as collaterals.

(10) Intangible Assets

a.

	For the year ended December 31, 2008		
	Software (Design software)	Patents, IPs and Others	Total
Original cost			
Balance at beginning of period	$1,344,625	$5,447,243	$6,791,868
Increase - separately acquired	678,102	24,819	702,921
Increase - acquired through business combination	-	3,243,480	3,243,480
Decrease – elimination and others	(5,574)	(116,876)	(122,450)
Balance at end of period	2,017,153	8,598,666	10,615,819
Accumulated amortization			
Balance at beginning of period	(635,672)	(2,563,037)	(3,198,709)
Increase -amortization	(688,493)	(1,645,516)	(2,334,009)
Balance at end of period	(1,324,165)	(4,208,553)	(5,532,718)
Net	$692,988	$4,390,113	$5,083,101

	For the year ended December 31, 2007		
	Software (Design software)	Patents, IPs and Others	Total
Original cost			
Balance at beginning of period	$635,512	$3,224,661	$3,860,173
Increase - separately acquired	709,113	85,162	794,275
Increase - acquired through business combination	-	2,137,420	2,137,420
Balance at end of period	1,344,625	5,447,243	6,791,868
Accumulated amortization			
Balance at beginning of period	(340,087)	(1,413,991)	(1,754,078)
Increase - amortization	(295,585)	(1,149,046)	(1,444,631)
Balance at end of period	(635,672)	(2,563,037)	(3,198,709)
Net	$708,953	$2,884,206	$3,593,159

b. In January 2008, the Company acquired Analog Devices, Inc's cellular radio and baseband chipset operations for NT$10,060,691 thousand (USD 310,182 thousand). According to R.O.C. SFAS No. 25 "Business Combinations-Purchase Accounting", the Company recorded goodwill of NT$6,817,211 thousand and patents, IPs and other intangibles of NT$3,243,480 thousand, respectively.

c. For the year ended December 31, 2008, the Company's subsidiary assessed that goodwill has been impaired, and therefore recognized impairment loss in amount of NT$650,000 thousand.

(11) Short-term Debts

a. As of December 31, 2007, the Company's subsidiary, Aimgene Technology, Co. Ltd., recorded its short-term debts as follows:

Item	As of December 31, 2007
Secured loan	$5,000
Unsecured loan	20,000
Total	$25,000

b. Interest rates of the short-term debt ranged from 5.55% to 6.08% for the year ended December 31, 2007.

c. Please refer to Note 6 to the financial statements for assets pledged as collaterals.

(12) Long-term Debts

a. As of December 31, 2007, the Company's subsidiary, Aimgene Technology, Co. Ltd., recorded its long-term debts as follows:

b.

Creditor	Item	Maturity	Interest rates	Amount	Repayment (Note)
First Bank	Secured loan	2003.12.03 ~ 2018.12.03	Floating rate of 2-year time deposit in Taiwanese post office plus 1.10%	$8,339	1
Bank Sinopac	Unsecured loan	2005.06.13 ~ 2008.06.13	6.97%	721	2
Bank Sinopac	Unsecured loan	2006.05.10 ~ 2008.05.10	6.25%	875	3
Subtotal				9,935	
Less: current portion				(2,223)	
Total				$7,712	

Note:

1. Total loan was NT$10,760 thousand, repayable in 180 monthly installments starting from December 3, 2003.
2. Total loan was NT$4,000 thousand, repayable in 36 monthly installments starting from June 13, 2005.
3. Total loan was NT$4,000 thousand, repayable in 24 monthly installments starting from May 10, 2006.

c. Please refer to Note 6 to the financial statements for assets pledged as collaterals.

(13) Lease Payable

Lease payable of the Company's subsidiary, MediaTek USA Inc., was shown as follows:

Leaser	As of December 31	
	2008	2007
Magma Design Automation, Inc.	$1,803	$8,854
Less: Un-amortization lease payable discount	(411)	(2,617)
Net	1,392	6,237
Less：current portion	(1,392)	(4,933)
Leased payable-noncurrent	$-	$1,304

(14) Accrued Pension Liabilities

a. Defined Benefit Plans

(a) The Company and subsidiaries' pension fund contributed to a fiduciary account in Bank of Taiwan amounted to NT$44,069 thousand and NT$43,032 thousand as of December 31, 2008 and 2007, respectively. The total pension expenses amounted to NT$16,921 thousand and NT$6,376 thousand for the years ended December 31, 2008 and 2007, respectively.

(b) The components of net pension cost under the Labor Standards Law

	For the year ended December 31,	
	2008	2007
Service cost	$1,680	$1,191
Interest cost	7,641	3,812
Expected return on plan assets	(1,268)	(1,127)
Amortization	8,083	1,786
Over-accrual	-	-
Other	785	714
Net pension cost	$16,921	$6,376

(c) The funded status of the Company's pension plans under the Labor Standards Law

	As of December 31,	
	2008	2007
Benefit obligations		
Vested benefit obligation	$-	$-
Non-vested benefit obligation	(98,129)	(80,309)
Accumulated benefit obligation	(98,129)	(80,309)
Effect of projected future salary increase	(72,274)	(174,388)
Projected benefit obligation	(170,403)	(254,697)
Fair value of plan assets	44,069	43,032
Funded status of pension plan	(126,334)	(211,665)
Unrecognized net transitional obligation	795	883
Unrecognized loss	43,596	145,392
Over-accrual	(223)	(978)
Accrued pension liabilities	$(82,166)	$(66,368)

(d) The vested benefit was nil as of December 31, 2008 and 2007.

(e) The underlying actuarial assumptions

	For the year ended December 31,	
	2008	2007
Discount rate	2.50%	3.00%
Rate of increase in future compensation levels	2.00%	5.00%
Expected long-term rate of return on plan assets	2.50%	3.00%

b. Defined Contribution Pension Plan

The Company and subsidiaries adopted defined contribution pension plans and made periodical contributions to pension funds in accordance with related statutory regulations and laws. Pension expenses amounted to NT$224,544 thousand and NT$119,328 thousand for the years ended December 31, 2008 and 2007, respectively.

