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南茂科技股份有限公司
ChipMOS TECHNOLOGIES INC.

2017 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Printed on April 30, 2018

2017 Annual Report
Printed on April 30, 2018

Company Spokesperson
Name: Lafair Cho
Title:Senior ExecutiveVice President &
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Deputy Spokesperson
Name: Silvia Su
Title:Senior Director, Finance & Accounting
Management Center
Tel: (03)577-0055
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Tel: (03)577-0055
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Tel: (06)505-2388
Fax: (06)505-2345

Zhubei fab.
No.37, Xintai Rd., Tai He Vil., Zhubei City,
Hsinchu County, Taiwan, R.O.C.
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Fax: (03)553-2715

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Hsinchu County, Taiwan, R.O.C.
Tel: (03)598-5959
Fax: (03)553-2530

Hukou fab.
No.4, Rende Rd., Feng Shan Vil., Hukou
Township, Hsinchu County, Taiwan, R.O.C.
Tel: (03)598-5959
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Department
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The Certified Public Accountants for the Latest
Annual Financial Statements:
PricewaterhouseCoopers, Taiwan
Auditors: Chun-Yuan Hsiao, Chih-Cheng Hsieh
Address: 27F., No.333, Sec. 1, Keelung Rd.,
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Tel: (02)2729-6666

Foreign Securities Trade & Exchange
ADS exchange：NASDAQ Stock Market
Disclosed information can be found at
http://www.nasdaq.com
ADS code: IMOS

Corporate Website: http://www.chipmos.com

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I. Letter to Shareholders

Dear Shareholders,

We keep moving forward to deliver high technology, outstanding quality with reliable packaging and testing solutions which are the unwavering principles of ChipMOS since inception. According to our global business strategies, we remain alongside our strategic customers for supporting their product development roadmap to make progress and grow with them in the worldwide market, including Taiwan, China and United States. To maximize value for our shareholders is our endeavor goal.

Notable Results of 2017

- Completed 54.98% ChipMOS Shanghai equity interest transfer with strategic investors led by Tsinghua Unigroup and resulting in a NT$1.84 billion income.
- Completed the 1st stage capital injection of China JV with Tsinghua Unigroup in Q2 2017 and the 2nd investment tranche closed in Q1 2018. ChipMOS Shanghai totally received approximately RMB1.07 billion in funding for competitive capacity investment. ChipMOS owns 45.02% shares of ChipMOS Shanghai.
- Distributed total NT$1.0 cash, including NT$0.3 cash dividend and NT$0.7 cash distribution from capital surplus, per common share to Shareholders (equivalent to US$0.655 per ADS).
- Reduced NT$0.61 billion net debt, from NT$3.22 billion at the end of 2016 to NT$2.61 billion at the end of 2017.

Consolidated revenue for the fiscal year ended December 31, 2017 was NT$17.94 billion, which reflects a slightly decline of 2.4% from 2016 which was affected by the major memory customer's order reallocation, slower growth path of large-size panel and the weaker demand of driver IC packaging and testing business for small-size panel applications. In terms of revenue breakdown by product line, Flash business contributed 19.5% of total revenue compared to 15.9% in 2016, while our Logic and Mixed Signal business contributed 10.4% of total revenue in 2017, as compared to 8.9% of 2016.

ChipMOS' financial situation has been improved over years through the adjustment of the product mix, customer base and business segment served. The net profit to the equity holders of ChipMOS for the fiscal year ended December 31, 2017 was NT$3.03 billion, and the consolidated gross margin for the year remained at the level of 18.0%. The overall capacity utilization was at 75%, and the earnings was NT$3.57 per basic share count, as we benefited from the disposal of the equity interest in ChipMOS Shanghai. Till the end of 2017, the aggregated amount of ChipMOS' consolidated cash and cash equivalents was approximately NT$8.04 billion with the consolidated debt ratio of 44.7% and a net debt to equity ratio of 14.2%. The Return on Equity (ROE) was approximately 17.5% for 2017.

Though the market competition was ever intensifying, we have seen the synergies from product line combination and transformation. Our diversification efforts have demonstrated in the niche and high-growth markets such as automobile and industrial market. Other growth opportunities include 3D optical sensing related product, TDDI, and 12 inch fine pitch chip on film (“COF”) product for the demand from full screen, narrow bezel, and 18:9 larger screen. The accelerated integration of automation and intellectualized field both in industrial and home environments market which will increase the demand of new Smartphone, tablets and wearable devices. That is the major reason why we focused on high-growth potential end market. Therefore, we are confident of the actions we took in 2017 which position us for growth opportunities in the future.

While driven by the increasing demand in automotive, industrial automation, mobile device and intelligent home solution, ChipMOS will continuously focus on core technology development and innovation, to cooperate with customers for reducing operating costs. We will also remain to work on product line combination and transformation progress, also concentrate on high-growth and niche market as long-term business strategy. By offering tailored and reliable turnkey solutions that integrate wafer bumping and assembly, with leading edge semi-conductor back end full turn-key solution services, ChipMOS will be able to drive growth in revenue and profitability and be capable of building further Shareholder value in 2018 and beyond. We thank you for your continuous support.

Chairman: Shih-Jye Cheng President: Shih-Jye Cheng Accounting Officer:Silvia Su

II. Company Profile

I. Date of Incorporation: July 28, 1997

II. Company History

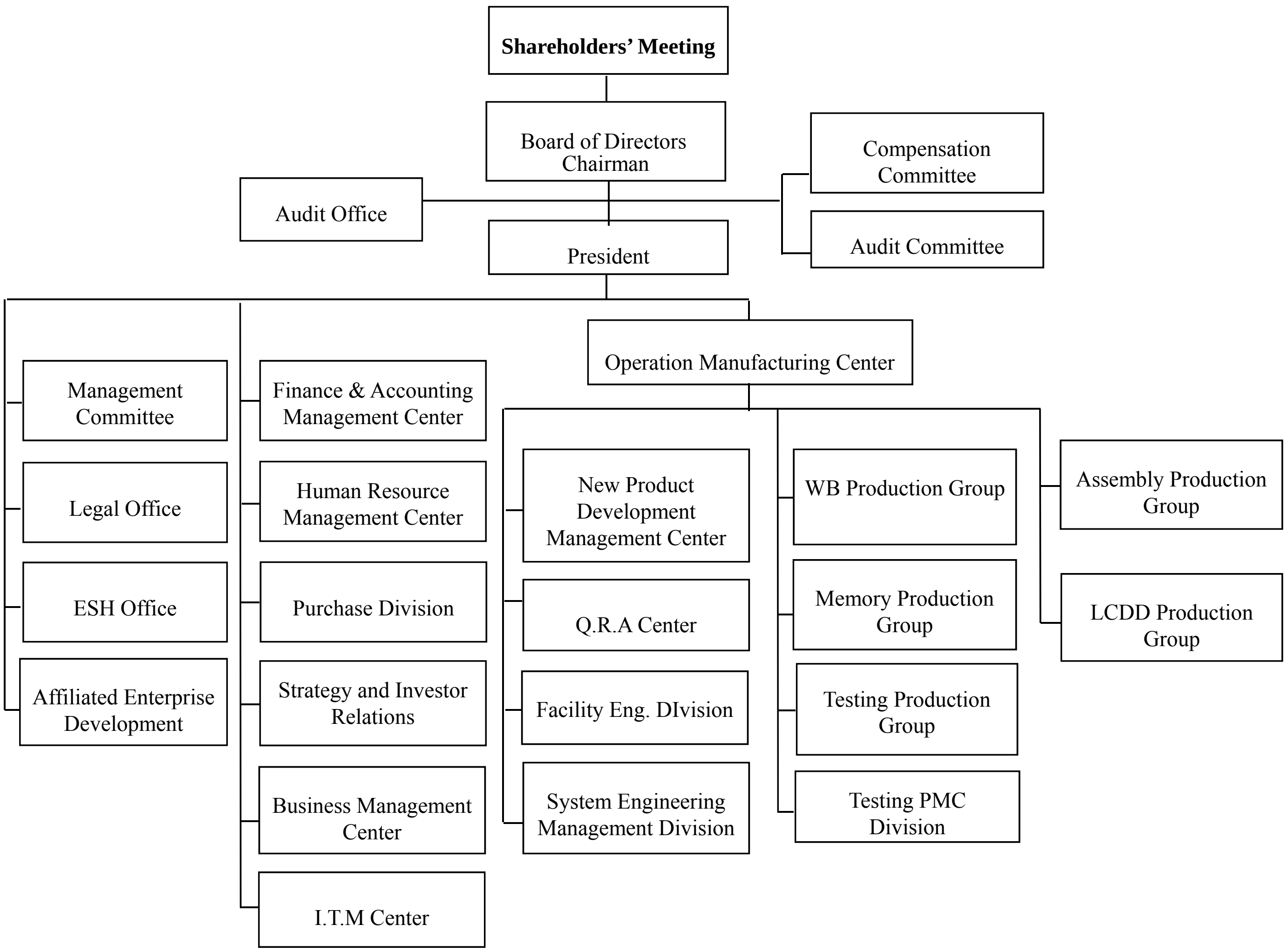
Time	Milestones
July 1997	Incorporated with paid-in capital of NT$5,000,000,000 and with the name "ChipMOS TECHNOLOGIES INC."
September 1997	Acquired ISO 9002 (Hsinchu fab.) certification.
October 1997	Became public company .
November 1997	Acquired ISO 14001 (Hsinchu fab.) certification.
August 1998	Completed construction of Tainan fab.
October 1998	Acquired QS 9000 (Hsinchu fab) certification.
November 1998	Tainan fab. was approved to start the operation and began the commercial launch of memory IC TSOP/QFP package.
December 1998	Acquired ISO 9002 (Tainan fab.) certification.
June 1999	Established Japanese subsidiary.
July 1999	Acquired Kaohsiung branch office of Microchip Technology Inc. which provided EEPROM, OTPROM memory IC and logic IC testing services.
July 1999	Became the first professional assembly house in the world to develop cross-flow modeling technique and began mixed-signal product testing and Ball Grid Array (BGA) package.
October 1999	Acquired QS 9000 certification (Tainan fab. and Kaohsiung branch) and established U.S. subsidiary of the Company.
April 2000	Started TCP assembly for LCD driver semiconductor.
July 2000	Acquired ISO 14001 certification (Tainan fab.)
October 2000	Acquired CNLA Accreditation (the quality laboratory of the Tainan fab.)
November 2000	Started 12" wafer assembly and testing
January 2001	For the plan of ChipMOS TECHNOLOGIES (Bermuda) LTD. (hereinafter be referred to as "ChipMOS Bermuda") to list in the United States of America, the Company's major shareholder, Mosel Vitelic Inc. and other shareholders, sold 70.25% of the Company's common share to ChipMOS Bermuda, and at the same time purchased ChipMOS Bermuda's shares by using the full proceeds obtained from the sale. As of the end of 2001, ChipMOS Bermuda held 69.7% of the Company's total outstanding shares.
September 2002	Invested into CHANTEK ELECTRONIC CO., LTD. which was mainly engaged in business of IC assembly.
December 2002	Invested into ThaiLin Semiconductor Corp.
January 2003	Launched successfully high-tech level Chip On Film assembly and testing technology.
February 2003	Invested into Advanced Micro Chip Technology Co., Ltd. which was mainly engaged in business of gold bumping production.

Time	Milestones
August 2003	Completed the preparation of commercial launch of DDR II assembly and testing solution.
December 2003	Acquired ISO 9001:2000 and ISO/TS 16949:2002 certification (Hsinchu and Tainan fab.)
December 2003	Started commercial launch of Chip On Glass (COG) for LCD driver IC.
January 2004	Founded ChipMOS Logic TECHNOLOGIES INC. as the joint venture with ThaiLin Semiconductor Corp. to engage in logic/mixed-signal IC testing business.
November 2005	The Company merged with CHANTEK ELECTRONIC CO., LTD ., with the Comapny being the surviving company and the capital increased to NT$8,934,422,910.
January 2006	Acquired ISO/TS 16949:2002 certification (Zhubei fab.)
April 2006	The Company, Oracle and Institute for Information Industry form R&D alliance to develop a real time information system.
September 2006	Received 14^{th} "Excellent Enterprise Innovation Award" from the MOEA.
February 2007	Cancelled 5,611,797 treasury shares which the Company bought back from the dissenting shareholders regarding the merger with CHANTEK ELECTRONIC CO., LTD. and the capital became NT$8,878,304,940 after the cancellation.
May 2007	Completed construction of the second assembly fab. in Tainan.
August 2007	Awarded for 2006 International Trade.
September 2007	The Company and ChipMOS Bermuda consummated share exchange transaction and the Company became a wholly owned subsidiary of ChipMOS Bermuda.
October 2009	The Company's Japanese subsidiary was dissolved.
April 2013	Registered at the Emerging Stock Market.
April 2014	Listed for trading on the Taiwan Stock Exchange.
June 2015	Merged with ThaiLin Semiconductor Corp. with the Company being the surviving company and increased the capital in an amount of NT$359,322,850. Company's capital became NT$9,005,516,430 after the merger.
October 2016	The Company merged with its parent company, ChipMOS Bermuda, with the Company being the surviving company. The total outstanding shares of the Company after the merger were 887,121,261 shares.

III. Corporate Governance Repor

I. Organization System

(I) Organization structure



(II) Business of Major Departments

President
The Company's overall operational targets and performance management.

Audit Office
Internal audit and operation process management.

Compensation Committee
Enact and periodically review the performance evaluation and policies, systems, standards and structure of compensation.

Audit Committee
Supervise Company's accounting and financial reports, and audit Company's accounting statements.

Management Committee
Draft and plan operation strategies of the Company.

Legal Office
Handle with issues related to corporate legal affairs.

ESH Office
Responsible for planning and implementing policies related to labors' safety and health and environmental protection.

Affiliated Enterprise Development
Responsible for the operation and development of the affiliated enterprises.

Finance & Accounting Management Center
Financial and accounting services: including capital management, tax management, asset management and other accounting operations

Human Resource Management Center
Human resource management and organizational development.

Purchase Division
Plan and implement the procurement of raw materials, equipment and general matters.

Strategy and Investor Relations
Implementation and plans regarding matters relating to the strategy and investor relations.

Business Management Center
Responsible for market trend analysis, plans and implementation of matters related to business development and customer service.

Q.R.A Center
Responsible for the enactment related to the quality development schedule, and plans and implementation related to relevant quality activities.

Facility Eng. Division
Maintain and implement power, water, chemical gas and other relevant matters of facilities.

I.T.M Center
Responsible for the structure of information system; management and development of automated system.

New Product Development Management Center
Responsible for the management of new production development.

System Engineering Management Division
Provide rationalization and optimization plans regarding resources in facilities to high-level managements as policy decision reference.

Operation Manufacturing Center
Responsible for production plans and implementation of Wafer Bumping Production Department, Memory Production Department, Testing Production Department, Assembling Production Department, LCDD Production Department and Material Testing Control Division.