(15)Common Stock

As of January 1, 2007, the authorized and issued common shares of the Company amounted to NT$12,000,000 thousand and NT$9,683,127 thousand, divided into 1,200,000,000 shares and 968,312,683 shares, respectively, each share at par value of NT$10.

Based on the resolution of shareholders' general meeting on June 11, 2007, the Company resolved to issue 69,099,346 new shares at per value of NT$10 for the capitalization of shareholders' dividends of NT$484,156 thousand and employees' bonus of NT$206,837 thousand. The record date was set on July 31, 2007 and the government approval has been successfully obtained.

On March 21 and April 19, 2007, the Board of Directors resolved to issue 3,441,733 shares, each at par value of NT$10, in exchange of 69% of the ownership of NuCORE. The exchange date was set on September 4, 2007 which had been approved by the government in September, 2007.

Based on the resolution of shareholders' general meeting on June 13, 2008, the Company resolved to issue 32,298,537 new shares at par value of NT$10 for the capitalization of shareholders' dividends of NT$104,085 thousand and employees' bonus of NT$218,900 thousand. The record date was set on July 22, 2008 and the government approval has been successfully obtained.

As of December 31, 2008, the authorized and issued common shares of the Company amounted to NT$12,000,000 thousand and NT$10,731,523 thousand, divided into 1,200,000,000 shares (including 20,000,000 shares reserved for exercise of employee stock options) and 1,073,152,299 shares, respectively, each share at par value of NT$10.

(16)Legal Reserve

According to the R.O.C. Company Law, 10% of the Company's net income after tax shall be appropriated to legal reserve prior to any distribution until such reserve is equal to the Company's paid-in capital. When the legal reserve is equal to or more than 50% of net assets, 50% of such reserve may be distributed to the Company's shareholders through the issuance of additional common share.

(17)Capital Reserve

	As of December 31,	
	2008	2007
Additional paid-in capital	$2,090,759	$2,090,759
Treasury stock transaction	474,512	328,475
Donated assets	1,260	1,260
Long-term equity investment	150,136	119,349
Employee stock option	40,644	-
Total	$2,757,311	$2,539,843

According to the R.O.C. Company Law, capital reserve can only be used for making up losses or reclassifying to paid-in capital using only balances in additional paid-in capital or donated assets. The Company shall not use capital reserve to make up its loss unless legal reserve is insufficient for making up such losses.

The Company had paid cash dividends in the amount of NT$146,037 thousand and NT$109,802 thousand to the subsidiaries who owned the Company's common shares for the years ended December 31, 2008 and 2007, respectively. Since the Company's shares held by subsidiaries are treated as treasury stocks, the cash dividends paid to the Company's subsidiaries are accounted for as an adjustment to capital reserve; under the category of treasury stock transactions.

In September 2007, paid-in capital in excess of par was increased by NT$1,280,324 thousand due to a share swap of 69% ownership of NuCORE. The contingent consideration received by the Company under this transaction was NT$740,746 thousand, which was recorded as an adjustment to paid-in capital in excess of par-common stock. Please refer to note 4(15) to the financial statements for more details.

(18)Employee Stock Options

a. The Company and subsidiaries have adopted certain employee stock option plans. Information with respect to each stock option plan was as follows:

Plan	Grant Date	Units Granted (in thousands)	Exercisable Period	Restrict Period	Exercise Price (in NTD)
The Company					
First employee stock option plan in 2007	2008.03.31	1,134	2008.03.31~2018.03.31	Note 1	$388
Second employee stock option plan in 2007	2008.08.28	1,640	2008.08.28~2018.08.28	Note 1	371
Airoha Technology Corp					
First employee stock option plan in 2006	2006.06.02	4,660	2006.06.02~2011.06.02	Note 2	29
Second employee stock option plan in 2006	2007.05.31	340	2007.05.31~2012.05.31	Note 1	29
First employee stock option plan in 2008	2008.03.20	480	2008.03.20~2013.03.20	Note 1	29
Second employee stock option plan in 2008	2008.09.12	148	2008.09.12~2013.09.12	Note 1	15
AdvMatch Technology, Inc. (Note 4)					
First employee stock option plan in 2007	2007.12.30	215	2007.12.30~2011.12.30	Note 3	10

Note:

1. The plan may be exercisable at certain percentage starting 2 years from the date of grant.
2. 1,000 employee stock options of the plan may be exercisable starting from grant date while the rest of the plan may be exercisable starting 2 years from the date of grant.
3. The plan may be exercisable starting 1 year from the date of grant.
4. AdvMatch Technology, Inc.'s went into liquidation in December 2008.

b. In December 2007, the Company was authorized by the Financial Supervisory Commission, Executive Yuan, to issue employee stock options with a total number of 5,000,000 units, each option eligible to subscribe for one common share. The options may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries, in which the Company's shareholding with voting rights, directly or indirectly, is more than fifty percent. The options are valid for ten years and exercisable at certain percentage subsequent to the second anniversary of the granted date. Under the terms of the plan, the options are granted at an exercise price equal to the closing price of the Company's common share listed on the TWSE on the grant date. The exercise prices have been adjusted to reflect the change of outstanding shares (i.e. the share issued for cash or the appropriations of earnings) in accordance with the plan.

The compensation cost was recognized under the fair value method and the Black-Scholes Option Pricing model was used to estimate the fair value of options granted. The investment loss on equity investment arising from employee stock option compensation cost was NT$40,644 thousand. Detailed information to the weighted-average assumptions are disclosed as follows:

	Employee stock option
Expected dividend yield	4.70%~6.63%
Expected volatility	42.12%~50.06%
Risk free interest rate	2.30%~2.49%
Expected life	6.5 years

The respective information of the units and weighted average exercise price for stock option plans of the Company is disclosed as follows:

	For the year ended December 31, 2008	
Employee stock option plans	Options (Unit)	Weighted-average exercise price (NTD)
Outstanding at beginning of year	-	$-
Granted	2,774,404	378
Exercised	-	-
Forfeited (Expired)	(97,869)	381
Outstanding at end of period	2,676,535	378
Exercisable at end of year	-	
Weighted average fair value of options granted during the year (in NTD)	$109	