II. Information of Directors, Supervisors, President, Vice Presidents, Assistant Presidents, Officers of Departments and Branches

(I)Information Regarding Directors and Supervisors

1. Directors and supervisors

March 31, 2018 (Unit: shares; %)

Title	Nationality	Name	Sex	Date elected	Term	Date first elected	Shareholding when elected		Shareholding at present		Shareholding at present by spouse and minor children		Shareholding in the name of others		Major education/work experience	Current positions at the Company or other companies	Other officers, directors or supervisors who is the spouse or a relative within second degree of kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation
Chairman	R.O.C. (Taiwan)	Shih-Jye Cheng	M	May 31, 2016	3 years	June 17, 2013	5,050,000	0.56%	5,530,000	0.62%	–	–	–	–	MBA, Saginaw Valley State University President of ChipMOS TECHNOLOGIES INC. Chairman of ChipMOS TECHNOLOGIES INC.	President of ChipMOS TECHNOLOGIES INC. Director of ChipMOS USA Inc. Vice Chairman of ChipMOS TECHNOLOGIES (Shanghai) LTD.	–	–	–
Director	R.O.C. (Taiwan)	Wen-Ching Lin	M	May 31, 2016	3 years	May 31, 2016	4,000,200	0.45%	4,000,200	0.45%	–	–	–	–	Takushoku University Supervisor of Siliconware Precision Industries Co., Ltd.	Chairman of Yang Fong Investment Co., Ltd. Director and President of Shi Kai Investment Co., Ltd. President of Zhi Sheng Investment Co., Ltd. Chairman of Yann Yuan Investment Co., Ltd.	–	–	–
Director	R.O.C. (Taiwan)	Yu-Hu Liu	M	May 31, 2016	3 years	June 17, 2013	–	–	–	–	–	–	–	–	Master, National United University Supervisor of Siliconware Precision Industries Co., Ltd. Vice President of Siliconware Precision Industries Co., Ltd.	Supervisor of Siliconware Investment Co., Ltd. Supervisor of Yann Yuan Investment Co., Ltd.	–	–	–
Independent Director	R.O.C. (Taiwan)	Chin-Shyh Ou	M	May 31, 2016	3 years	June 28, 2007	–	–	–	–	–	–	–	–	Ph.D., Business Administration (Accounting), University of Minnesota, USA Independent Director of ChipMOS TECHNOLOGIES (Bermuda) LTD.	Adjunct Professor, Department of Accounting and Information Technology, National Chung Cheng University Independent Director / Compensation Committee member of Chi Hua Fitnss Co. Supervisor of Taiwan Navigation Co., Ltd.	–	–	–

Title	Nationality	Name	Sex	Date elected	Term	Date first elected	Shareholding when elected		Shareholding at present		Shareholding at present by spouse and minor children		Shareholding in the name of others		Major education/work experience	Current positions at the Company or other companies	Other officers, directors or supervisors who is the spouse or a relative within second degree of kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation
Independent Director	R.O.C. (Taiwan)	Yuh-Fong Tang	M	May 31, 2016	3 years	June 17, 2013	–	–	–	–	–	–	–	–	Ph.D., University of Illinois Electrical Engineering Vice Chairman of Pack-Link Management Corp. Independent Director of Zhengyuan Technology Co., Ltd Supervisor of TrueLight Corp. Chairman of Compensation Committee of Carnival Industrial Corporation Chairman of ZAVIO Inc. Chairman & CEO of Myson Century, Inc.	Independent Director of OPNET Technologies. Consultant of Intelligent Silicon Solution Corporation.	–	–	–
Independent Director	R.O.C. (Taiwan)	Tai-Haur Kuo	M	May 31, 2016	3 years	June 17, 2013	–	–	–	–	–	–	–	–	Ph.D., Electrical Engineering, University of Maryland	Professor, Department of Electrical Engineering, National Cheng Kung University Independent Director/ Audit Committee member / Compensation Committee member of Holtek Semiconductor Inc	–	–	–
Independent Director	R.O.C. (Taiwan)	Cho-Lien Chang	F	May 31, 2016	3 years	June 3, 2015	–	–	–	–	–	–	–	–	Bachelor, Chung Yuan Christian University Vice President of ChipMOS TECHNOLOGIES INC.	–	–	–	–

Title	Nationality	Name	Sex	Date elected	Term	Date first elected	Shareholding when elected		Shareholding at present		Shareholding at present by spouse and minor children		Shareholding in the name of others		Major education/work experience	Current positions at the Company or other companies	Other officers, directors or supervisors who is the spouse or a relative within second degree of kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation
Independent Director	R.O.C. (Taiwan)	Kuei-Ann Wen	F	May 31, 2016	3 years	June 3, 2015	–	–	–	–	–	–	–	–	Ph.D., Institute of Electrical Engineering, National Cheng Kung University Professor, Department of Electronic Engineering and Institute of Electronics, National Chiao Tung University Associate Dean, College of Electrical and Computer Engineering, National Chiao Tung University Associate Dean, Office of Research and Development, National Chiao Tung University	Professor, Department of Electronic Engineering and Institute of Electronics, National Chiao Tung University Chief Executive Officer, Strategic Development Office, National Chiao Tung University Vice Dean, International College of Semiconductor Technology, National Chiao Tung University Independent Director / Audit Committee member / Compensation Committee member of Xintec Inc	–	–	–

Note: The authority of the Company's supervisors shall be exercised by Audit Committee composed of Independent Directors.

2. Information regarding the independence of directors and supervisors

March 31, 2018

Criteria / Name	Has at least 5 years of work experience and meet one of the following professional qualifications			Qualification regarding the independence criteria (Note)										Number of other public companies concurrently serving as an independent director
	An instructor or higher 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 specialist 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.	1	2	3	4	5	6	7	8	9	10	
Shih-Jye Cheng			V			V	V	V		V	V	V	V	—
Wen-Ching Lin			V	V	V	V	V	V	V	V	V	V	V	—
Yu-Hu Liu			V	V	V	V	V	V	V	V	V	V	V	—
Chin-Shyh Ou	V	V	V	V	V	V	V	V	V	V	V	V	V	1
Yuh-Fong Tang			V	V	V	V	V	V	V	V	V	V	V	1
Tai-Haur Kuo	V		V	V	V	V	V	V	V	V	V	V	V	1
Cho-Lien Chang			V	V	V	V	V	V	V	V	V	V	V	—
Kuei-Ann Wen	V		V	V	V	V	V	V	V	V	V	V	V	1

Note: If the director or supervisor meets any of the following criteria in the two years before being elected or during the term of office, please check "V" the corresponding boxes:

(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 if the person is an independent director of the Company or its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary);

(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 more than one percent of Company's total outstanding shares or ranks as one of Company's top ten shareholders;

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the above persons in the preceding three subparagraphs;

(5) Not a director, supervisor, or employee of any institutional shareholder that directly holds more than five percent of Company's total outstanding shares or ranks as one of its top five shareholders;

(6) Not a director, supervisor, manager, or shareholder holding more than five percent of the total outstanding 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 manager of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the Company, or a spouse thereof, provided that this restriction does not apply to any member of the Remuneration Committee who exercises powers pursuant to Article 7 of the Regulations Governing the Establishment and Exercise of Powers by the Remuneration Committee of a Company whose Stock is Listed on the Stock Exchange or Traded Over the Counter";

(8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company;

(9) Not having any of the situations set forth in Article 30 of the Company Act;

(10) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act.

(II) Profile of President, Vice Presidents, Assistant Vice Presidents and Officers of Departments and Branches

March 31, 2018 (Unit: shares; %)

Title	Nationality	Name	Sex	Date appointed	Shareholding		Shareholding by spouse and minor children		Shareholding in the name of others		Major education/work experience	Current positions at other companies	Other manager who is the spouse or a relative within second degree of kinship			Status of manager's acquiring of employee stock option certificates
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
President	R.O.C (Taiwan)	Shih-Jye Cheng	M	July 17, 1998	5,530,000	0.62	–	–	–	–	Master, Business Management, Saginaw Valley State University Director, Mosel Vitelic Inc.	(Note 1)	–	–	–	–
Senior Executive Vice President & Chief Operating Officer	R.O.C (Taiwan)	Lafair Cho	M	June 17, 2015	72,000	–	–	–	–	–	Master, Industrial Management, National Cheng Kung University Chairman & President, ThaiLin Semiconductor Corp. Director, Business/ Production Line, ChipMOS TECHNOLOGIES INC.	(Note 2)	–	–	–	–
Vice President, Memory Production Group	R.O.C (Taiwan)	Wu-Hung Hsu	M	November 1, 2004	235,000	0.03	–	–	–	–	Bachelor, Automatic Control Engineering, Feng Chia University Deputy Manager, Equipment Division, Mosel Vitelic Inc. Director, Memory Engineering Division, ChipMOS TECHNOLOGIES INC.	None	–	–	–	–
Vice President, Testing Production Group	R.O.C (Taiwan)	Yung-Wen Li	M	June 1, 2004	247,000	0.03	–	–	–	–	Master, Computer Science, National Chao Tung University Director, Business Division, King Yuan ELECTRONICS CO., LTD. Director, Business Office, ChipMOS Logic TECHNOLOGIES INC.	(Note 3)	–	–	–	–
Vice President, Assembly Production Group & New Production Management Center	R.O.C (Taiwan)	Kuo-Liang Huang	M	April 17, 2007	297,000	0.03	–	–	–	–	Bachelor, Physics, Soochow University	None	–	–	–	–
Vice President, LCDD Production Group	R.O.C (Taiwan)	Yuan-Feng Hsu	M	March 6, 2012	211,000	0.02	–	–	–	–	Master, Electrical Engineering, National Sun Yat-sen University Assistant, National Cheng Kung University Senior Project Leader Engineer, Philips Electronic Building Elements(Taiwan) Ltd.	(Note 4)	–	–	–	–
Senior Director , Finance & Accounting Management Center	R.O.C (Taiwan)	Silvia Su (Note 5)	F	October 1, 2017	89,000	0.01	–	–	–	–	Master, University of Leeds Senior Manager, ChipMOS TECHNOLOGIES INC. Director,Thailin Semiconductor Corp.	(Note 6)	–	–	–	–

Title	Nationality	Name	Sex	Date appointed	Shareholding		Shareholding by spouse and minor children		Shareholding in the name of others		Major education/work experience	Current positions at other companies	Other manager who is the spouse or a relative within second degree of kinship			Status of manager's acquiring of employee stock option certificates
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
Vice President, Business Management Center	R.O.C (Taiwan)	Ming-Cheng Lin	M	June 1, 2014	60,000	–	–	–	–	–	Bachelor, Industrial Engineering and Engineering Management, National Tsing Hua University Master, Industrial Engineering and Management, Yuan Ze University Manager, Production Management Department, Walton Advanced Engineering Inc. Vice President, Marketing, ChipMOS TECHNOLOGIES INC.	None	–	–	–	–
Vice President, Human Resource center	R.O.C (Taiwan)	Yu-Ying Chen	F	June 15, 2012	208,000	0.02	–	–	–	–	Bachelor, Business Administration, Soochow University Mosel Vitelic Inc.	None	–	–	–	–
Vice President,	R.O.C (Taiwan)	Teng-Yueh Tsai	M	March 6, 2012	308,000	0.03	–	–	–	–	Master, Resources Engineering, National Cheng Kung University Gloria Material Technology Corp. Philips Electronic Building Elements (Taiwan) Ltd. Assistant Vice President, Q.R.A Center, ChipMOS TECHNOLOGIES INC.	(Note 7)	–	–	–	–
Vice President, Testing/Production Group	R.O.C (Taiwan)	Chen-Fang Huang	M	July 1, 2013	170,000	0.02	–	–	–	–	Master, Technology Management, National Tsing Hua University Deputy Manager, Wafer Testing Department, Mosel Vitelic Inc. Director, Wafer Testing Engineering Division, ChipMOS TECHNOLOGIES INC..	None	–	–	–	–
Vice President, I.T.M Center	R.O.C (Taiwan)	Chang-Lung Li	M	August 18, 2014	72,000	–	–	–	–	–	Master, Transportation Management Science, National Cheng Kung University Vice President, AVerMedia Technologies, Inc. Vice President, Oracle Vice President, Picoway Technology Inc.	None	–	–	–	–
Senior Director, Q.R.A Center	R.O.C (Taiwan)	Dong-Bao Lu	M	January 19, 2017	64,000	–	–	–	–	–	Master, Metallurgy & Materials Engineering, National Cheng Kung University R&D Engineer, Philips Electronic Building Elements (Taiwan) Ltd. Director, Q.R.A Center, ChipMOS TECHNOLOGIES INC.	None	–	–	–	–

Title	Nationality	Name	Sex	Date appointed	Shareholding		Shareholding by spouse and minor children		Shareholding in the name of others		Major education/work experience	Current positions at other companies	Other manager who is the spouse or a relative within second degree of kinship			Status of manager's acquiring of employee stock option certificates
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
Senior Director, WB Production Group	R.O.C (Taiwan)	Chao-Tung So	M	November 1, 2016	—	—	—	—	—	—	Master, Physics, Fu Jen University Deputy Director, Engineering Center, Siliconware Precision Industries Co., Ltd. Director, International Marketing Office, Merck Taiwan	None	—	—	—	—
Senior Manager, Audit office	R.O.C (Taiwan)	Chi-Pei Cho	F	July 1, 2013	10,000	—	—	—	—	—	Master, Finance and Banking, National Chao Tung University Manager, Accounting Department, DelSolar Co., Ltd. Manager, Auditing Department, Ernst & Young LLP Manager, Accounting Department, Amkor Technology Inc.	None	—	—	—	—

Note 1：Director, ChipMOS U.S.A., Inc.; Deputy Chairman, ChipMOS TECHNOLOGIES (Shanghai) LTD.

Note 2：Director and Chairman, ChipMOS TECHNOLOGIES (BVI) LTD.; Chairman, ChipMOS U.S.A., Inc.

Note 3：Director, ChipMOS U.S.A., Inc.

Note 4：Director, JMC Electronics Co., Ltd.

Note 5：Shou-Kang Chen, Vice President, Finance & Accounting Management Center, retired on 2017/10/1.

Note 6：Director, ChipMOS U.S.A., Inc.; Supervisor, ChipMOS TECHNOLOGIES (Shanghai) LTD; Director, ChipMOS TECHNOLOGIES (BVI) LTD.

Note 7：Director, JMC Electronics Co., Ltd.

III. Remuneration to Directors (Including Independent Directors), Supervisors, President, and Vice Presidents

(I) Remuneration to Directors, Supervisors, President, and Vice Presidents in the Most Recent Year

1. Remuneration to directors (including independent directors)

Unit: NT$ thousands

Title	Name	Director's Remuneration								Ratio of the sum of (A), (B), (C), and (D) to net profit after tax (%)		Compensation received as an employee								Ratio of the sum of (A), (B), (C), (D), (E), (F) and (G) to net profit after tax (%)		Remuneration received from Investees other than subsidiaries
		Base compensation (A)		Pension (B)		Director compensation (C)		Business expense (D)				Salary, bonus and special allowance (E)		Pension (F)		Employee compensation (G)						
																Company		Consolidated Entities				
		Company	Consolidated Entities	Company	Consolidated Entities	Company	Consolidated Entities	Company	Consolidated Entities	Company	Consolidated Entities	Company	Consolidated Entities	Company	Consolidated Entities	Cash	Share	Cash	Share	Company	Consolidated Entities	
Chairman	Shih-Jye Cheng	—	—	—	—	18,596	18,596	8,680	8,680	0.9%	0.9%	40,440	40,440	0	0	6,230	0	6,230	0	2.44%	2.44%	None
Director	Wen-Ching Lin																					
Director	Yu-Hu Liu																					
Independent Director	Chin-Shyh Ou																					
Independent Director	Yuh-Fong Tang																					
Independent Director	Tai-Haur Kuo																					
Independent Director	Cho-Lien Chang																					
Independent Director	Kuei-Ann Wen																					

Directors' Remuneration Scale

Intervals of Compensation Paid to Directors	Directors' Name			
	Total Remuneration (A+B+C+D)		Total Compensations (A+B+C+D+E+F+G)	
	The Company	Consolidated Entities	The Company	Consolidated Entities
Less than NT$2,000,000	—	—	—	—
NT$2,000,000 (included) ~ NT$5,000,000 (not included)	Shih-Jye Cheng, Wen-Ching Lin, Yu-Hu Liu, Chin-Shyh Ou, Yuh-Fong Tang, Tai-Haur Kuo, Cho-Lien Chang, Kuei-Ann Wen	Shih-Jye Cheng, Wen-Ching Lin, Yu-Hu Liu, Chin-Shyh Ou, Yuh-Fong Tang, Tai-Haur Kuo, Cho-Lien Chang, Kuei-Ann Wen	Wen-Ching Lin, Yu-Hu Liu, Chin-Shyh Ou, Yuh-Fong Tang, Tai-Haur Kuo, Cho-Lien Chang, Kuei-Ann Wen	Wen-Ching Lin, Yu-Hu Liu, Chin-Shyh Ou, Yuh-Fong Tang, Tai-Haur Kuo, Cho-Lien Chang, Kuei-Ann Wen
NT$5,000,000 (included) ~ NT$10,000,000 (not included)	—	—	—	—
NT$10,000,000 (included) ~ NT$15,000,000 (not included)	—	—	—	—
NT$15,000,000 (included) ~ NT$30,000,000 (not included)	—	—	—	—
NT$30,000,000 (included) ~ NT$50,000,000 (not included)	—	—	Shih-Jye Cheng	Shih-Jye Cheng
NT$50,000,000 (included) ~ NT$100,000,000 (not included)	—	—	—	—
More than NT$100,000,000	—	—	—	—
Total	8 persons	8 persons	8 persons	8 persons

Note: The disclosed compensation content is different from the concept of income defined in Income Tax Act. Therefore, this table shall merely be used for the purpose of information disclosure and shall not be used for taxation.