The information on the Company's outstanding stock options as of December 31, 2008, is disclosed as follows:

	Range of Exercise Price (NTD)	Outstanding stock options: Options (Unit)	Outstanding stock options: Weighted-average Expected Remaining Years	Outstanding stock options: Weighted-average Exercise Price per share (NTD)	Exercisable stock options: Options (Unit)	Exercisable stock options: Weighted-average Exercise Price per share (NTD)
Stock option plan of 2007	$371~388	2,676,535	6	$378	-	$-

c. For options granted on or after January 1, 2008, Airoha Technology Corp. recognizes compensation costs using the intrinsic value method in compliance with Order VI-0960065898 issued by the Financial Supervisory Commission under the Executive Yuan. Compensation expenses incurred were NT$0 thousand for the year ended December 31, 2008. For options granted in 2006 and 2007, Airoha Technology Corp. and AdvMatch Technology, Inc. recognized compensation costs using the intrinsic value method in compliance with Accounting Research and Development Foundation interpretation No. 92-070, 071 and 072. Compensation expenses incurred were NT$4,712 thousand and NT$2,749 thousand for the year ended December 31, 2008 and 2007, respectively.

   The Company and subsidiaries used the following assumptions to calculate the pro-forma fair value of options granted:

Airoha Technology Corp.	First employee stock option plan in 2006	Second employee stock option plan in 2006
Expected dividend yield	-%	-%
Risk free interest rate	2.11%	2.22%
Expected life	5 years	5 years

AdvMatch Technology, Inc.	First employee stock option plan in 2007
Expected dividend yield	-%
Risk free interest rate	2.73%
Expected life	2.5 years

Units and weighted average exercise prices of stock option plans of Airoha Technology Corp. were disclosed as follows:

Employee stock option plans	2008 Units (*in thousands*)	2008 Weighted-average exercise price (NTD)	2007 Units (*in thousands*)	2007 Weighted-average exercise price (NTD)
	For the year ended December 31,			
Outstanding at beginning of period	4,443	$29	4,628	$29
Granted	628	25.7	340	29
Exercised	(99)	29	(370)	29
Expired	(340)	29	(155)	29
Outstanding at end of period	4,632	28.55	4,443	29
Exercisable at end of year	2,221		630	
Weighted-average fair value of options granted during the period (in NTD)	$-		$38.86	

	Range of Exercise Price (NTD)	Outstanding stock options: Units (*in thousands*)	Outstanding stock options: Weighted-average Expected Remaining Years	Outstanding stock options: Weighted-average Exercise Price (NTD)	Exercisable stock options: Units (*in thousand*)	Exercisable stock options: Weighted-average Exercise Price per share (NTD)
Stock option plan of 2006	$29	4,117	2.49	$29	2,221	$29
Stock option plan of 2008	$15~29	515	4.36	24.98	-	-
		4,632			2,221	

Units and weighted average exercise prices for stock option plans of AdvMatch Technology, Inc. were disclosed as follows:

Employee stock option plans	For the year ended December 31, 2008 Units (*in thousands*)	Weighted-average exercise price (NTD)
Outstanding at beginning of year	215	$10
Granted	-	-
Exercised	-	-
Forfeited (Expired)	(16)	10
Outstanding at end of period	199	10
Exercisable at end of year	-	
Weighted average fair value of options granted during the year (in NTD)	$-	

The Company's pro-forma information for the compensation expense recognized under fair value method of Airoha Technology Corp. and AdvMatch Technology, Inc. were as follows:

		For the year ended December 31, 2008	2007
Consolidated net income attributable to parent company's shareholders	Net income	$19,189,997	$33,592,702
	Pro-forma net income	19,186,448	33,586,686
Basic EPS (in NTD)	Earnings per share	18.01	31.60
	Pro-forma earnings per share	18.01	31.59
Consolidated net loss attributable to minority interests	Net loss	(15,757)	(202,568)
	Pro-forma net loss	(20,679)	(210,910)
Basic EPS (in NTD)	Earnings per share	(0.01)	(0.19)
	Pro-forma earnings per share	(0.02)	(0.20)

(19)Earnings Distribution and Dividends Distribution Policy

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

(a) Income tax obligation;
(b) Offsetting accumulated deficits, if any;
(c) Legal reserve at 10% of net income after tax;
(d) Special reserve in compliance with the Company Law or the Securities and Exchange Law;
(e) Remuneration for directors and supervisors to a maximum of 0.5% of the remaining current year's earnings after deducting for item (a) through (d). Remuneration for directors and supervisors' services is limited to cash payments.
(f) The remaining after all above appropriations and distributions, combining with undistributed earnings from prior years, shall be fully for shareholders' dividends

and employees' bonuses and may be retained or distributed proportionally. The portion of employees' bonuses may not be less than 1% of total earnings resolved to distribute for shareholders' dividends and employees' bonuses. Employees' bonuses may be distributed in the form of shares or cash, or a combination of both. The criteria for qualifying for employees' bonuses are at the discretion of Board. Employees serving the subsidiaries of the Company are also entitled to the bonuses.

Shareholders' dividends may be distributed in the form of shares or cash, or a combination of both, and cash dividends to be distributed may not be less than 10% of total dividends to be distributed.

According to the regulations of Taiwan SFC, the Company is required to appropriate a special reserve in the amount equal to the sum of debit elements under shareholders' equity, such as unrealized loss on financial instruments and negative cumulative translation adjustment, at every year-end. Such special reserve is prohibited from distribution. However, if any of the debit elements is reversed, the special reserve in the amount equal to the reversal may be released for earnings distribution or making up for losses.

During the year ended December 31, 2008, the amounts of the employees' bonuses and remunerations to directors and supervisors were estimated at NT$6,403,395 thousand and NT$50,993 thousand, respectively. Employee bonuses were estimated based on 25% of net income for the year ended December 31, 2008(excluding the impact of expensing employees' bonuses and the related income tax effect) while remunerations to directors and supervisors were estimated based on the Company's Articles of Incorporation. Estimated amount of employee bonuses and remunerations paid to directors and supervisors were charged to current income as operating expenses. If stock bonuses are resolved for distribution to employees, the number of shares distributed is determined by dividing the amount of bonuses by the closing price (after considering the effect of cash and stock dividends) of the shares on the day preceding the shareholders'meeting. If the resolution of shareholders' general meeting modifies the estimates significantly in the subsequent year, the Company shall recognize the change as an adjustment to income of the financial year ending 2009.

(20)Treasury Stock

The Company's shares owned by subsidiaries are accounted for as treasury stock.

Movement schedule of the Company's treasury stock was as follows:

Owner	January 1, 2008		Additions		December 31, 2008		
	Shares	Amount	Shares	Amount	Shares	Amount	Market Value
MediaTek Capital Corp.	7,686,143	$55,970	76,861 (Note)	$-	7,763,004	$55,970	$1,711,742

Owner	January 1, 2007		Additions		December 31, 2007		
	Shares	Amount	Shares	Amount	Shares	Amount	Market Value
MediaTek Capital Corp.	7,320,137	$55,970	366,006 (Note)	$-	7,686,143	$55,970	$3,235,866

Note：Bonus shares granted

(21)Net Operating Revenue

	For the year ended December 31,	
	2008	2007
Revenues from sales of multimedia and cell phone chipsets	$93,985,626	$81,577,413
Other operating revenue	574,644	561,713
Subtotal	94,560,270	82,139,126
Less: Sales returns and sales discounts	(4,158,229)	(1,467,357)
Net Operating Revenue	$90,402,041	$80,671,769

(22)Personnel, Deprecation and Amortization Expenses

	For the year ended December 31,					
	2008			2007		
	Recorded under cost of goods sold	Recorded under operating expense	Total	Recorded under cost of goods sold	Recorded under operating expense	Total
Personnel Expense						
Salaries & wage expense	$104,638	$12,823,213	$12,927,851	$97,643	$4,645,167	$4,742,810
Insurance	4,694	1,241,746	1,246,440	3,833	176,649	180,482
Pension	4,500	236,965	241,465	3,327	122,377	125,704
Other expenses	1,312	955,109	956,421	1,073	83,659	84,732
Total	$115,144	$15,257,033	$15,372,177	$105,876	$5,027,852	$5,133,728
Depreciation	$4,214	$944,936	$949,150	$6,205	$641,036	$647,241
Amortization	$676	$2,344,884	$2,345,560	$2,611	$1,456,305	$1,458,916

(23)Income Tax

a. Income tax payable and income tax expense are reconciled as follows:

	For the year ended December 31,	
	2008	2007
Income tax payable	$428,128	$1,411,735
10% surtax on undistributed earnings	687,854	406,777
Investment tax credits	(531,928)	(812,798)
Deferred income tax effects		
Investment tax credits	(5,170,638)	(258,814)
Valuation allowance	6,085,908	1,177,755
Others	(372,862)	(438,884)
Others	797,428	(23,620)
Income tax expense from continuing operations	$1,923,890	$1,462,151

b. Temporary differences generated from deferred income tax assets (liabilities):

	As of December 31,			
	2008		2007	
	Amount	Tax effect	Amount	Tax effect
Deferred income tax assets				
Recognition of unrealized allowance for inventory obsolescence	$1,373,720	$29,853	$428,440	$20,563
Allowance for doubtful debt in excess of deductible limit	32,864	647	263,472	11,137
Unrealized technology license fee	-	-	361,350	13,859
Unrealized loss on valuation of financial assets	-	-	38,360	2,903
Unrealized loss on asset impairment	314,288	75,780	329,308	81,692
Others		198,189		614,857
Loss carryforwards-domestic		58,887		91,981
-foreign		932,032		41,581
Investment tax credits-domestic		8,466,657		3,420,077
-foreign		314,464		190,406
Total deferred income tax assets		10,076,509		4,489,056
Valuation allowance for deferred income tax assets		(9,598,018)		(3,512,110)
Net deferred income tax assets		478,491		976,946
Deferred income tax liabilities				
Unrealized foreign exchange gain	(10,305)	(203)	(15,608)	(637)
Unrealized gain on valuation of financial assets	(29,631)	(583)	-	-
Others		(56,514)		(12,710)
Total deferred income tax liabilities		(57,300)		(13,347)
Net deferred income tax assets and liabilities		$421,191		$963,599

	As of December 31,	
	2008	2007
Deferred income tax assets-current	$387,621	$661,741
Valuation allowance for deferred income tax assets-current	(113,787)	(66,642)
Net deferred income tax assets-current	273,834	595,099
Deferred income tax liabilities-current	(16,580)	(637)
Net deferred income tax assets and liabilities-current	$257,254	$594,462

	As of December 31,	
	2008	2007
Deferred income tax assets-noncurrent	$9,688,888	$3,827,315
Valuation allowance for deferred income tax assets-noncurrent	(9,484,231)	(3,445,468)
Net deferred income tax assets-noncurrent	204,657	381,847
Deferred income tax liabilities-noncurrent	(40,720)	(12,710)
Net deferred income tax assets and liabilities-noncurrent	$163,937	$369,137

c. Pursuant to Article 9-2 of the “Statute for Upgrading Industries”, the Company is qualified as a technical service industry and is therefore entitled to an income tax exemption period for five consecutive years on the income generated from qualifying high technology activities. The Company has elected the tax exemption periods from January 1, 2004 through December 31, 2008, January 1, 2005 through December 31, 2009, and January 1, 2007 through December 31, 2011.

d. The Company and subsidiaries are not allowed to file consolidated income tax returns.

e. The Company’s income tax returns for the years from 2002 to 2005 have been assessed by the tax authorities and NT$1,835,978 thousand of additional income tax payable was imposed. The discrepancy between the Company’s tax return filing and the result of tax authority’s assessment was mainly due to different interpretations on calculating exempted income. After assessing the potential outcome, the Company has fully accrued the additional tax liability. Although the Company has vigorously filed several administrative appeals to tax authority and Courts, the Company has paid the amount in full.

f. The Company and domestic subsidiaries' available investment tax credits as of December 31, 2008 were as follows:

Total credit amount	Unused amount	Year expired
$21,221	$21,221	2009
1,338,008	538,814	2010
2,448,973	2,448,973	2011
5,457,649	5,457,649	2012
$9,265,851	$8,466,657	

g. As of December 31, 2008, net operating loss (NOL) that can be carried forward to reduce the Company's domestic consolidated subsidiaries' taxable income were as follows:

NOL incurred	Unused amount	Year expired
$104,597	$87,552	2013
103,391	103,391	2014
44,605	44,605	2015
$252,593	$235,548	

h. Integrated income tax information

	As of December 31,	
	2008	2007
Balance of the imputation credit account (ICA)	$2,207,442	$972,323

	2008	2007
Expected (Actual) creditable ratio	4.81%(Note)	5.08%

Note: The ratio was computed based on the amount of actual available shareholders' tax credits plus estimated income tax payable as of December 31, 2008.

i. Information related to undistributed retained earnings

	As of December 31,	
	2008	2007
Prior to 1998	$-	$-
After 1997	55,427,112	62,971,175
Total	$55,427,112	$62,971,175

(24)Earnings Per Share

The Company's capital structure is classified as complex capital structure after the issuance of employee stock options in 2008. The shares of employee stock options (if exercised) have no dilutive effect. However, the shares of employee bonuses as expense have a dilutive effect. Basic earnings per share and dilutive earnings per share were disclosed as follows:

The weighted average numbers of common share outstanding were computed as follows: (in shares)

Contents	For the year ended December 31, 2008	2007
Weighted-average shares outstanding, ending (Less the Company's share owned by its subsidiary)	1,065,389,295	1,063,069,661
Effect of dilutive potential common shares:		
Bonus to employees	29,040,340	-
Weighted-average of dilutive shares outstanding	1,094,429,635	1,063,069,661

	Amount(Numerator)			Earnings per share	
	Before tax	After tax	Shares (Denominator)	Before tax	After tax
For the year ended December 31, 2008					
Consolidated net income attributable to the parent					
Basic EPS					
Net income	$21,113,887	$19,189,997	1,065,389,295	$19.82	$18.01
Diluted EPS					
Net income	$21,113,887	$19,189,997	1,094,429,635	$19.29	$17.53
Consolidated net loss attributable to minority interests					
Basic EPS					
Net loss	$(15,757)	$(15,757)	1,065,389,295	$(0.01)	$(0.01)
Diluted EPS					
Net loss	$(15,757)	$(15,757)	1,094,429,635	$(0.01)	$(0.01)

	Amount(numerator)			Earning per share	
	Before tax	After tax	Shares (Denominator)	Before tax	After tax
For the year ended December 31, 2007					
Consolidated net income attributable to the parent					
Basic EPS					
Net income	$35,054,853	$33,592,702	1,063,069,661	$32.98	$31.60
Consolidated net loss attributable to minority interests					
Basic EPS					
Net loss	$(202,568)	$(202,568)	1,063,069,661	$(0.19)	$(0.19)

5. Related Party Transactions

(1) Related Parties and Relations

Related parties	Relations
King Yuan Electronics Co., Ltd. ("King Yuan")	The chairmen of the Company and the chairman of King Yuan are close relatives
ALi Corporation (he Com	Equity investee
Alpha Imaging Technology Corp. ("Alpha")	A subsidiary of the Company served as Alpha's director(Note)
JMicron Technology Corporation ("JMicron")	The Company's chairman doubles as JMicron's chairman
All numbers of directors, supervisors and key managers	The Company's major managers

Note 1: Due to the disposal of the Company's indirect holdings in Alpha on January 2007, the Company no longer treated Alpha as an equity investee since then.

(2) Major Transactions with related parties

a. Sales

	For the year ended December 31,			
	2008		2007	
	Amount	% of net sales	Amount	% of net sales
Alpha	$5,002	0.01	$10,993	0.02
Ali	-	-	18,994	0.02
Total	$5,002	0.01	$29,987	0.04

Sales prices to the above related parties were similar to those to third-party customers. For the years ended 31 December, 2008 and 2007, the trade credit terms for both the abovementioned related parties and third-party customers were 45 to 60 days. Third-party customers may prepay their accounts in advance.

b. IC testing, experimental services and manufacturing technology services

		For the year ended December 31,	
		2008	2007
King Yuan	IC testing and experimental services	$3,619,140	$2,529,825

c. The Company earned rental income in the amount of NT$7,993 thousand and NT$6,014 thousand by leasing out part of its office to JMicron for the years ended December 31, 2008 and 2007, respectively. A deposit of NT$876 thousand was received from JMicron due to this office space lease.

(3) Receivables and payables resulted from the above transactions

a. Receivables from related parties

	As of December 31,			
	2008		2007	
	Amount	%	Amount	%
Alpha	$-	-	$4,374	0.06

b. Payables to related parties

	As of December 31,			
	2008		2007	
	Amount	%	Amount	%
King Yuan	$633,674	12.91	$644,658	8.55

(4) Remunerations paid to major managers

	For the year ended December 31,	
	2008	2007
Salaries, reward, compensation, special allowance and bonus	$157,168(Note)	$594,077

Note: The appropriation of the 2008 earnings is not shown since the actual amount will not be finalized until the shareholders' meeting in 2009.

The Company's major managers include all directors, supervisors and key managers. The information about the compensation of directors and management personnel is available in the annual report for the shareholders' meeting.