2. Remuneration to supervisors: Not applicable.

3. Remuneration to President and vice presidents

Year 2017 (Unit: NT$ thousands/Share)

Title	Name	Salary(A)		Pension(B)		Bonus and special allowance (C)		Employee Compensation (D)				Ratio of the sum of (A), (B), (C), (D) to net profit after tax (%)		Remuneration received from Investees other than subsidiaries
		Company	Consolidated Entities	Company	Consolidated Entities	Company	Consolidated Entities	Company		Consolidated Entities		Company	Consolidated Entities	
								Cash	Share	Cash	Share			
President	Shih-Jye Cheng	50,695	51,155	5,089	5,089	61,361	61,361	37,417	0	37,417	0	5.11%	5.12%	None
Senior Executive Vice President & Chief Operating Officer	Lafair Cho													
Vice President	Wu-Hung Hsu													
Vice President	Yung-Wen Li													
Vice President	Yuan-Feng Hsu													
Vice President	Kuo-Liang Huang													
Vice President	Chen-Fang Huang													
Vice President	Teng-Yueh Tsai													
Vice President	Wei Wang													
Vice President	Ming-Cheng Lin													
Vice President	Chang-Lung Li													
Vice President	Yu-Ying Chen													
Vice President	Yao-Zhou Yang													
Vice President & Chief Financial Officer	Shou-Kang Chen													

*Company's President's and Vice Presidents' salary is based on the position and the standard salary of the industry. The bonus is determined in accordance with the Company's profit, individual contribution and performance.
*The aforementioned pensions are deposited in the amount in accordance with labor-related laws and regulations.
*The distribution amount of employee compensation of this year is calculated based on the actual distribution ratio of the preceding year.
*Vice President Yao-Zhou Yang resigned on April 30, 2017 and Vice President and Chief Financial Officer Shou-Kang Chen resigned on October 1, 2017.

Remuneration Brackets Table for President and Vice Presidents

Interval of Compensation Paid to President and Vice Presidents	Name of President/Vice President	
	The Company	All Companies Included in the Consolidated Financial Statements
Less thanNT$2,000,000	—	—
NT$2,000,000 (included) ～ NT$5,000,000	Yao-Zhou Yang, Wei Wang	Yao-Zhou Yang, Wei Wang
NT$5,000,000 (included) ～ NT$10,000,000	Wu-Hung Hsu, Yung-Wen Li, Yuan-Feng Hsu, Kuo-Liang Huang, Chen-Fang Huang, Teng-Yueh Tsai, Ming-Cheng Lin, Chang-Lung Li,Yu-Ying Chen, Shou-Kang Chen	Wu-Hung Hsu, Yung-Wen Li, Yuan-Feng Hsu, Kuo-Liang Huang, Chen-Fang Huang, Teng-Yueh Tsai, Ming-Cheng Lin, Chang-Lung Li,Yu-Ying Chen, Shou-Kang Chen
NT$10,000,000 (included) ～ NT$15,000,000	Lafair Cho	Lafair Cho
NT$15,000,000 (included) ～ NT$30,000,000	—	—
NT$30,000,000 (included) ～ NT$50,000,000	Shih-Jye Cheng	Shih-Jye Cheng
NT$50,000,000 (included) ～ NT$100,000,000	—	—
More than NT$100,000,000	—	—
Total	14 persons	14 persons

4. Names of managers distributed employee compensation and the status of distribution

Year 2017 (Unit: NT$ thousands)

	Title	Name	Share	Cash	Total	Ratio of the total amount to net profit after tax (%)
Manager	President	Shih-Jye Cheng	—	44,629	44,629	1.47%
	Senior Executive Vice President & Chief Operating Officer	Lafair Cho				
	Vice President	Wu-Hung Hsu				
	Vice President	Yung-Wen Li				
	Vice President	Yuan-Feng Hsu				
	Vice President	Kuo-Liang Huang				
	Vice President	Chen-Fang Huang				
	Vice President	Teng-Yueh Tsai				
	Vice President	Wei Wang				
	Vice President	Ming-Cheng Lin				
	Vice President	Chang-Lung Li				
	Vice President	Yu-Ying Chen				
	Vice President	Yao-Zhou Yang				
	Vice President & Chief Financial Officer	Shou-Kang Chen				
	Special Assistant	Pei-Chuan Ku				
	Senior Director	Chao-Tung So				
	Senior Director	Dong-Bao Lu				
	Senior Director	Silvia Su				
	Senior Manager	Chi-Pei Cho				

(II) Analysis Regarding the Ratio of the Total Remuneration to Net Profit After Tax

1. Analysis regarding the ratio of total remuneration paid to Company's directors, supervisors, President and vice presidents in the most recent 2 years to net profit after tax, and the relationship between such ratio and operational performance:

Item	Ratio of the Total Remuneration to Net Profit After Tax			
	2017		2016	
	The Company	Consolidated Entities	The Company	Consolidated Entities
Director	0.9%	0.9%	1.10%	1.10%
Supervisor	—	—	—	—
President and Vice President	5.11%	5.12%	7.03%	7.48%

Note 1: The difference in the ratio of President's and Vice Presidents' remuneration is due to the Company's net profit after tax of NT$3,026,528 thousand in 2017 and NT$1,532,292 thousand in 2016.

Note 2: The Company has established Audit Committee on June 28, 2007 and thus supervisor remuneration does not apply.

2. Relationship among remuneration policies, standards and combination, procedure of determining remuneration and operational performance:

Company's "Regulations Governing the Payment of Directors' and Supervisors' Remuneration" provided as follows:

(1)The Company enacted Remuneration Committee Charter based on the resolution adopted by the Board of Directors on March 29, 2012 and established Remuneration Committee.

(2)The purpose of Remuneration Committee:

A. Enact and periodically review directors' and managers' performance objective and the policies, regulations, standards and structures of remuneration.

B. Supervise the Company's management regarding directors and managers' remuneration.

IV.Implementation of Corporate Governance

(I) Board of Directors

The Board of Directors held 8 meetings in the most recent year. The attendance of directors was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate	Remarks
Chairman	Shih-Jye Cheng	8	–	100.00%	
Director	Wen-Ching Lin	7	1	87.50%	
Director	Yu-Hu Liu	8	–	100.00%	
Independent Director	Chin-Shyh Ou	8	–	100.00%	
Independent Director	Yuh-Fong Tang	7	1	87.50%	
Independent Director	Tai-Haur Kuo	8	–	100.00%	
Independent Director	Cho-Lien Chang	8	–	100.00%	
Independent Director	Kuei-Ann Wen	7	1	87.50%	

Other mentionable items:

I.If there are circumstances occurred during the operation of the Board of Directors, the date of meetings, sessions and contents of motion of the Board of Directors, all independent directors' opinions and the Company's responses to such opinions should be specified:

(I) Circumstances referred to in Article 14-3 of the Securities and Exchange Act

1.The resolutions of the 9th meeting of the 8th Board of Directors (January 19, 2017)

Sessions and contents of motion of the Board of Directors	All independent directors' opinions	The Company's responses to such opinions should be specified
1. Execution of the Second Addendum to Technology Transfer and License Agreement with ChipMOS TECHNOLOGIES (Shanghai) LTD.	NA	Not applicable

2.The resolutions of the 10th meeting of the 8th Board of Directors (March 9, 2017)

Sessions and contents of motion of the Board of Directors	All independent directors' opinions	The Company's responses to such opinions should be specified
1. Resolution regarding acquisition or disposal of equipment for business use between the Company and the subsidiaries in 2016 Q4.	NA	Not applicable
2. Amendments to the Company's "Operational Procedures for the Acquisition or Disposal of Assets".		
3. Resolution regarding the evaluation of the independence of Company's CPA and the engagement of CPA of 2017.		
4. The amendments to the Company's "Internal Control System" and "Internal Audit Implementation Rules".		
5. Engaged Moore Stephens CPA Limited to audit English consolidated financial statements of 2014.		

3.The resolutions of the 13th meeting of the 8th Board of Directors (May 11, 2017)

Sessions and contents of motion of the Board of Directors	All independent directors' opinions	The Company's responses to such opinions should be specified
1. Resolution regarding acquisition or disposal of equipment for business use between the Company and the subsidiaries in 2017 Q1.	NA	Not applicable

4.The resolutions of the 15th meeting of the 8th Board of Directors (August 10, 2017)

Sessions and contents of motion of the Board of Directors	All independent directors' opinions	The Company's responses to such opinions should be specified
1. The letter of guarantee made for importing duty.	NA	Not applicable

5.The resolutions of the 16th meeting of the 8th Board of Directors (November 9, 2017)

Sessions and contents of motion of the Board of Directors	All independent directors' opinions	The Company's responses to such opinions should be specified
1. The Company intends to increase investment in the subsidiary ChipMOS TECHNOLOGIES (BVI) LTD.	NA	Not applicable
2.The amendments to the Company's "Internal Control System" and "Internal Audit Implementation Rules"		

(II) Besides the foregoing items, other resolutions objected by independent directors or subject to a qualified opinion and recorded or declared in writing: None.

II. Implementation of resolutions of which directors refrained from participating due to conflict of interest:

(I) Resolution of the 12th meeting of the 8th Board of Directors regarding the adjustment of managers' compensation and position in 2017 involves personal interest of Director Shih-Jye Cheng, and thus he did not participate in discussion or voting in accordance with the Company Act. Director Tai-Haur Kuo served as the acting chairman and made inquiries with other directors present at the meeting. Such resolution was unanimously approved.

(II) Resolution of the 12th meeting of the 8 th Board of Directors regarding the discussion of managers' 2016 performance bonus involves personal interest of Director Shih-Jye Cheng, and thus he did not participate in discussion or voting in accordance with the Company Act. Director Tai-Haur Kuo served as the acting chairman and made inquiries with other directors present at the meeting. Such resolution was unanimously approved.

(III) Resolution of the 12th meeting of the 8th Board of Directors regarding managers' 2017 annual performance bonus plan involves personal interest of Director Shih-Jye Cheng and thus he did not participate in discussion or voting in accordance with the Company Act. Director Tai-Haur Kuo served as the acting chairman and made inquiries with other directors present at the meeting. Such resolution was unanimously approved.

(IV) Resolution of the 15th meeting of the 8th Board of Directors regarding distribution of cash employee bonus to managers of 2016 involves personal interest of Director Shih-Jye Chengs, and thus he did not participate in discussion or voting in accordance with the Company Act. Director Tai-Haur Kuo served as the acting chairman and made inquiries with other directors present at the meeting. Such resolution was unanimously approved.

III.Measures taken to strengthen the functionality of the Board of Directors within current and the most recent year: In order to implement corporate governance and improve the Board of Directors' functionality, Company's directors were required to participate in training for 3 hours per year. Since 2015, annual training hours have increased from 3 hours to 6 hours. Relevant information is disclosed in accordance with governmental regulations.

(II) Audit Committee:

1. The Company established Audit Committee on June 28, 2007 to exercise the power of supervisors provided in relevant laws and regulations.
2. Audit Committee held 6 meetings in the most recent year. The attendance of the members was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate	Remarks
Independent Director	Chin-Shyh Ou	6	0	100.00%	
Independent Director	Yuh-Fong Tang	6	0	100.00%	
Independent Director	Tai-Haur Kuo	6	0	100.00%	
Independent Director	Cho-Lien Chang	6	0	100.00%	
Independent Director	Kuei-Ann Wen	6	0	100.00%	

Other mentionable items:

I. If any of the following circumstances occurred during the operation of the Audit Committee, the dates of meetings, sessions, contents of motion of the Board of Directors, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinions should be specified:

(I) Circumstances stipulated in Article 14-5 of the Securities and Exchange Act

1. The resolutions of the 9th meeting of the 8th Board of Directors (January 19, 2017)

Sessions and contents of motion of the Board of Directors	Resolutions of the Audit Committee	The Company's responses to the Audit Committee's opinions should be specified
1. Execution of the Second Addendum to Technology Transfer and License Agreement with ChipMOS TECHNOLOGIES (Shanghai) LTD.	all members of audit committee approved the proposals in the meeting	Not applicable

2. The resolutions of the 10th meeting of the 8th Board of Directors (March 9, 2017)

Sessions and contents of motion of the Board of Directors	Resolutions of the Audit Committee	The Company's responses to the Audit Committee's opinions should be specified
1. Resolution regarding acquisition or disposal of equipment for business use between the Company and the subsidiaries in 2016 Q4.	all members of audit committee approved the proposals in the meeting	Not applicable
2. The Company's 2016 business report and financial statements.		
3. Amendments to the Company's "Operational Procedures for the Acquisition or Disposal of Assets".		
4. Resolution regarding the evaluation of the independence of Company's CPA and the engagement of CPA of 2017.		
5. The amendments to the Company's "Internal Control System" and "Internal Audit Implementation Rules".		
6. Engage Moore Stephens CPA Limited to audit English consolidated financial statements of 2014.		

3.The resolutions of the 12th meeting of the 8th Board of Directors (April 20, 2017)

Sessions and contents of motion of the Board of Directors	Resolutions of the Audit Committee	The Company's responses to the Audit Committee's opinions should be specified
1. Adoption of Company's 2016 Annual Report Form 20-F (including the English consolidated financial statements of 2016 prepared by the Company in accordance with the International Financial Reporting Standards).	all members of audit committee approved the proposals in the meeting	Not applicable

4.The resolutions of the 13th meeting of the 8th Board of Directors (May 11, 2017)

Sessions and contents of motion of the Board of Directors	Resolutions of the Audit Committee	The Company's responses to the Audit Committee's opinions should be specified
1. Resolution regarding acquisition or disposal of equipment for business use between the Company and the subsidiaries in 2017 Q1.	all members of audit committee approved the proposals in the meeting	Not applicable

5.The resolutions of the 15th meeting of the 8th Board of Directors (August 10, 2017)

Sessions and contents of motion of the Board of Directors	Resolutions of the Audit Committee	The Company's responses to the Audit Committee's opinions should be specified
1. The Company's consolidated financial report of 2017 Q2	all members of audit committee approved the proposals in the meeting	Not applicable
2. The letter of guarantee made for importing duty.		

6.The resolutions of the 16th meeting of the 8th Board of Directors (November 9, 2017)

Sessions and contents of motion of the Board of Directors	Resolutions of the Audit Committee	The Company's responses to the Audit Committee's opinions should be specified
1.The Company intends to increase investment in the subsidiary ChipMOS TECHNOLOGIES (BVI) LTD.	all members of audit committee approved the proposals in the meeting	Not applicable
2. The amendments to the Company's "Internal Control System" and "Internal Audit Implementation Rules"		

(II) Besides the foregoing items, other resolutions which failed to be approved by the Audit Committee but otherwise approved by a two-third majority of all the directors: None.