6. Assets Pledged As Collateral

(1) As of December 31, 2008:

	Net book value	Secured financial institutions	Contents (Purpose)
Restricted deposits-current	$1,800	Administrative Bureau of HSIP	Land lease guarantee
Restricted deposits-current	3,735	Danske Bank	Credit guarantee
Restricted deposits-noncurrent	3,202	Customs Office	Tariff execution deposits
Restricted deposits-noncurrent	26,288	City Bank	Lease guarantee
Total	$35,025		

(2)As of December 31, 2007:

	Net book value	Secured financial institutions	Contents (Purpose)
Restricted deposits-current	$1,563	First Bank	Short-term debt
Restricted deposits-noncurrent	3,062	Customs Office	Tariff execution deposits
Restricted deposits-noncurrent	41	Tax Authority	Income taxes execution deposits
Land	5,797	First Bank	Long-term debt
Building and facilities	7,273	First Bank	Long-term debt
Total	$17,736		

7. Commitments and Contingencies

Operating Lease:

(1) The Company has entered into certain lease agreements for land with the Administrative Bureau of HSIP for its need of operations. Related rent to be incurred in the future is as follows:

Lease Period	Amount
2009.01.01~2009.12.31	$25,171
2010.01.01~2010.12.31	25,171
2011.01.01~2011.12.31	25,171
2012.01.01~2012.12.31	25,171
2013.01.01~2013.12.31	25,171
2014.01.01~2027.12.31	258,388
Total	$384,243

(2) The Company's subsidiaries MUS and MWS have entered into certain lease agreements for offices for operations. Related rent to be incurred in the future would be as follows:

Lease Period	Amount
2009.01.01~2009.12.31	$86,756
2010.01.01~2010.12.31	89,171
2011.01.01~2011.12.31	92,287
2012.01.01~2012.12.31	85,719
2013.01.01~2013.12.31	49,986
2014.01.01~2015.12.31	104,189
Total	$508,108

8. Significant Casualty Loss

None

9. Significant Subsequent Events

None.

10. Others

(1) Financial Instruments

a. Fair value of financial instruments

	As of December 31,			
	2008		2007	
	Carrying value	Fair value	Carrying value	Fair value
<u>Non-derivative</u>				
Assets				
Cash and cash equivalent	$53,021,544	$53,021,544	$50,588,024	$50,588,024
Held-for-trading financial assets-current (excluding derivatives)	$147,675	$147,675	$1,196,437	$1,196,437
Financial assets designated as at fair value through profit or loss	$1,808,334	$1,808,334	$2,337,411	$2,337,411
Receivables (including receivables from related parties)	$5,428,620	$5,428,620	$7,081,753	$7,081,753
Other receivables	$739,307	$739,307	$731,389	$731,389
Available-for-sale financial assets	$6,432,153	$6,432,153	$10,056,481	$10,056,481
Held-to-maturity financial assets	$2,134,142	$2,118,140	$1,143,561	$1,151,287

(To be continued)

(Continued)

	As of December 31,			
	2008		2007	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets carried at cost	$769,806	$-	$547,843	$-
Bond portfolios with no active market	$1,000,000	$1,084,628	$1,000,000	$1,100,598
Investments accounted for using the equity method				
-with market value	$1,208,569	$1,299,924	$1,177,762	$3,867,036
-without market value	$-	$-	$65,605	$-
Refundable deposits	$103,897	$103,897	$368,577	$368,577
Restricted deposits	$35,025	$35,025	$4,666	$4,666
Liabilities				
Short-term loans	$-	$-	$25,000	$25,000
Payable (including related parties)	$4,906,708	$4,906,708	$7,536,532	$7,536,532
Income tax payable	$839,461	$839,461	$2,591,244	$2,591,244
Accrued expenses	$10,630,907	$10,630,907	$1,996,335	$1,996,335
Payables to contractors and equipment suppliers	$89,403	$89,403	$198,852	$198,852
Long-term loans (including current portion)	$-	$-	$9,935	$9,935
Leased Payable (including current portion)	$1,392	$1,392	$6,237	$6,237
Deposit received	$1,022	$1,022	$1,022	$1,022
Derivatives				
Assets				
Held-for-trading financial assets				
-Forward exchange contracts	$32,587	$32,587	$31,034	$31,034
-Options	$-	$-	$13,096	$13,096
Liabilities				
Held-for-trading financial liabilities				
-Forward exchange contracts	$2,956	$2,956	$33,076	$33,076
-Cross currency swap contracts	$-	$-	$6,764	$6,764
-Options	$-	$-	$4,864	$4,864

(a) The following methods and assumptions were used by the Company in estimating the fair value of financial instruments:

(i) The fair values of the Company's short-term financial instruments approximate their carrying values at the reporting date due to their short maturities. This method was applied to cash and cash equivalents, receivables, other receivables, short-term loans, payables, income taxes payables, accrued expenses and payables to contractors and equipment suppliers.

(ii) The fair values of the Company's refundable deposits, deposits received and restricted deposits approximate their carrying value because the Company predicts the future cash inflows or outflows will be of similar amounts to the carrying values.

(iii) The fair value of held for trading financial assets and available-for-sale financial assets were based on their quoted market prices, if available, at the reporting date. If market prices were impractical and not available, fair values are determined using valuation techniques.

(iv) The fair values of held-to-maturity financial assets were based on their quoted market prices, if available, at the reporting date. If market prices were impractical and not available, fair values are determined using valuation techniques. Such techniques use rates of returns from similar financial instruments as discount rates.

(v) Financial assets carried at cost: Holdings in the following stocks that have no material influence, or derivatives linked to and settled in those stocks:

I. Stocks not listed on the Taiwan Stock Exchange or the GreTai.

II. Emerging stocks.

(vi) The bond portfolios with no active market have no quoted price from active market but have fixed or determinable payments. Fair values are estimated using the discounted cash flow method.

(vii) The fair value of investments accounted for under the equity method were based on quoted market prices, if available, at the reporting date. If the quoted prices were impractical and not available, the Company did not provide the information of fair values.

(viii) The book values of long term liabilities (including current portion of long term liabilities) approximate their fair values because the interest rates of the long term liabilities are based on floating rates and, hence, have been adjusted to reflect the interest rates offered in the current market.

(ix) Fair value of lease payable (including current portion) is evaluated by discounting expected future cash flows.

(x) The fair value of derivative financial instruments and financial assets designated as at fair value through profit or loss were based on their quoted market prices, if available, at the reporting date. If market prices were impractical and not available, fair values are determined using valuation techniques.

(b) Losses recognized for the changes in fair values of financial assets estimated using valuation techniques were NT$55,800 thousand and NT$12,416 thousand for the years ended December 31, 2008 and 2007, respectively.

(c) As of December 31, 2008 and 2007, financial assets exposed to fair value risk from fixed interest rate were NT$52,239,104 thousand and NT$43,930,655 thousand, respectively. Financial assets exposed to cash flow risk from variable interest rate were NT$251,650 thousand and NT$7,530,000 thousand, respectively, while financial liabilities were NT$0 and NT$34,935 thousand, respectively.

(d) Interest income recognized from financial assets and financial liabilities that are not at fair value through profit or loss amounted to NT$1,167,862 thousand and NT$1,136,372 thousand and the interest expense amounted to NT$10,045 thousand and NT$65,426 thousand for the years ended December 31, 2008 and 2007, respectively. The Company recognized an unrealized loss of NT$368,943 thousand and NT$130,923 thousand in shareholder’s equity for the changes in fair value of available-for-sale financial assets for the years ended December 31, 2008 and 2007, respectively, and the amounts that were recycled from equity to (loss) or profit were NT$(167,628) thousand and NT$43 thousand for the years ended December 31, 2008 and 2007, respectively. The Company also recognized an unrealized gain of NT$862,633 thousand and NT$1,740,636 thousand in shareholders' equity for the changes in available-for-sale financial assets held by its investee companies accounted for under the equity method for the years ended December 31, 2008 and 2007, respectively.

(e)The impairment loss on financial assets amounted to NT$773,139 thousand and NT$375,312 thousand for the years ended December 31, 2008 and 2007, respectively.

b.

(a) Risk management policy and hedge strategy for financial instruments

The Company and subsidiaries held certain non-derivative financial instruments, including cash and cash equivalents, available-for-sale financial assets, held-for-trading financial assets-mutual fund, government bonds and corporate bonds and financial debentures. The Company and subsidiaries held the financial instruments to meet operating cash needs. The Company and subsidiaries also held other financial instruments such as receivables, other receivables, payables, financial assets designated as at fair value through profit or loss, held-to maturity financial assets, financial assets measured at cost, bond portfolios with no active market and long-term investments accounted for using the equity method.

The Company subsidiaries entered into forward exchange contracts. Forward contracts were used to hedge assets and liabilities denominated in foreign currency. However, as these derivatives did not meet the criteria for hedge accounting, they were recognized as current financial assets/liabilities at fair value through profit or loss.

(b) Information of financial risks

The Company and subsidiaries manages its exposure to key financial risks, including market risk, credit risk, liquidity risk and cash flow risk from variable interest rate in accordance with the Company's financial risk management policy. The management policy was summarized as follows:

Market risk

Market risk mainly includes currency risk. It comes from the purchases or sales activities which are not denominated in the Company and subsidiaries' functional currency. The Company and subsidiaries review their assets and liabilities denominated in foreign currency and enter into forward exchange contracts to hedge the exposure from exchange rate fluctuations. The level of hedging depends on the foreign currency requirements from each operating unit. As the purpose of holding forward exchange contracts is to hedge exchange rate fluctuation risk, the gain or loss made on the contracts from the fluctuation in exchange rates are expected to mostly offset gains on loss made on the hedged item. Had the USD moved against NTD by increasing 1 cent, the fair value of the forward exchange contracts would decrease by NT$1,150 thousand and NT$2,113 thousand as of December 31, 2008 and 2007, respectively. Credit-linked deposits are affected by interest rates. When interest rate increases, the market value may decrease and may even be below the initial investment cost, and vice versa. The fair value of exchange rate-linked deposits is affected by interest rate fluctuation. The fair value of mutual fund, government bonds and corporate bonds will be exposed to fluctuations from other market factors as well as movement in interest rates.

Credit risk

The Company's exposure to credit risk arises from potential default of the counter-party or other third-party. The level of exposure depends on several factors including concentrations of credit risk, components of credit risk, the price of contract and other receivables of financial instruments. The Company's credit risk mainly comes from the collectibility of accounts receivable while receivable balances are monitored on an ongoing basis and an allowance for doubtful receivables is provided. Thus, the net book value of accounts receivable are properly evaluated and reflect the credit risk the Company expose to. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk, which arises when counter-party or third-party to a financial instrument fails to discharge an obligation and the Company suffer a financial loss as a result.

Since the counter-party or third-party to the foregoing forward exchange contracts are all reputable financial institutions, management believes that the Company's exposure to default by those parties is minimal. Credit risk of credit-linked deposits, exchange rate-linked deposits arises if the issuing banks breached the contracts or the debt issuer could not pay off the debts; the maximum exposure is the carrying value of credit-linked deposits. Therefore, the Company minimized the credit risk by only transacting with counter-party who is reputable, transparent and in good financial standing.

Liquidity risk

The Company has sufficient operating capital to meet cash needs upon settlement of derivatives financial instruments. Therefore, the liquid risk is low.

Except for financial assets measured at cost, investments in bonds with no active market and long-term investments accounted for using the equity method that may have significant liquidity risks resulted from lack of an active market, the equity securities, bonds and funds held by the Company are traded in active markets and can be sold promptly at the prices close to their fair values. Since the Company intends to and is able to hold financial bonds and real estate investment trust to maturity, the liquid risk is low. Since the exchange rates of forward exchange contracts are fixed at the time the contracts are entered into and the Company does hold and anticipates to hold sufficient financial assets denominated in USD, no significant additional cash requirement is anticipated.

The liquidity risk for structured investments arises when the Company decides to have the instrument redeemed or called prior to its maturity, which must be at the market prices determined by the issuing bank; therefore the Company is exposed to potential liquidity risk. The Company minimized such risk by prudential evaluation when entering into such contract.

Cash flow risk from variable interest rate

The Company's main financial instruments exposed to cash flow risk are the investments in time deposits with variable interest rates. However, since the duration of the time deposit is short, the fluctuation in interest rates has no significant impact. As such the cash flow risk is minimal.

(2) Other information

a. Certain accounts in the financial statements of the Company as of December 31, 2007 have been reclassified to conform to the presentation of the current period.

b. Inter-company relationships and significant inter-company transactions for the year ended December 31, 2008 are as follows: (For the Company's shares owned by subsidiaries, please refer to the Note 4.(20) to the consolidated financial statements.)