II. Implementation of resolutions of which independent directors refrained from participating due to conflict of interest: None.

III. Communications between independent directors and the Company's internal audit supervisor and CPA (e.g. items, methods and results of the audits of corporate finance or operations, etc.):

(I) The internal audit supervisors shall attend the meeting of the Board of Directors, periodically provide internal auditing report to Audit Committee to make communication on the implementing status of internal auditing, and make timely report to Audit Committee in special occasions. No foregoing special occasions occurred in 2017. The communication between the Audit Committee and the internal auditing supervisors are fine.

(II) The CPAs engaged by the Company shall periodically report on the review result of financial statements and other items as required by laws and regulations, and make timely report to the Audit Committee in special occasions. No foregoing special occasions occurred in 2017. The communication between Audit Committee and CPAs are fine.

(III) Corporate Governance Implementation Status and Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons:

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
I. Does the company establish and disclose the Corporate Governance Best Practice Principles based on "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"?	V		The Company has established and disclosed corporate governance principles including Procedures for Ethical Management and Guidelines for Conduct, Code of Ethics and Business Conduct, Corporate Social Responsibility Best Practice Principles, Rules Governing the Scope of Powers of Independent Directors, Rules Governing the Exercise of Rights and Participation in Resolutions by Juristic Person Shareholders With Controlling Power, and Operational Procedures for Transaction with Group Enterprises, Specific Company and Related Party in accordance with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies."	None
II. Shareholding structure and shareholders' rights (I) Does the company establish internal operating procedures to deal with shareholder suggestions, doubts, disputes and litigation and implement based on the procedure?	V		(I) The Company has established Corporate Social Responsibility Best Practice Principles based on the respect to the stakeholders, and to identify the stakeholders of the Company as well as established a designated section on its website for the stakeholders. The Company, through proper communication, understands the reasonable expectations and demands of the stakeholders and properly responds to critical corporate social responsibility issues of concern to the stakeholders.	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
(II) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(II) The Company has regularly disclosed information of major shareholders and ultimate owners of those in accordance with relevant laws and regulations.	None
(III) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		(III) The Company has established regulations regarding supervision and management of subsidiaries in accordance with relevant regulations of Securities and Futures Bureau and regularly reviews their management reports and conducts due diligence.	None
(IV) Does the company establish internal rules against insiders trading with undisclosed information?	V		(IV) The Company has established Procedures for Ethical Management and Guidelines for Conduct.The Company's personnel shall comply with the provisions of the Securities Exchange Act and shall not use the undisclosed information to engage in insider trading or disclose it to others in order to prevent others from using the undisclosed information to engage in insider trading.	None
III. Composition and Responsibilities of the board of directors (I) Does the board of directors develop and implement a diversified policy for the composition of its members?	V		(I) The members of the Board of Directors have different professional backgrounds and work fields such as accounting and industry. The members of the Board of Directors include two female directors towards gender diversification to implement Taiwan's Gender Equality Policy Guidelines and to improve female decision-making participation.	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
(II) Does the company voluntarily establish other functional committees in addition to remuneration committee and audit committee?		V	(II) The Company has established Remuneration Committee and Audit Committee pursuant to the laws and will establish other functional committees in consideration of the scale and operation of the Company.	Under discussion and preparation.
(III) Does the company establish rules to measure the performance of the board, and implement it annually?	V		(III) The Company has established Remuneration Committee to regularly review the performance evaluation of the directors and policies, systems, standards and structure of remuneration as well as regularly evaluate the remuneration of the directors.	None
(IV) Does the company regularly evaluate the independence of CPAs?	V		(IV) The engagement of the Company's CPAs has been approved by more than half of all the Audit Committee members, and then submitted to and adopted by the Board of Directors. The CPAs are not stakeholders of the Company and strictly adheres to independence.	None
IV. Does the TWSE/TPEx listed company establish exclusively (or concurrent) dedicated units or personnel responsible for corporate governance related matters (including but not limited to providing the directors and supervisors with required information to perform business, handling related matters of the meeting of the board of directors and the shareholders' meeting pursuant to the laws, handling incorporation registration and amendment registration, and producing the meeting minutes of the board of directors and the shareholders' meeting)?		V		The Company will establish it pursuant to the laws in the future.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
V. Does the company establish a communication channel and establish a designated section on its website for stakeholders (including but not limited to shareholders, employees, clients and suppliers), and properly respond to critical corporate social responsibility issues of concern to stakeholders?	V		The Company has established functions of various departments, and maintained smooth communication channels with the stakeholders such as banks, other creditors, employees, clients, and suppliers.	None
VI. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company has designated KGI Securities Co. Ltd. to deal with shareholder affairs.	None
VII. Information disclosure (I) Does the company have a website to disclose both the information relating to finance, business and corporate governance?	V		(I) The Company has established the Chinese/English website (www.chipmos.com) to actively disclose information regarding the Company's finance and business, and relevant information can be also found on Market Observation Post System.	None
(II) Does the company have other information disclosure channels (e.g., building an English website, appointing designated people to handle information collection and disclosure, creating a spokesperson system, webcasting investor conferences)?	V		(II) The Company has one spokesperson and one deputy spokesperson.The Company's finance and accounting departments and investor relations office responsible for corporate information disclosure on Market Observation Post System and the Company's website.	None
VIII.Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders,	V		(I) Employee rights as well as employee wellness: the Company has implemented the Labor Standards Act and relevant regulations, regularly conducted education and training, and established the Employee Welfare Committee to protect employees' rights and interests.	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
directors' and supervisors' training records, the implementation status of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		(II) Investor relations: the Company has one spokesperson and one deputy spokesperson, and investor relations office responsible for dealing with recommendations and doubts raised by investors.	None
	V		(III) Supplier relations: the Company has upheld the principle of good faith to maintain the relationship with its suppliers, conducted operations and financial status assessment for the major purchasers to ensure the stability of the purchase, established good relationship with suppliers, and simultaneously developed other possible alternative materials and vendors to increase the flexibility of the source of the purchase.	None
	V		(IV) Rights of stakeholders: the Company has established functions of various departments, and maintained smooth communication channels with the stakeholders such as banks, other creditors, employees, clients and suppliers.	None
	V		(V) Continuing education of directors and supervisors: the directors and independent directors of the Company have continued attending training courses in accordance with relevant regulations.	None
	V		(VI) The implementation status of risk management policies and risk evaluation standards: Under the policy of stable operation, the Company follows government regulations and devotes in reducing	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
			possible risks through audit actions conducted by internal audit department.	
	V		(VII) The implementation status of customer relations policies: Before engaging in business with others, the Company has taken into account the legality of the clients or other business dealings parties and whether there is any record of dishonesty and avoided transactions with creditors of dishonesty. The Company has produced high-quality products to meet clients' demand for quality and quantity, and maintains good long-term relationship with clients.	None
	V		(VIII) The status of purchasing liability insurance for directors and supervisors: The Company has purchased Directors and Officers Liability Insurance and such information has been disclosed on Market Observation Post System.	None
IX. Please indicate improvement status of the results of the corporate governance evaluation issued by TWSE Corporate Governance Center for the most recent year and propose matters which should be given priority and measures as for which have not yet improved. From Y2017, the Company had compiled English version meeting notice, meeting handbook and annual report and uploaded it to Market Observation Post System 7 days before the shareholder’s meeting. In the future, we will strengthen the efficiency of corporate governance to provide information to investors and shareholders.				

(IV)Composition, Responsibilities and Operations of the Remuneration Committee:

1. The 3rd Remuneration Committee

Title	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
		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	1	2	3	4	5	6	7	8	
Independent Director	Tai-Haur Kuo	V		V	V	V	V	V	V	V	V	V	1
Independent Director	Yuh-Fong Tang			V	V	V	V	V	V	V	V	V	0
Independent Director	Chin-Shyh Ou	V	V	V	V	V	V	V	V	V	V	V	1

Note:Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office:

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 if the person is an independent director of the Company or its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).

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 more than one percent of Company's total outstanding shares or ranks as one of Company's top ten shareholders;

4.Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

5.Not a director, supervisor, or employee of a corporate shareholder who directly holds more than five percent of Company's total outstanding shares or ranks as one of its top five shareholders;.

6.Not a director, supervisor, officer, or shareholder holding more than five percent of the total outstanding shares of a specified company or institution that has a financial or business relationship with the Company;

7.Not a professional individual who is an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.

8.Not having any of the situations set forth in Article 30 of the Company Act.

2. Operation of the Remuneration Committee

(1) The time of establishment: The Company established Remuneration Committee Charter as well as the Remuneration Committee on March 29, 2012

(2) The purpose of the Remuneration Committee:

A. Establish and regularly review the performance targets of the directors and managers as well as policies, systems, standards and structure of remuneration.

B. Supervise the management of the Company's remuneration of directors and managers.

(3) Members: The Remuneration Committee includes three members who are all independent directors.

(4) The tenure of the third Remuneration Committee starts from May 31, 2016 to May 30, 2019. The Remuneration Committee has held 6 meetings in 2017. The attendance of the directors was as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance rate (%)	Remarks
Convener	Tai-Haur Kuo	6	0	100%	
Member	Yuh-Fong Tang	5	1	83%	
Member	Chin-Shyh Ou	6	0	100%	
Other mentionable items: I. If the Board of Directors declines to adopt or modifies a recommendation of the Remuneration Committee's proposals, it should specify the date of meeting, sessions, content of the motion, resolution by the Board of Directors and the Company’s response to the Remuneration Committee’s opinion (e.g., the remuneration passed by the board of directors exceeds the recommendation committee, the circumstance and cause for the difference shall be specified): None. II. Resolutions of the Remuneration Committee objected by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion of the Remuneration Committee, all members' opinions and the response to members' opinion should be specified: None.					

(V) Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed Companies and Reasons
	Yes	No	Abstract Illustration	
I. Corporate Governance Implementation (I) Does the company establish corporate social responsibility policy or system and examine the results of the implementation?	V		(I) Corporate Social Responsibility Best Practice Principles was established in 2013 and revised version in 2015. The Principles encourages the Company to actively fulfill their corporate social responsibility in the Course of their business operations so as to follow international development trends and to contribute to the economic development of the country, to improve the quality of life of employees, the community and society by acting as responsible corporate citizens, and to enhance competitive edges built on corporate social responsibility. The Company monitors the development of domestic and foreign corporate social responsibility standards and the change of business environment at all times, so as to examine and improve their established corporate social responsibility framework and to obtain better results from the implementation of the corporate social responsibility policy. The Company introduced Code of Conduct - Responsible Business Alliance (RBA) in 2011. RBA includes standards related to labor, health and safety, environmental protection, corporate governance, and business ethics issues. The purpose of RBA is to ensure the safety of the work environment of the electronics industry supply chain, to enable employees to work with dignity, and to take responsibility for environmental protection. RBA is one of the social responsibility standards for current electronics industry.	None of significant deviation
(II) Does the company provide educational training on corporate social responsibility on a regular basis?	V		(II) The orientation training of the Company includes RBA training program, and RBA training is held for employees every year. In 2017, GRI G4 guidelines, the most widely-used sustainability framework in the world,	None of significant deviation

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed Companies and Reasons
	Yes	No	Abstract Illustration	
			transition to the new GRI Sustainability Reporting Standards and published the Chinese version. The Company held serious of workshops to help employee understand clearly about main changes and how to implement corporate sustainability.	
(III) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	V		(III) In 2014, the Company established dedicated staff in charge of corporate social responsibility under the "Human Resources Management Center/ Organization Planning Division," cooperated with other relevant business departments, aggregated corporate governance, information disclosure, environmental safety and promoted public welfare activities, reviewed implementation results, continuously improved practices, and regularly reported to the management to ensure the implementation of social responsibility policy. The Board of Directors adopted "Corporate Social Responsibility Best Practice Principles" in 2013 and revised it in 2015 to authorize the senior management to ensure the implementation of corporate social responsibility policies and report implementation status to the Board of Directors.	None of significant deviation
(IV) Does the company declare a reasonable salary and remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	V		(IV) The Company has established a reasonable salary and remuneration policy and a clear and effective evaluation system. The salary verification of employee is based on his/her position, academic background, professional knowledge and technology, professional work experience, instead of gender, political position, race, religion, marriage status or other conditions, and is superior to or in compliance with the local labor laws regarding salary. The Company regularly implements performance management through an open performance evaluation system, which applies to all the employees and would not vary because of gender.	None of significant deviation

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed Companies and Reasons
	Yes	No	Abstract Illustration	
II. Sustainable Environment Development (I) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		(I) The Company established a management mechanism for using re-use and recycling of electricity, water resources and materials, and has continued to improve the efficiency of the supply facilities to reduce the demand for electricity and fuel, such as air conditioning energy saving, installation of energy saving lighting (LED), promoting the process of improving energy saving. The Company has received labels of green building and green factory in order to reduce the load of the environment to achieve continuous improvement and recycle economics.	None of significant deviation
(II) Does the company establish a proper environmental management system based on the characteristics of their industries?	V		(II) To enhance the level of environmental management and fulfill the responsibility of corporate citizenship, the Company passed the examination of ISO 140001 environmental management system and promoted QC-080000 products without hazardous substances management system certification to meet international trends and clients' needs since 1997.	None of significant deviation
(III) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	V		(III) The Company paid attention to the impact of climate change on operational activities. In addition to the implementation of greenhouse gas inventory annually since 2013, the Company promoted the energy-saving measures, introduced the energy management system, and passed the examination of ISO 50001. In response to clients and meet their expectations of low-carbon products, the Company continued to implement product carbon footprint and water footprint inventory to reduce the emission of product carbon. Another, we push the "Materials Flow Cost Accounting management (ISO 14051)" in 2016 and 2017 to meet the trend of recycle economics.	None of significant deviation

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed Companies and Reasons
	Yes	No	Abstract Illustration	
III. Preserving Public Welfare				
(I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(I) The Company complied with local labor laws and , according to the international labor and human rights standards of RBA, incorporated humanized management, developed written employee policies and published it in the company's employee bulletin board so that employees may query and understand. Human resources management center also kept abreast of the amendment to labor laws, timely adjusted management system, so that all the employees' labor rights and interests would be protected.	None of significant deviation
(II) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	V		(II) The Company established a physical and electronic employee suggestion box and regularly held the labor-management meetings and meetings of the employee welfare committee to act as a conduit for employees opinions. The Company processed in accordance with relevant management regulations when the Company received such opinion.	None of significant deviation
(III) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		(III) In addition to that the Company established policies to protect employees' safety and health, the Company promoted the OHSAS 18001 occupational safety and health management system to enhance employees' safety. The Company provided employees education and free health examinations and health promotion activities, and was awarded "Healthy Working Environment Certification" and awarded groups and individuals of weight loss performance by the National Health Bureau.	None of significant deviation
(IV) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	V		(IV) The Company regularly held labor-management meetings and meetings of the employee welfare committee to handle employee's opinions of significant changes in the Company's operation.	None of significant deviation

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed Companies and Reasons
	Yes	No	Abstract Illustration	
(V) Does the company provide its employees with career development and training sessions?	V		(V) The Company offered a complete six category of courses, so that each employee at all stages has comprehensive training opportunities, and provided employees with subsidies to participate in external training courses. The Company provided employees with rich and diverse internal and external resources so that employees' careers have opportunities to grow. 1. New employee orientation: to enhance the understanding of the Company's product organization, business direction and core values of understanding and recognition 2.Engineering technology: in line with the strategic direction of to establish engineering and technical courses in order to lay a professional cornerstone and enhance the knowledge; to establish the Company's BU learning blueprint with the concept of development of engineer's professional ability and to establish systematic training courses, and to promote the effective inheritance of knowledge and experience. 3.Quality management: to promote the Company's quality system. 4.Environmental safety and work health: to make employee acquire qualified license and have related knowledge of right working environmental safety. 5.Leadership management: according to the management's required management behavior and function, in line with the company's annual policy and expectation, and as the base of learning and development planning. 6.Work performance: to provide employee with the training of relevant skills required for work in order to enable	None of significant deviation

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed Companies and Reasons
	Yes	No	Abstract Illustration	
			them to work fully by using what they learned. The Company obtain the bronze certification in Taiwan Train Quality System by the Labor Department of the Executive Yuan in 2016. The Company continues to improve the training quality and process. It was re-awarded the silver certification in 2017. This award demonstrates the training quality and performance of ChipMOS. It's also the best evidence that the Company cultivates talents in both general knowledge and expertise and commitment to cultivating its talents and enhancing its expertise.	
(VI) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	V		(VI) Client satisfaction has been one of the key metrics in the ongoing development of the Company. Through client reviews / feedback and annual client satisfaction surveys, we were fully aware of our clients' expectations for the Company and provided the management and related divisions with such information after analysis and integration, and developed countermeasures for shortcomings and improved them. The Company also established a complete client complaint handling system, and an exclusive dedicated unit directly to the client to understand complaints and in the shortest possible time to integrate the resources within the facilities to propose analysis report and effective measures to prevent recurrence of the incident.	None of significant deviation
(VII) Does the company advertise and label its goods and services according to relevant regulations and international standards?	V		(VII) The Company passed many international standards, including ISO/TS 16949, ISO 9001, QC 080000, ISO 14001, ISO 5001, ISO 27001, OHSAS 18001, and ANS/ESD S20.20.	None of significant deviation

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed Companies and Reasons
	Yes	No	Abstract Illustration	
(VIII) Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	V		(VIII) When evaluating new suppliers, the Company follows the purpose of the RBA and the relevant guidelines to investigate whether it has the concept of environmental protection and corporate responsibility, good corporate citizenship, and whether there is any record of environmental and social impact. The supplier would be asked to report and improve the results, and confirm the current actual implementation if the supplier has related records.	None of significant deviation
(IX) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	V		(IX) When assessing the major suppliers, CSR will be listed as one of the major considerations for the selection. Upon inclusion of the list of qualified suppliers, the Company would require the suppliers to issue a relevant affidavit and statement indicating that it meets the requirements of the Company and attaches it to the transaction contract. In the event that the suppliers violated corporate social responsibility policy and had a significant impact on the environment and society, the Company would initiate a punitive transfer order or immediately terminate the transaction based on the seriousness of the circumstances.	None of significant deviation
IV. Enhancing Information Disclosure (I) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System?	V		(I) The Company has established a corporate social responsibility website (http://www.chipmos.com/chinese/csr/report.aspx) on the Company's website to disclose relevant information of corporate social responsibility with relevance and reliability and provided an electronic version of the "Corporate Social Responsibility Report" and uploaded it to Market Observation Post System to strengthen communication with stakeholders.	None of significant deviation

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed Companies and Reasons
	Yes	No	Abstract Illustration	
V. If the company has established the corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", please describe any deviation between the Principles and their implementation: The Company has established Corporate Social Responsibility Best Practice Principles on August 13, 2013 and revised it on March 12, 2015. The relevant operations were in accordance with the purpose of corporate social responsibility.				
VI. Other important information to facilitate better understanding of the company's corporate social responsibility practices: The Company actively participated in social environmental welfare activities, took the initiative to participate in the environmental protection activities organized by the competent authorities, such as beach cleansing, encouraging employees to enter the community to clean the street, helping charity clean the environment, environmental protection propaganda, donation of materials, blood donation, long-term adoption of Hsinchu Science Park sports park and air quality Purification Area. For four consecutive years from 2014 to 2017 the Company was awarded "Excellent Organization of Adoption of Air Quality Purification Area" by the Environmental Protection Agency. The Company passed the examination of Environmental Protection Administration and was rewarded 25th and 26th Enterprise Environmental Protection Award in 2016 and 2017.				
VII. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: 1. The Company's Corporate Social Responsibility Report followed the quality principles required by GRI G4 and was prepared in accordance with the three principles of accountability, responsiveness of the AA 1000 Accountability Principle Standard (APS). To ensure transparency of information disclosure, the report has been verified by the BSI PACIFIC LIMITED and met the GRI G4 core requirements and the AA 1000AS: 2008 TYPE I level. 2. 2016 CSR report was awarded 2017 10th Taiwan Corporated Sustainability- Group of IT & IC Manufacturing : "Top 50 Corporate Sustainability Report-Gold medal" and" Top 50 Corporate Sustainability Awards"				

(VI) Ethical Corporate Management:

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
I. Establishment of ethical corporate management policies and programs				
(I) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board and management to implement the policies?	V		(I) The Company has established "Ethical Corporate Management Best Practice Principles" and asked the Board of Directors, the management, and all the employees to comply with it. The Company also disclosed aforementioned on the Company's website.	None of deviation
(II) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	V		(II) The Company has established "Procedures for Ethical Management and Guidelines for Conduct", "Whistleblower Protection Policy" and "Ethical Work Regulation" and asked the Board of Directors, the management, and all the employees to comply with the foregoing regulations.	None of deviation
(III) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7, of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"?	V		(III) The Company has taken appropriate precautionary measures against the business activities with the risk of bad faith.	None of deviation
II. Fulfill operations integrity policy				
(I) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		(I) The Company has assessed the integrity records of counterparties and included the terms of integrity conduct in the contracts with them.	None of deviation
(II) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	V		(II) The Company's Audit Office was responsible for promoting corporate integrity and regularly reported its implementation status to the Audit Committee and the Board of Directors.	None of deviation
(III) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(III) The Company has established conflict prevention policy and provided appropriate statements hotline for employees and external counterparties.	None of deviation

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
(IV) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	V		(IV) The Company has established an effective accounting system and internal control system, and was regularly checked by internal auditing unit.	None of deviation
(V) Does the company regularly hold internal and external educational trainings on operational integrity?	V		(V) The Company has regularly held internal and external education and training of regarding corporate integrity.	None of deviation
III. Operation of integrity channel (I) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		(I) The Company has established "Whistleblower Protection Policy" and established an exclusive dedicated unit to deal with the alleged misconduct.	None of deviation
(II) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	V		(II) The Company has established "Whistleblower Protection Policy" and established an exclusive dedicated unit to deal with the alleged misconduct.	None of deviation
(III) Does the company provide proper whistleblower protection?	V		(III) The Company has established "Whistleblower Protection Policy" and established an exclusive dedicated unit to deal with the alleged misconduct.	None of deviation
IV. Strengthening information disclosure (I) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and Market Observation Post System?	V		(I) The Company has disclosed "Ethical Corporate Management Best Practice Principles" and its implementation results on the Company's website and Market Observation Post System.	None of deviation
V. If the company has established the ethical corporate management policies based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies," please describe any discrepancy between the policies and their implementation: The Company disclosed relevant information on Market Observation Post System.				
VI. Other important information to facilitate a better understanding of the company's ethical corporate management policies: (e.g., review and amend its policies)The Company has established Ethical Corporate Management Best Practice Principles and regularly reviewed it.				

(VI) If the Company has established Corporate Governance Principles and Related Guidelines, Disclose the Means of Accessing this Information:

The Company disclosed relevant information on Market Observation Post System.

(VII) The Company shall disclose other significant information which may improve the understanding of corporate governance and operation: None.

(IX)Implementation of internal control system

1. Statement of Internal Control

ChipMOS TECHNOLOGIES INC.
Statement of Internal Control

Date: March 15, 2018

In 2017, the Company conducted an internal audit of its internal control system and hereby declares the following:

I. The Company acknowledges and understands that the establishment, enforcement and maintenance of the internal control system are the responsibility of the Board of Directors and management, and that the Company has already established such a system. The purpose is to provide reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance and security of assets), reliability of financial reporting and compliance with relevant regulatory requirements.

II. Internal control regulations possess inherent shortcomings. Regardless of its design, an effective internal control system can only provide reasonable assurance of the three objectives as mentioned above. Furthermore, its effectiveness may change due to changes in the Company's environment and circumstances. However, self-supervision measures were implemented within the Company’s internal control policies to facilitate immediate rectification once procedural flaws have been identified.

III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in the "Governing Regulations for Public Company's Establishment of Internal Control System" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: 1. Control Environment, 2. Risk Assessment, 3. Control Operation, 4. Information and Communication, and 5. Monitoring. Each of the elements in turn contains certain audit items. Please refer to "Governing Regulations" for details.

IV. The Company has adopted the aforementioned measures for an examination of the effectiveness of the design and implementation of the internal control system.

V. Based on the findings of the aforementioned examination, the Company believes it can reasonably assure that the design and implementation of its internal control system as of December 31, 2017 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.

VI. This statement shall be an integral part of the annual report and prospectus of the Company and will be made public. If any fraudulent information, concealment or unlawful practices are discovered in the content of the aforementioned information, the Company shall be held liable under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.

VII. This statement was approved by the Board of Directors on March 15, 2018 in the presence of 8 directors, who concurred unanimously.

ChipMOS TECHNOLOGIES INC.

Chairman and President: Shih-Jye Cheng

2. If the Company engages CPAs to examine its internal control system, it shall disclose the CPA examination report: Not applicable.

(X) Penalty on the Company and Its Personnel or Punishment Imposed by the Company on Personnel in Violation of Internal Control System Regulations, Major Deficiencies and Improvement in the Most Recent Year and Up to the Date of Publication of the Annual Report: None.

(XI) Important Resolutions Adopted in Shareholders Meeting and Board of Directors' Meeting in the Most Recent Year and Up to the Date of Publication of the Annual Report:

1. The major resolutions approved by the 9th meeting of the 8th Board of Directors (January 19, 2017) are as follows:
   (1) The Company to appoint Lafair Cho as Senior Executive Vice President of Operation Manufacturing Center and Chief Operating Officer.
   (2) T he Company to appoint Vice President, Teng-Yueh Tsai, to ChipMOS TECHNOLOGIES (Shanghai) LTD. ("ChipMOS Shanghai") as its Vice President, and to release the non-compete prohibition on officers under Article 32 of the Company Act.
   (3) The Company to enter into the Second Addendum to Technology Transfer and License Agreement with ChipMOS Shanghai.
2. The major resolutions approved by the 10th meeting of the 8th Board of Directors (March 9, 2017) are as follows:
   (1) Adoption of the Company's 2016 asset impairment report.
   (2) Adoption of the Company's 2016 statement of internal control.
   (3) Adoption of 2016 distribution of compensation to employees, directors and supervisors.
   (4) Adoption of the Company's 2016 business report and financial statements.
   (5) Adoption of the 2016 earnings distribution plan.
   (6) Distribution in cash to shareholders from capital surplus generating from share premium.
   (7) Amendments to the Articles of Incorporation.
   (8) Amendments to the Company's "Operational Procedures for Acquisition or Disposal of Assets."
   (9) Independence assessment of the auditor engaged by the Company and Company's auditor engagement for fiscal year 2017.
   (10) Remove restriction provided in Article 209 of the Company Act prohibiting directors from participation in businesses competing with the Company.
   (11) Matters related to the 2017 annual shareholders' meeting.

(12) Schedule and location for shareholders to submit proposals regarding 2017 annual shareholders' meeting.

(13) Capital reduction and cancellation of redeemed issued restricted employee shares.

3. The major resolutions approved by the resolutions of the 11th meeting of the 8th Board of Directors (March 16, 2017) are as follows:

(1) Company's summary consolidated financial forecast for Q1, 2017.

4. The major resolutions approved by the 12th meeting of the 8th Board of Director (April 20, 2017) are as follows:

(1) Adoption of Company's 2016 Annual Report Form 20-F (including the English consolidated financial statements of 2016 prepared by the Company in accordance with the International Financial Reporting Standards).

(2) Accept Yao-Zhou Yang's resignation as Company's manager.

(3) Appointment of new Chief Financial Officer.

5. The major resolutions approved by the 13th meeting of the 8th Board of Director (May 11, 2017) are as follows:

(1) Company's consolidated financial statements of Q1, 2017.

(2) Capital reduction and cancellation of redeemed issued restricted employee shares.

6. The major resolutions approved by the 14nd meeting of the 8th Board of Directors (May 26, 2017) are as follows:

(1) Determination of the record date for ex-dividend and cash to shareholders from capital surplus.

(2) Discussion for the appointment of Mr. Ming-Cheng Lin, Vice President, as the officer of Business Management Center for the Company.

7. The major resolutions approved by the 15th meeting of the 8th Board of Directors (August 10, 2017) are as follows:

(1) The Company's consolidated financial statements of Q2, 2017.

(2) Capital reduction and cancellation of redeemed issued restricted employee shares.

(3) The Vice President of Finance & Accounting Management Center and CFO of the Company, Shou-Kang Chen, applied for retirement and duty removal of spokesperson.

(4) The director, Silvia Su, to take over the officer of Finance & Accounting Management Center of the Company.

(5) The senior EVP and COO, Lafair Cho, to take over the spokesperson of the Company.

(6) The Company to appoint supervisor to ChipMOS Shanghai. and to release the prohibition on officer from engaging in competitive conduct related to Article 32 of the Company Act.

8. The major resolutions approved by the 16th meeting of the 8th Board of Directors (November 9, 2017) are as follows:

(1) The Company's consolidated financial statements of Q3, 2017.

(2) Capital reduction and cancellation of redeemed issued restricted employee shares.

(3) Change of research and development officer of the Company.

9. The major resolutions approved by the 17th meeting of the 8th Board of Directors (January 26, 2018) are as follows:

(1) Mr. Pei-Chuan Ku, the special assistant of Tainan Operation Manufacturing Center of the Company, apply for resignation because of personal career planning.

(2) Mr. Wei Wang, Vice President of Strategy and Investor Relations of the Company, apply for retirement because of personal career planning and his duty of acting spokesperson be removed.

(3) Ms. Silvia Su, the senior director of Finance and Accounting Management Center of the Company, be appointed as the acting spokesperson.

(4) Change of director of ChipMOS TECHNOLOGIES (BVI) LTD., the subsidiary of the Company.

10. The major resolutions approved by the 18th meeting of the 8th Board of Directors (March 15, 2018) are as follows:

(1) Company's business report and financial statements of fiscal year 2017.

(2) Earnings distribution plan of fiscal year 2017.

(3) Proposal of Capital Reduction.

(4) Matters related to the 2018 annual shareholders' meeting.

(5) Capital reduction in connection with the cancellation of redeemed issued restricted employee shares.

11. The major resolutions adopted by the 2017 annual shareholders' meeting:

(I) Matters for Ratification

(1) Adoption of 2016 financial reports.

(2) Adoption of 2016 earnings distribution plan.

The Company has completed the distribution of earnings on July 12, 2017.

(II) Matters for Discussion

(1) Amendments to the Articles of Incorporation.

The Company has completed the registration of change.

(2) Amendments to the Company's "Operational Procedures for Acquisition or Disposal of Assets."

(3) Adoption of distribution of cash to shareholders from capital surplus.

The Company has completed the distribution on July 12, 2017.

(III) Other Proposals

(1) To release restrictions under Article 209 of the Company Act regarding non-compete of director-elect.

(XII) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None.