No. (Note 1)	Company Name	Counter Party	Relationship with the Company (Note 2)	Transaction			
				Account	Amount	Terms	Percentage of consolidated operating revenue or total assets (Note 3)
0	MediaTek Inc.	MediaTek Singapore Pte. Ltd.	1	Account receivable-related party	$20,325	By the contract	0.02%
			1	Sales Revenue	$412,553		0.46%
		MediaTek Wireless Limited (Ireland)	1	Other receivable	$1,025	-	0.00%
		MTK Wireless Limited (UK)	1	Other receivable	$2,152		0.00%
		MediaTek Denmark ApS	1	Other receivable	$2,683		0.00%
		MediaTek Wireless, Inc. (USA)	1	Other receivable	$836		0.00%
		Airoha Technology Corp.	1	Other receivable	$3,066	By the contract	0.00%
			1	Rent revenue	$12,318		0.01%
1	Gaintech Co. Limited	MediaTek Korea Inc.	3	Other receivable	$12,294		0.01%
		K-Will Corporation (Japan).	3	Administrative expenses	$101,529		0.11%
		MediaTek India Technology Pvt. Ltd.	3	Prepayments	$283		0.00%
			3	Administrative expenses	$54,074		0.06%
2	MediaTek Limited	MediaTek (ShenZhen) Inc.	3	Administrative expenses	$8,829		0.01%
3	MediaTek Singapore Pte. Ltd.	MediaTek Wireless, Inc. (USA)	3	Account payable-related party	$523,064		0.53%
			3	Research and development expenses	$1,576,556		1.74%
		MediaTek Denmark ApS	3	Account payable-related party	$169,868		0.17%
			3	Research and development expenses	$360,908		0.40%
		MediaTek Wireless Limited (Ireland)	3	Account payable-related party	$68,786		0.07%
			3	Research and development expenses	$105,647		0.12%
		MTK Wireless Limited (UK)	3	Account payable-related party	$192,862		0.19%
			3	Research and development expenses	$594,467		0.66%

(To be continued)

(Continued)

No (Note 1)	Company Name	Counter Party	Relationship with the Company (Note 2)	Transaction			
				Account	Amount	Terms	Percentage of consolidated operating revenue or total assets (Note 3)
3	MediaTek Singapore Pte. Ltd.	MediaTek USA Inc.	3	Account payable-related party	$330,877	By the contract	0.33%
			3	Research and development expenses	$1,280,787		1.42%
			3	Selling expense	$17,837		0.02%
		MediaTek Japan Inc.	3	Account payable-related party	$62,349		0.06%
			3	Research and development expenses	$97,618		0.11%
		MediaTek India Technology Pvt. Ltd.	3	Account payable-related party	$19,649		0.02%
			3	Research and development expenses	$121,772		0.13%
		MediaTek Korea Inc.	3	Account payable-related party	$20,041		0.02%
			3	Research and development expenses	$122,552		0.13%
		MediaTek (ShenZhen) Inc.	3	Prepayments	$13,504		0.01%
			3	Research and development expenses	$552,966		0.61%
		MediaTek Inc. China	3	Prepayments	$21,825		0.02%
			3	Research and development expenses	$265,689		0.29%
		MediaTek (Beijing) Inc.	3	Prepayments	$45,598		0.05%
			3	Research and development expenses	$505,996		0.56%
	MediaTek USA Inc.	MediaTek Japan Inc.	3	Account payable-related party	$1,449		0.00%
			3	Research and development expenses	$74,011		0.08%

Inter-company relationships and significant inter-company transactions for the year ended December 31, 2007 are as follows:

No. (Note 1)	Company Name	Counter Party	Relationship with the Company (Note 2)	Transaction			
				Account	Amount	Terms	Percentage of consolidated operating revenue or total assets (Note 3)
0	MediaTek Inc.	MediaTek Singapore Pte. Ltd.	1	Account receivable-related party	$134,183	By the contract	0.14%
			1	Sales Revenue	$134,460		0.17%
		MediaTek Wireless Limited (Ireland)	1	Other receivable	$969		0.00%
		MTK Wireless Limited (UK)	1	Other receivable	$290		0.00%
		MediaTek Wireless, Inc. (USA)	1	Other receivable	$61,100		0.06%
1	Gaintech Co. Limited	MediaTek India Technology Pvt. Ltd.	3	Account payable-related party	$54,303		0.05%
			3	Administrative expenses	$118,801		0.15%
		MediaTek Singapore Pte. Ltd.	3	Administrative expenses	$112,387		0.14%
		CrystalMedia Technology, Inc.	3	Account payable-related party	$70,020		0.07%
			3	Administrative expenses	$289,152		0.36%
		MediaTek USA Inc.	3	Administrative expenses	$287,208		0.36%
2	MediaTek Limited	MediaTek Inc. China	3	Administrative expenses	$109,303		0.14%
		MediaTek (ShenZhen) Inc.	3	Administrative expenses	$338,940		0.42%
		MediaTek (Beijing) Inc.	3	Administrative expenses	$160,931		0.20%
3	MediaTek Singapore Pte. Ltd.	MediaTek USA Inc.	3	Advance receipts	$25,702		0.03%
			3	Research and development expenses	$160,681		0.20%
		MediaTek Inc. China	3	Prepayments	$65,888		0.07%
			3	Research and development expenses	$31,497		0.04%
		MediaTek (Beijing) Inc.	3	Prepayments	$52,046		0.05%
			3	Research and development expenses	$38,498		0.05%
		CrystalMedia Technology, Inc.	3	Prepayments	$13,133		0.01%
			3	Research and development expenses	$18,786		0.02%
4	AdvMatch Technology, Inc.	Aimgene Technology, Co. Ltd	3	Account payable-related party	$261		0.00%

Note 1: The Company and subsidiaries are coded as follows:

1. The Company is coded “0”.
2. The subsidiaries are coded consecutively beginning from “1” in the order presented in the table above.

Note 2: Transactions are categorized as follows:

1. The holding company to subsidiary.
2. Subsidiary to holding company.
3. Subsidiary to subsidiary.

Note 3: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items is based on each item’s balance at period-end. The percentage with respect to the consolidated net sales for profit or loss items and cumulative balance is used as basis.

9.8. Financial Difficulties

The Company should disclose the financial impact to the Company if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2008 and as of the date of this Annual Report:

None.

(End)