(XIII) Resignation or Dismissal of the Company’s Key Individuals, Including the Chairman, President, and Officers of Accounting, Finance, Internal Audit and R&D:

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
R&D officer, Executive Vice President	Li-Chun Li	January 19, 2010	January 18, 2017	(1) The Company dismissed his position of R&D officer for Li-Chun Li's personal reasons on November 1, 2016, but still maintained his title of Executive Vice President. (2) He applied for unpaid leave since January 18, 2017 and he was exempted from the title of Executive Vice President by the Company on the date of suspension.
Vice President	Yao-Zhou Yang	June 17, 2015	April 30, 2017	Personal career plan.
Spokesperson; Financial & Accounting officer; Chief Financial Officer	Shou-Kang Chen	October 1, 2002	October 1, 2017	Retirement.
Deputy spokesperson, Vice President	Wei Wang	August 1, 2007	March 1, 2018	Retirement.
Special assistant	Peter Ku	January 1, 2016	March 1, 2018	Personal career plan.

V. Information Regarding Audit Fee

(I)Audit Fee

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
PricewaterhouseCoopers, Taiwan	Chun-Yuan Hsiao	Chih-Cheng Hsieh	January 1, 2017 ~ December 31, 2017	

Unit: NT$ thousands

Scale \ Fee category		Audit Fee	Non-audit Fee	Total
1	Under 2,000		V	1,740
2	2,000(included) ~ 4,000			
3	4,000(included) ~ 6,000			
4	6,000(included) ~ 8,000			
5	8,000(included) ~ 10,000			
6	10,000 or above	V		17,950

Unit: NT$ thousands

Accounting Firm	Name of CPA	Audit fee	Non-audit fee					Period Covered by CPA's Audit	Remarks
			System Design	Company Registration	Human Resource	Others	Subtotal		
PricewaterhouseCoopers, Taiwan	Chun-Yuan Hsiao Chih-Cheng Hsieh	17,950	--	--	--	1,740 (Note 1)	1,740	January 1, 2017 ~ December 31, 2017	

Note1: The non-audit fee is for the following services: (i) application for tax credits for research and development expenditure, costed for NT$1,500 thousand; and (ii) the transfer pricing report, costed for NT$240 thousand.

(II) When the company changes its accounting firm and the audit fees paid for the year in which such change took place are lower than those for the preceding year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.

(III) When the audit fees paid for the current fiscal year are lower than those for the preceding fiscal year by 15% or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: The audit fees of preceding fiscal year include NT$7,100 thousand for the declaration of financial report relating to merger to the United States Securities and Exchange Commission.

VI. Replacement of CPA:Not applicable.

VII. Where the Company's Chairman, President, or any manager in charge of finance or accounting matters held a position at the accounting firm of its CPA or at an affiliated enterprise of such accounting firm in the most recent year, the name and position of the person, and the period during which the position was held, shall be disclosed. The term "affiliated enterprise of a CPA's accounting firm" means one in which the CPA at the accounting firm holds more than 50% of the shares, or of which such CPA holds more than half of the directorships, or a company or institution listed as an affiliated enterprise in the external publications or printed materials of the accounting firm of the CPA: None.

VIII. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders in the Most Recent Year and Up to the Date of Publication of the Annual Report

(I)Changes of the Shareholdings and Pledge of Shares of Directors, Supervisors or Shareholders Holding More than 10% of Company's Total Outstanding Shares

Title	Name	2017		2018 till March 31	
		Holding Shares Increase (Decrease)	Pledged Shares Increase (Decrease)	Holding Shares Increase (Decrease)	Pledged Shares Increase (Decrease)
Major shareholder	Siliconware Precision Industries Co., Ltd.	23,270,540	—	—	—
Chairman/ President	Shih-Jye Cheng	240,000	—	—	—
Director	Wen-Ching Lin	—	—	—	—
Director	Yu-Hu Liu	—	—	—	—
Independent director	Chin-Shyh Ou	—	—	—	—
Independent director	Yuh-Fong Tang	—	—	—	—
Independent director	Tai-Haur Kuo	—	—	—	—
Independent director	Cho-Lien Chang	—	—	—	—
Independent director	Kuei-Ann Wen	—	—	—	—
Senior Executive Vice President & Chief Operating Officer	Lafair Cho	36,000	—	—	—
Vice President	Wu-Hung Hsu	30,000	—	—	—
Vice President	Yuan-Feng Hsu	36,000	—	—	—
Vice President	Yung-Wen Li	36,000	—	—	—
Vice President	Kuo-Liang Huang	36,000	—	—	—
Vice President	Wei Wang (2018/3/1 retirement)	(17,000)	(37,000)	(23,000)	—
Vice President	Shou-Kang Chen (2017/10/1 retirement)	61,000	—	—	—
Senior Director	Silvia Su (2017/10/1 new replacement)	—	—	—	—
Vice President	Yu-Ying Chen	27,000	—	—	—
Vice President	Teng-Yueh Tsai	16,000	—	(9,000)	—
Vice President	Chen-Fang Huang	30,000	—	—	—
Vice President	Ming -Cheng Lin	30,000	—	—	—
Vice President	Chang-Lung Li	36,000	—	—	—
Vice President	Yao-Zhou Yang (2017/4/30 Resignation)	—	—	—	—
Senior Director	Chao-Tung So	—	—	—	—
Senior Director	Dong-Bao Lu	23,000	—	—	—
Senior Manager	Chi-Pei Cho	4,000	—	(9,000)	—
Special Assistant	Pei-Chuan Ku (2018/3/1 resignation)	—	—	—	—

(II) Shares Trading with Related Parties: None.

(III) Shares Pledge with Related Parties: None.

IX. Information on Top 10 Shareholders of the Company Who are Spouses or Relatives Within Two Degrees of Kinship to Each Other :

April 28, 2018 (Unit: shares)

Name	Shareholding		Spouse's / Minor Children's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
First Bank in Its Capacity as Master Custodian for Custodial Account of ChipMOS' American Depositary Shares	160,234,720	18.08%	-	-	-	-	None	None	-
Siliconware Precision Industries Co., Ltd.	156,045,540	17.61%	-	-	-	-	None	None	-
Citibank (Taiwan) in its capacity as Master Custodian for Investment Account of GIC Pte Ltd. (Singapore)	36,796,000	4.15%	-	-	-	-	None	None	-
Fubon Life Insurance Co., Ltd.	16,100,000	1.82%	-	-	-	-	None	None	-
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	10,067,626	1.14%	-	-	-	-	None	None	-
Investment Account of Government of Singapore Investment Corp.	7,469,000	0.84%	-	-	-	-	None	None	-
Tai Shin Bank in its capacity as Master Custodian for Trust Account of ChipMOS' Restricted Shares (2015-1 issued)	6,325,005	0.71%	-	-	-	-	None	None	-
Shih-Jye Cheng	5,530,000	0.62%	-	-	-	-	None	None	-

Name	Shareholding		Spouse's / Minor Children's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
New Labor Retirement Fund	5,197,000	0.59%	-	-	-	-	None	None	-
JPMorgan ASIA Equity Dividend Fund	4,988,000	0.56%	-	-	-	-	None	None	-

Note 1: The Company shall list all the top ten shareholders as well as shall list the name of legal person shareholders and the name of their representatives respectively.

Note 2: The shareholding ratio is calculated respectively in the name of the shareholders, their spouse, minor children or in the name of others.

Note 3: The shareholders listed before, including juridical persons and natural persons, shall be disclosed regarding the relationship between them according to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

X. The Combined Shareholding and Ratio of the Company, Directors, Supervisors, Managers and Enterprises which Directly or Indirectly Controlled by the Company in Each Investee

December 31, 2017 (Unit: shares)

Investee	Investment by the Company (A)		Investments by directors, supervisors, managers and directly or indirectly controlled enterprises (B)		Combined investment (A+B)	
	Shares	%	Shares	%	Shares	%
ChipMOS U.S.A., Inc.	3,550,000	100.00%	-	-	3,550,000	100.00%
ChipMOS TECHNOLOGIES (BVI) LTD.	2,370,242,975	100.00%	-	-	2,370,242,975	100.00%
ChipMOS TECHNOLOGIES (Shanghai) LTD.	-	-	Note 1	46.17%	Note 1	46.17%
JMC ELECTRONICS CO., LTD.	19,100,000	19.10%	-	-	19,100,000	19.10%
Shanghai Zuzhu Business Consulting Partnership (Limited Partnership)	-	-	Note 2	9.49%	Note 2	9.49%
Shanghai Zuzhan Business Consulting Partnership (Limited Partnership)	-	-	Note 2	13.42%	Note 2	13.42%
Shanghai Zuchen Business Consulting Partnership (Limited Partnership)	-	-	Note 2	11.34%	Note 2	11.34%
Shanghai Guizao Business Consulting Partnership (Limited Partnership)	-	-	Note 2	11.85%	Note 2	11.85%

Note 1: Limited company, hence does not issue common stock.

Note 2: Limited partnership, hence does not issue common stock.

IV. Capital Raising

I. Capital and Shares

(I) Sources of Capital

1. Process of Capital Formation

Unit: NT$ thousands; thousand shares

Month, Year	Issue Price (NT$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Others
July, 1997	10	500,000	5,000,000	500,000	5,000,000	Incorporation	None	Note 1
August, 1998	10	650,000	6,500,000	542,350	5,423,500	Capital increase out of earnings	None	Note 2
July, 1999	10	650,000	6,500,000	646,929	6,469,289	Capital increase out of earnings	None	Note 3
July, 2000	10	970,000	9,700,000	730,486	7,304,863	Capital increase out of earnings	None	Note 4
August, 2000	10	970,000	9,700,000	830,486	8,304,863	Capital increase by cash	None	Note 5
November, 2001	10	970,000	9,700,000	887,227	8,872,272	Capital increase out of earnings and capital surplus	None	Note 6
December, 2005	10	970,000	9,700,000	893,442	8,934,422	Issuance of new shares for merger	None	Note 7
March, 2007	10	970,000	9,700,000	887,830	8,878,305	Cancellation of treasury shares	None	Note 8
January, 2008	10	970,000	9,700,000	887,247	8,872,469	Cancellation of treasury shares	None	Note 9
January, 2009	10	970,000	9,700,000	885,761	8,857,606	Cancellation of treasury shares	None	Note 10
April, 2010	10	970,000	9,700,000	842,855	8,428,553	Cancellation of treasury shares	None	Note 11
April, 2014	10	970,000	9,700,000	864,619	8,646,194	Issuance of new shares for listing	None	Note 12
July, 2015	10	970,000	9,700,000	900,552	9,005,516	Issuance of new shares for merger	None	Note 13
August, 2015	10	970,000	9,700,000	916,304	9,163,036	Issuance of new restricted employee shares	None	Note 14
November, 2015	10	970,000	9,700,000	896,207	8,962,066	Cancellation of treasury shares	None	Note 15
March, 2016	10	970,000	9,700,000	895,784	8,957,836	Cancellation of redeemed restricted employee shares	None	Note 16
May, 2016	10	970,000	9,700,000	897,219	8,972,192	Issuance of new restricted employee shares; and Cancellation of redeemed restricted employee shares	None	Note 17
August, 2016	10	970,000	9,700,000	896,796	8,967,963	Cancellation of redeemed restricted employee shares	None	Note 18
October, 2016	10	970,000	9,700,000	887,121	8,871,213	Issuance of new shares for merger	None	Note 19

Month, Year	Issue Price (NT$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Others
November, 2016	10	970,000	9,700,000	886,966	8,869,663	Cancellation of redeemed restricted employee shares	None	Note 20
March, 2017	10	970,000	9,700,000	886,839	8,868,393	Cancellation of redeemed restricted employee shares	None	Note 21
May, 2017	10	970,000	9,700,000	886,684	8,866,842	Cancellation of redeemed restricted employee shares	None	Note 22
August, 2017	10	970,000	9,700,000	886,413	8,864,131	Cancellation of redeemed restricted employee shares	None	Note 23
November, 2017	10	970,000	9,700,000	886,297	8,862,971	Cancellation of redeemed restricted employee shares	None	Note 24
March, 2018	10	970,000	9,700,000	886,144	8,861,441	Cancellation of redeemed restricted employee shares	None	Note 25

Note.1: On July 28, 1997, the Company is incorporated with a capital of NT$5 billion, approved by the letter issued by the Science Park Bureau (Ref. No.: Yuan-Shang-Tzu-14818).

Note.2: On August 19, 1998, the Company increased its capital out of earnings by NT$423,500,000, approved by the letter issued by the Science Park Bureau (Ref. No. Yuan-Shang-Tzu-020430).

Note.3: On July 22, 1999, the Company increased its capital out of earnings by NT$1,045,788,750, approved by the letter issued by the Science Park Bureau (Ref. No. Yuan-Shang-Tzu-014795).

Note.4: On August 10, 2000, the Company increased its capital out of earnings by NT$835,574,520, approved by the letter issued by the Science Park Bureau (Ref. No. Yuan-Shang-Tzu-017360).

Note.5: On August 29, 2000, the Company increased its capital by cash by NT$1 billion, approved by the letter issued by the Science Park Bureau (Ref. No. Yuan-Shang-Tzu-018565).

Note.6: On November 9, 2001, the Company increased its capital out of earnings and capital surplus by NT$152,165,960 and NT$415,243,170 respectively, approved by the letter issued by the Science Park Bureau (Ref. No. Yuan-Shang-Tzu-028148).

Note.7: On December 19, 2005, CHANTEK ELECTRONIC CO., LTD. was merged into the Company, approved by the letter issued by the Science Park Bureau (Ref. No. Yuan-Shang-Tzu-0940035396).

Note.8: On March 2, 2007, the Company cancelled 5,611,797 treasury shares repurchased from objecting shareholders due to the merger which CHANTEK ELECTRONIC CO., LTD. was merged into the Company. After such cancellation of shares, Company's paid-in capital was NT$8,878,304,940, approved by the letter issued by the Science Park Bureau (Ref. No. Yuan-Shang-Tzu-0960004845).

Note.9: On January 4, 2008, the Company cancelled 583,611 treasury shares repurchased from objecting shareholders due to the share exchange with ChipMOS TECHNOLOGIES (Bermuda) LTD. After such cancellation, Company's paid-in capital was NT$8,872,468,830, approved by the letter issued by the Science Park Bureau (Ref. No. Yuan-Shang-Tzu-0960035470).

Note.10: On January 9, 2009, the Company cancelled 1,486,257 treasury shares which did not transfer to employees in accordance with the Company Act. After such cancellation, Company's paid-in capital was NT$8,857,606,260, approved by the letter issued by the Science Park Bureau (Ref. No. Yuan-Shang-Tzu-0980000104).

Note.11: On April 15, 2010, the Company cancelled 42,905,268 treasury shares which did not transfer to employees in accordance with Company Act. After such cancellation, Company's paid-in capital was NT$8,428,553,580, approved by the letter issued by the Science Park Bureau (Ref. No. Yuan-Shang-Tzu-0990009958).

Note.12: On April 22, 2014, the Company listed onto Taiwan Stock Exchange Market and issued 21,764,000 new shares. After the implementation of capital increase, Company's paid-in capital was NT$8,646,193,580, approved by the letter issued by the Science Park Bureau (Ref. No. Yuan-Shang-Tzu-1030011379).

Note.13: On June 17, 2015, the Company, as the surviving company, merged ThaiLin Semiconductor Corp. and increase its capital by NT$359,322,850. And after the implementation of capital increase, Company's paid-in capital was NT$9,005,516,430, approved by the letter issued by the Science Park Bureau (Ref. No. Zhu-Shang-Tzu-1040021714).

Note.14: On July 21, 2015, the Company issued new restricted employee shares and increased the capital by NT$157,520,000. After the implementation of capital increase, Company's paid-in capital was NT$9,163,036,430, approved by the letter issued by the Science Park Bureau (Ref. No. Zhu-Shang-Tzu-1040022283).

Note.15: On November 9, 2015, the Company cancelled 20,000,000 treasury shares and redeemed 97,000 restricted employee shares failed to complete vesting conditions and reduced its capital by NT$200,970,000. After the implementation of capital reduction, Company's paid-in capital was NT$8,962,066,430, approved by the letter issued by the Science Park Bureau (Ref. No. Zhu-Shang-Tzu-1040032726).

Note.16: On March 11, 2016, the Company cancelled 423,000 redeemed restricted employee shares failed to complete vesting conditions, and reduced its capital by NT$4,230,000. After the implementation of capital reduction, Company's paid-in capital was NT$8,957,836,430, approved by the letter issued by the Hsinchu Science Park Bureau, Ministry of Science and Technology (Ref. No. Zhu-Shang-Tzu-1050006852).

Note.17: On May 10, 2016, the Company issued new restricted employee shares and increased its capital by NT$15,480,000. On May 12, 2016, the Company cancelled redeemed restricted employee shares and reduced its capital by NT$1,124,280. After the foregoing changes, Company's paid-in capital was NT$8,972,192,150, approved by the letter issued by the Hsinchu Science Park Bureau, Ministry of Science and Technology (Ref. No. Zhu-Shang-Tzu-1050013078).

Note.18: On August 10, 2016, the Company cancelled 422,936 redeemed restricted employee shares, and reduced its capital by NT$4,229,360. After the implementation of capital reduction, Company's paid-in capital was NT$8,967,962,790, approved by the letter issued by the Hsinchu Science Park Bureau, Ministry of Science and Technology (Ref. No. Zhu-Shang-Tzu-1050022981).

Note.19: On October 31, 2016, the Company, as the surviving company, merged the parent company, ChipMOS TECHNOLOGIES (Bermuda) LTD. Each ChipMOS TECHNOLOGIES (Bermuda) LTD common share was converted into US$3.71 and 0.9355 unit of American Depositary Shares representing Company's common shares issued through the implementation of capital increase (each unit of American Depositary Shares represents 20 common shares of the Company). After the conversion, the Company issued 512,405,340 new common shares and cancelled 522,080,358 shares of the Company which were held by the parent company. After the merger, Company's total issued shares were 887,121,261 shares, and the paid-in capital was NT$8,871,212,610, approved by the letter issued by the Hsinchu Science Park Bureau, Ministry of Science and Technology (Ref. No. Zhu-Shang-Tzu-1050031539).

Note.20: On November 15, 2016, after the Company cancelled 155,000 redeemed restricted employee shares and reduced its capital by NT$1,550,000, the paid-in capital was NT$8,869,662,610, approved by the letter issued by the Hsinchu Science Park Bureau, Ministry of Science and Technology (Ref. No. Zhu-Shang-Tzu-1050032536).

Note.21: On March 13, 2017, after the Company cancelled 127,000 redeemed restricted employee shares and reduced its capital by NT$1,270,000, the paid-in capital was NT$8,868,392,610, approved by the letter issued by the Hsinchu Science Park Bureau, Ministry of Science and Technology (Ref. No. Zhu-Shang-Tzu-1060006609).

Note.22: On May 17, 2017, after the Company cancelled 155,000 redeemed restricted employee shares and reduced its capital by NT$1,550,000, the paid-in capital was NT$8,866,842,610, approved by the letter issued by the Hsinchu Science Park Bureau, Ministry of Science and Technology (Ref. No. Zhu-Shang-Tzu-1060013049).

Note.23: On August 18, 2017, after the Company cancelled 271,200 redeemed restricted employee shares and reduced its capital by NT$2,712,000, the paid-in capital was NT$8,864,130,610, approved by the letter issued by the Hsinchu Science Park Bureau, Ministry of Science and Technology (Ref. No. Zhu-Shang-Tzu-1060022773).

Note.24: On November 21, 2017, after the Company cancelled 116,000 redeemed restricted employee shares and reduced its capital by NT$1,160,000, the paid-in capital was NT$8,862,970,610, approved by the letter issued by the Hsinchu Science Park Bureau, Ministry of Science and Technology (Ref. No. Zhu-Shang-Tzu-1060031750).

Note.25: On March 22, 2018, after the Company cancelled 153,000 redeemed restricted employee shares and reduced its capital by NT$1,530,000, the paid-in capital was NT$8,861,440,610, approved by the letter issued by the Hsinchu Science Park Bureau, Ministry of Science and Technology (Ref. No. Zhu-Shang-Tzu-1070008850).

2. Type of Stock

April 28, 2018

Share Type	Authorized Capital			Remark
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	855,896,066	83,855,939	970,000,000	

Note: The shares are listed on stock exchange.

(II) Status of Shareholders

April 28, 2018

Composition of Shareholders / Amount	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of shareholders(persons)	—	3	97	51,029	135	51,264
Shareholding (shares)	—	23,600,000	214,867,406	381,025,297	266,651,358	886,144,061
Percentage(%)	—	2.66%	24.25%	43.00%	30.09%	100.00%

(III) Distribution of Shareholding

1. Common Shares

April 28, 2018

Class of Shareholding (shares)	Number of Shareholders(persons)	Shareholding (shares)	Percentage (%)
1 ~ 999	4,918	1,328,005	0.15
1,000 ~ 5,000	32,476	77,078,445	8.70
5,001 ~ 10,000	7,267	60,535,490	6.83
10,001 ~ 15,000	1,979	26,196,685	2.96
15,001 ~ 20,000	1,696	32,253,346	3.64
20,001 ~ 30,000	1,113	29,592,774	3.34
30,001 ~ 40,000	536	19,665,842	2.22
40,001 ~ 50,000	380	18,062,257	2.04
50,001 ~ 100,000	551	39,895,324	4.50
100,001 ~ 200,000	193	27,889,764	3.15
200,001 ~ 400,000	77	22,056,723	2.49
400,001 ~ 600,000	23	11,586,000	1.31
600,001 ~ 800,000	10	7,120,000	0.80
800,001 ~ 1,000,000	12	11,108,600	1.25
Above 1,000,001	33	501,774,806	56.62
Total	51,264	886,144,061	100.00

2. Preferred Shares: None.

(IV) List of Major Shareholders

Names of shareholders with more than 5% ownership interest or top-10 shareholders, and the number of shares held and shareholding percentage represented.

April 28, 2018

Shareholder's Name	Shareholding (shares)	Shareholding Percentage (%)
First Bank in its capacity as Master Custodian for Custodial Account of ChipMOS' American Depositary Shares	160,234,720	18.08%
Siliconware Precision Industries Co., Ltd.	156,045,540	17.61%
Citibank (Taiwan) in its capacity as Master Custodian for Investment Account of GIC Pte Ltd. (Singapore)	36,796,000	4.15%
Fubon Life Insurance Co., Ltd.	16,100,000	1.82%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	10,067,626	1.14%
Investment Account of Government of Singapore Investment Corp.	7,469,000	0.84%
Tai Shin Bank in its capacity as Master Custodian for Trust Account of ChipMOS' Restricted Shares (2015-1 issued)	6,325,005	0.71%
Shih-Jye Cheng	5,530,000	0.62%
New Labor Retirement Fund	5,197,000	0.59%
JPMorgan ASIA Equity Dividend Fund	4,988,000	0.56%

(V) Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT$ thousand/thousand shares

Item / Year			2016	2017	Current Year till March 31, 2018 (Note 7)
Market Price Per Share (Note 1)	Highest		35.50	34.15	27.40
	Lowest		22.65	23.45	22.65
	Average		30.59	28.05	25.46
Net Worth Per Share	Before Distribution		18.99	21.49	—
	After Distribution		17.99	—	—
Earnings Per Share	Weighted Average Shares		859,644	846,686	—
	Diluted Earnings Per Share(Equity Holders of the Company)		1.78	3.57	—
	Adjusted Diluted Earnings Per Share(Predecessors' Interests Under Common Control)		(0.35)	—	—
Dividends Per Share	Cash Dividends		1.0004907 (Note 5)	(Note 6)	—
	Share Dividend	—	—	—	—
		—	—	—	—
	Accumulated Undistributed Dividend		—	—	—
Analysis of Return on Investment	Price/Earnings Ratio (Note 2)		17.19	7.86	—
	Price/Dividend Ratio (Note 3)		30.57	(Note 6)	—
	Cash Dividend Yield Rate (Note 4)		0.0327	(Note 6)	—

Note 1: The source of foregoing information is the website of Taiwan Stock Exchange.
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 / Annual Average Market Price
Note 5: The cash dividend of year 2016 includes cash distribution from capital surplus.
Note 6: On March 15, 2018, the Board of Directors adopted the 2017 earnings distribution plan, stipulated that each share is distributed NT$0.3 cash dividend to shareholders. This plan has not yet been ratified by the Shareholders' Meeting
Note 7: As of the date of publication of the annual report, the most recent consolidated financial report dated March 31, 2018 has not yet been approved by the Board of Directors nor reviewed by certified public accountants. Other fields shall be filled with the information of the current year as of the date of publication of the annual report.

(VI) Dividend Policy and Implementation Status

1. Dividend Policy stated within the Company's Articles of Incorporation

Upon the final settlement of accounts, if there is net profit, the Company shall first set aside the tax payable and offset its losses before setting aside a legal reserve at 10% of the remaining profit. The Company shall then set aside or reverse the special reserve in accordance with the laws and regulations and as requested by the competent authorities. The remaining profit of that fiscal year, as well as the accumulated undistributed profit at the beginning of the same year and the adjusted undistributed profit of the given fiscal year, shall be distributable profit. If there is any surplus distributable profit after the Board of Directors sets aside a reserve based on the

Company's operational needs, such surplus profit may be distributed in full or in part to shareholders as dividends, subject to the approval of the Shareholders' Meeting.

A proposal on the distribution of dividends shall be submitted by the Board of Directors annually to the Shareholders' Meeting, and be based on factors such as past years' profit, the current and future investment environment, the Company's capital needs, competition in the domestic and foreign markets, and budgets, with an aim to pursuing shareholders' interests and balancing the dividend distribution and the long-term financial plan of the Company. The distribution of profits of the Company can be made in the form of cash dividends or stock dividends, provided that the cash dividend shall account for at least 10% of the total profit distributed as dividends in the given year.

2. Proposed Distribution of Dividend

The Company's net profit after tax of 2017 is NT$3,026,528 thousand. On March 15, 2018, the Board of Directors adopted that, after setting aside NT$302,653 thousand as legal reserve, the accumulated distributable profit of 2017 is NT$2,768,771 thousand; thus, the distribution of NT$0.3 cash dividend per share and NT$256,806 thousand in total is proposed. The proposal will be implemented in accordance with relevant regulations after being ratified by the shareholders' meeting on June 26, 2018.

(VII) Impact on Company’s Operating Performance and Earnings Per Share due to the Share Dividends Plan Proposed in this Shareholders’ Meeting: None.

(VIII) Employee Bonus and Directors' and Supervisors' Remuneration:

1. The Scope and Proportion of Compensation to Employees, Directors and Supervisors Stipulated in the Articles of Incorporation:

If there is profit in any given year, the Company shall set aside 10% thereof as employee compensation. The board of directors may resolve to pay said compensation in the form of shares or cash. Such compensation may be paid to the employees of an affiliated company who meet the conditions set by the board of directors. The board of directors may resolve to set aside no more than 0.5% of the above-mentioned profit as the compensation of the directors. A proposal on the compensation for the employees, directors and supervisors shall be presented at the shareholders' meeting. If the Company has accumulated losses, the amount for making up said losses shall be reserved before setting aside the compensation for the employees, directors and supervisors at the rates stated above.

2. The accounting management for the estimation base of estimated amount of compensation to employees, directors and supervisors, the share calculation base of distributed shares as employees' compensation, and in the event that actual distributed amount are different from estimated figures:

In respect of estimated employees' compensation and directors' compensation according to the Articles of Incorporation, if the actual distribution amount adopted by the Board of Directors in the next year is different from the estimated figures, it shall be handled in accordance with the management of changes in accounting estimates, the profit and loss shall be adjusted in the year resolved by the Board of Directors.

3. Information of proposed distributable compensation adopted by the Board of Directors

(1) The amount of compensation to employee, directors and supervisors distributed in cash or shares: In 2018, the 18th meeting of the 8th Board of Directors resolved to distribute NT$371,912 thousand as compensation to employees and NT$18,596 thousand as compensation to directors. The foregoing has no difference with the estimated amount of the expense recognized for this year.

(2) The proportion that the amount of employees' compensation distributed by shares is accounted for the sum of the profit margin after tax provided in the current individual or parent company only financial report and the total amount of employees' compensation: The Company did not distribute employees' compensation by shares.

4. The difference between actual distributed compensation to employees, directors and supervisors (including distributed shares, amount, and price of shares) of the preceding year and recognized compensation to employees, directors and supervisors, and the amount, reasons, and management regarding such difference: No difference.

(IX) Buyback of Company Shares:

Treasury stocks: Batch Order	First	Second	Third
Purpose of buy-back	To maintain company's credits and shareholder's equity	To transfer shares to employees	To transfer shares to employees
Timeframe of buy-back	August 11, 2015 to October 10, 2015	February 5, 2016 to April 4, 2016	May 13, 2016 to July 1, 2016
Price range	NT$21.04 to 41.34	NT$22.4 to 40.0	NT$21.88 to 40
Class, quantity of shares bought-back	20,000,000 common shares	15,000,000 common shares	15,000,000 common shares
Value of shares bought-back	NT$633,737,195	NT$510,819,237	NT$494,191,524
Quantity of cancelled shares	20,000,000 shares	0 share	0 share
Accumulated number of company shares held	0 share	15,000,000 shares	30,000,000 shares
Percentage of total company shares held (%)	0%	1.69%	3.39%

II. Bonds: None.

III. Preferred Shares: None.

IV. Global Depository Receipts:

March 31, 2018

Item / Date of issuance			November 1, 2016
Date of issuance			November 1, 2016
Place of issuance and transaction			NASDAQ
Total issued amount			Not applicable
Issuance price per unit			Not applicable
Total units issued			25,620,267
Source of representing security			Company's common shares
Amount of representing security			512,405,340
Rights and obligations of depositary receipts holders			As the same as common shares
Trustee			None
Depository bank			Citibank
Custodial bank			First Bank
Unredeemed amount			8,701,686
Allocation of responsibility for payment of relevant fees incurred during the issue period and duration			Borne by the Company
Material covenants of depository agreement and custodial agreement			None
Market price per unit	2017	Highest	US$21.87
		Lowest	US$14.69
		Average	US$18.22
	Current year till March 31, 2018	Highest	US$18.35
		Lowest	US$15.70
		Average	US$17.33

V. Employee Stork Options and Restricted Employee Shares

(I) Issuance of Employee Stock Options: None.

(II) Issuance of Restricted Employee Shares:

1. In respect of restricted employee shares not yet completely fulfilled the vesting conditions, status as of the date of publication of the annual report and its impact on shareholders shall be disclosed:

March 31, 2018

Type of restricted employee shares	First series in 2015 restricted employee shares	First series in 2016 restricted employee shares
Date of effective registration	June 29, 2015	
Issuance date	August 31, 2015	May 31, 2016
Amount of issued new restricted employee shares	15,752,000 shares	1,548,000 shares
Issued Price (NT$)	NT$0	NT$0
Restricted employee shares as a percentage of shares issued	1.777%	0.175%
Vesting conditions of restricted employee shares	1. After employees are granted with restricted employee shares, employees may exercise their right of acceptance according to the following timeline: 1 year of continuous service from the granted date: 30% 2 years of continuous service from the granted date: 30% 3 years of continuous service from the granted date: 40% 2. After the restricted employee shares are granted to an employee, his/her year performance rating is B+ or higher, and he/she has not violated any laws, the employment contract, the work rules, the "Non-Competition and Non-Disclosure Agreement," or any other agreements with the Company.	
Restricted rights of restricted employee shares	1. In the event that the shares are granted to the employee but the vesting conditions have yet to be fulfilled, the employee shall not sell, pledge, assign, donate, or mortgage the restricted employee shares to other persons or otherwise dispose of them. Once the employee has fulfilled the vesting conditions, the shares shall be transferred from the trust account to the employee's personal depository account pursuant to the provisions of the Custodial Trust Agreement. 2. The shareholder's rights to attend, propose, make statements, vote and to be nominated in the shareholders' meetings shall be exercised pursuant to the Custodial Trust Agreement. 3. Before the vesting conditions are fulfilled, the restricted employee shares granted to the employee under the Program shall have the same rights as the common shares issued by the Company (including, but not limited to the rights to receive cash dividends, stock dividends, cash (stock) dividends of capital surplus, and any other rights derived from merger, reduction in capital, split-up, and share swap, and other statutory matters) except the shareholder's stock option regarding a capital increase by cash. 4. If the employee has fulfilled the vesting conditions during the statutory suspension period, including the suspension period for the gratuitous stock dividend, cash dividend, stock option regarding a capital increase by cash, or the suspension period regarding the convening of the shareholders' meeting provided in Paragraph 3 of Article 165 of the Company Act, the vesting time and the procedures	

	shall be determined pursuant to the Custodial Trust Agreement. 5. Once the restricted employee shares are granted to the employee, the shares shall be transferred to the trustee directly. The employee shall not for any reason or through any other means demand that the trustee return the restricted employee shares before the fulfillment of the vesting conditions.	
Custody status of restricted employee shares	Under the trust of Taishin Bank	
Measures to be taken when vesting conditions are not met	Redeemed by the Company	
Amount of restricted employee shares redeemed or bought back by the company	1,806,359 share	389,200 shares
Amount of released restricted employee shares	8,405,636 shares	373,800 shares
Amount of unreleased	5,540,005 shares	785,000 shares
Ratio of unreleased restricted shares to total issued shares (%)	0.625%	0.089%
Impact on possible dilution of shareholdings	No significant impact on common share holders or equity dilution.	

2. List of Executives Receiving Restricted Employee Shares and the Top Ten Employees with Restricted Employee Shares:

	Title	Name	Obtained amount of restricted employee shares (thousand shares)	Restricted shares as a percentage of shares issued	Released				Unreleased			
					Amount of shares	Issued price	Issued amount	Released restricted shares as a percentage of shares issued	Amount of shares (thousand shares)	Issued price	Issued amount	Unreleased restricted shares as a percentage of shares issued
Manager	Chairman	Shih-Jye Cheng	2,523,000	0.28%	1,482,000	0	0	0.16%	1,041,000	0	0	0.12%
	Senior Executive Vice President	Lafair Cho										
	Vice President	Wu-Hung Hsu										
	Vice President	Yung-Wen Li										
	Vice President	Yuan-Feng Hsu										
	Vice President	Kuo-Liang Huang										
	Vice President	Chen-Fang Huang										
	Vice President	Teng-Yueh Tsai										
	Vice President	Wei Wang										
	Vice President	Ming-Cheng Lin										
	Vice President	Chang-Lung Li										
	Vice President	Yu-Ying Chen										
	Vice President	Yao-Zhou Yang										
	Vice President	Shou-Kang Chen										
	Special Assistant	Pei-Chuan Ku										
	Senior Director	Chao-Tung So										
	Senior Director	Dong-Bao Lu										
	Senior Director	Silvia Su										
	Senior Manager	Chi-Pei Cho										
Employee	Director	Guo-Shou Yu	782,000	0.09%	439,000	0	0	0.05%	343,000	0	0	0.04%
	Senior Director	Jin-Long Fang										
	Deputy Director	Chi-Zheng Pan										
	Director	Wen-Yong Fu										
	Director	Rong-Nan Jian										
	Director	Chun-Tai Chen										
	Deputy Director	Zhong-Guo Chu										
	Senior Manager	Ching-Rui Lin										
	Deputy Director	Bi-Lin Gong										
	Deputy Director	Yu-Fen Pan										

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

(I) Completed new shares issuance in connection with mergers and acquisitions in the preceding year and up to the date of publication of the annual report:

1.The lead securities underwriter's evaluation opinion regarding the new shares issuance in connection with mergers in the most recent quarter: Not applicable.

2. Status of implementation in the most recent quarter: Not applicable.

(II) New shares issuance in connection with mergers and acquisitions approved by the Board of Directors in the most recent year and up to the date of publication of the annual report: None.

VII. Financing Plans and Implementations: None.

V. Business Overview

I. Business Contents

(I) Business Scope

1. Main Business Contents

The main business of the Company and its subsidiaries is to provide assembly and testing services for various ICs. We also provide turnkey total solution and drop shipment services for our clients.

2. Proportion of Main Products

The consolidated revenue of the Company and its subsidiaries come from providing assembly and testing services. Products of assembly and testing can be divided into two segments: memory products and LCD driver ICs. Based on the process characteristics and the operation administration of profit center, five business groups are set up as the "Assembling Production Group," "Memory Production Group," "LCDD Production Group," "Wafer Bumping Production Group," and "Testing Production Group." Such groups all report to "Operation Manufacturing Center." Revenues, cost and gross margins of each group are calculated respectively. Therefore, we classified the products of the Company and its subsidiaries into five groups and explain the proportion of the main products as follows:

Unit: NT$ thousands; %

Year / Main Departments	2015		2016		2017	
	Amount	%	Amount	%	Amount	%
Assembly	6,270,349	33.29	6,608,197	35.94	5,425,189	30.24
Product Testing	3,293,531	17.48	3,087,179	16.79	2,896,408	16.15
Driver IC	5,396,001	28.64	4,920,302	26.76	4,792,472	26.71
Wafer Bumping	3,369,112	17.89	2,999,457	16.31	3,055,000	17.03
Wafer Testing	1,540,398	8.18	1,777,624	9.67	1,998,881	11.14
Subtract: Amounts from Discontinued Operations	(1,032,302)	(5.48)	(1,005,166)	(5.47)	(227,095)	(1.27)
Total	18,837,089	100.00	18,387,593	100.00	17,940,855	100.00

Note: Consolidated financial statements audited and certified by independent accountants.

3. Current Products (Services) of the Company

The main products of the Company and its subsidiaries are assembly and testing regarding thin small outline package ("TSOP"), Fine Pitch BGA ("FBGA"), Tape Carrier Package ("TCP"), Chip On Film ("COF") and Chip On Glass ("COG"), and wafer bumping. Clients' products can be successfully applied to information, communications, office automation, consumer electronics and other related products through the comprehensive IC assembly and testing services provided by the Company and its subsidiaries.

4. New Products (Services) Development

In the future, in addition to increase of the capacity of the assembly and testing for high-end memory, the Company and its subsidiaries will also expand and increase capacity of the assembly and testing for the following products:

(1) Develop assembly technologies of 3D WLCSP (Chip on Wafer) and are implemented for MEMS (Micro-electro-mechanical -systems) products.

(2) Develop assembly technologies of Flip Chip and are implemented for memory and mixed-signal products.

(3) Develop assembly technologies regarding biometrics authentication and are implemented for fingerprint sensor products.

(4) Assembly and testing services of multi-chip integration products, i.e., MCP (multi-chip package) for high density flash memory and integrated multi-chip product.

(5) Stacked-Die packaging services for high density flash memory products.

(6) Wafer Level CSP (Wafer Level Chip-Scale Package) packaging services for consuming and communication products.

(II) Industry Overview

1. Current Status and Development of the Industry

2016 revenue of Taiwan IC assembly and testing industry is NT$463.8 billion and the annual growth rate shrank from -2.8% for 2015 to 5.1%. Mainly due to the increased demand for advanced packaging from mobile communication electronic products, the penetration rate of high-end and advanced packaging technologies such as WLCSP (Fan-in and Fan-out) driven by high I/Os and high integration continued to rise. Coupled with the increase in memory prices, the market for the quality and quantity of IC packaging and testing products simultaneously improve. It is expected that the production value of Taiwan IC assembly and testing industry in 2017 is NT$477.0 billion, which shows an increase of 2.8% as compared to 2016.

Production Value of Taiwan's Semiconductor Industry in Details

Unit: NT$0.1 billion

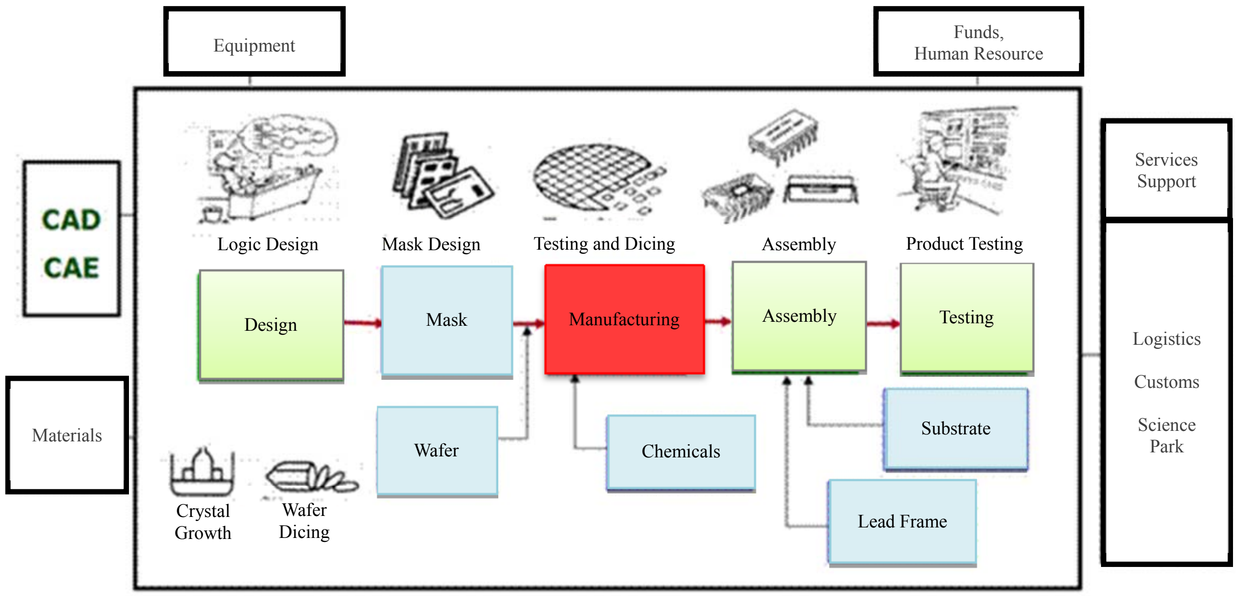
Items	2015	2016			2017(e)		
	Amount	Amount	Proportion	Annual Growth Rate	Amount	Proportion	Annual Growth Rate
IC Design	5,927	6,531	26.66	10.2	6,228	25.31	-4.6
IC Manufacturing	12,300	13,324	54.40	8.3	13,606	55.30	2.1
Wafer Foundry	10,093	11,487	46.90	13.8	11,926	48.47	3.8
Memory and IDM	2,207	1,837	7.50	-16.8	1,680	6.83	-8.5
IC Assembly and Testing	4,413	4,638	18.94	5.1	4,770	19.39	2.8
Production Value of IC Industry	22,640	24,493	100.00	8.2	24,604	100.00	0.5

Source：TSIA、IEK of Industrial Technology Research Institute (2017/11)

2. Relevance Between the Upstream, Midstream, and Downstream of the Industry

Due to the trend and evaluation invoked by the overall vertical integration regarding the division of labor within the semiconductor industry, semiconductor industry in Taiwan can be divided into the upstream, IC design houses, the midstream, IC manufacturing and foundry, and the downstream, IC assembly and testing houses. In recent years, Taiwan's IC industry keeps flourishing and the disintegration therein is becoming more specialized. Each link in the supply chain engaged by various entities, which causes the vertical disintegration, becomes clear and further specialized. Therefore, the structure of the upstream, midstream and downstream of Taiwan's IC industry is more complete than before. The relevance of upstream, midstream and downstream of the industry in which the Company and its subsidiaries are engaged is as shown in below. The main business of the Company and its subsidiaries is providing IC back-end services for LCD driver IC, memory IC, and logic/mixed-signal IC, which belong to the downstream of the semiconductor industry.

Structure of Taiwan's Semiconductor Industry



Source: MIC; IEK of Industrial Technology Research Institute (2013/04)

3. Trend of Development and Competition Regarding Products

(1) Trend of Development

A. IC Assembly and Testing Industry``

a. 3D IC will become a must of advanced assembly in the future.

Based on the low power consumption, high performance, multi-function integration, and package minimization of industry trend, the multi-chips assembly technologies which can integrate each IC, such as System on Chip ("SoC"), System in Package ("SiP") and 3D IC, are the trend of advanced assembly capability development.

3D IC has advantages such as shortening interconnection and scaling down the size of the chips. Therefore, 3D IC has risen as the mainstream technology in recent years. Meanwhile, the type of assembly also shows a development toward TSV. Such type of assembly differs from the traditional wire bonding. It etches holes on each wafer and fills in conductive materials to provide connecting function and therefore all the chips will be combined together. This method reduced the length of metal wires and connection resistance, and further trimmed down the area of the chips. In respect of the needs of digital electronic products in light and short sizes, high efficiency and integration, highly system integration and wireless becomes unavoidable trends and 3D IC’s new structure can meet such development trend of the market. For example, smartphones have high requirements for IC’s function and bandwidth. Aims as increasing the bandwidth and reducing the volume of elements can be achieved through 3D IC. Compared with 3D IC, other assembly technologies, such as SoC, SiP and TSV, have their own advantages and disadvantages respectively. SoC technology has better performance in the costs of energy savings and low capacity products, and is mainly used in products with large quantity and long life cycle. SiP has advantages in heterogeneous integration, speed of production, reuse of design resources and time of research and development, which is most applicable to products for immediate marketing and those with high level heterogeneous integration. TSV has better performance in efficiency and cost of high capacity products, and is currently applied to memories, image sensors and MEMS fields. 3D IC has advantages in small size, high efficiency and easier high level heterogeneous integration in application, and thus becomes the main technology developing by the semiconductor assembling industry at the current stage.

b. The ratio of smart handheld device in the semiconductor application market keeps increasing.

Based on the integration of logic IC and mobile DRAM, mobile phone becomes the largest application market. Along with the expanding trend of smart handheld devices all over the world, smartphone and tablet computer markets shows a trend of huge growth and becomes significant growth force of the world’s semiconductor market. Further, competitive power of IC design houses regarding elements such as CPU, GPU, baseband and networking chips in the smart handheld device market also brings growth in wafer foundry and IC assembly and testing market. In addition, increase in sales of smart handheld device also accelerated the development of semiconductor elements toward high efficiency and integration, and low power consuming. By seizing the turning point of the rise of smart handheld device, there will also be a chance for growth in revenue.

c. Assembly and testing industry will show a trend of "The Big Ones Get Bigger."

Although electronic terminal device shows a trend of light and short sizes, its price keeps going down and thus indirectly depresses the prices and profit of the assembly and testing industry which depends more on the raw material costs. Entities lack of sufficient economic scale will face severe cost control in the future. Further, along with the trend that major semiconductor companies engaged in manufacture procedure in a higher level, the assembly method adopted therein will become more difficult, and the capital expenditure will also become larger and larger. Therefore, if assembly and testing services vendor with smaller scale fails to secure its niche market, its competitive power will continually be weaken under "the big ones get bigger" trend of the industry.

B. Storage Device Industry

NAND Flash is becoming the mainstream of the world's memory market. Decrease and increase can be found in the sales volume of DRAM and NAND Flash respectively in recent years. It reflects the popularization of smartphones and tablet computers. Cloud computing also brings different effects to the two major memory products. Vendors who will implement the built-in NAND Flash and mobile device processing units directly to smartphones in the future also successively provide solutions supporting application of embedded memory (eMMC/eMCP). It is well-established that the built-in NAND Flash will become the majority of smartphone storage in the future. The successful rise of Ultrabook also accelerated the implementation of solid state disk in the PC industry. Further, demand of data center servers for NAND Flash will keep increasing. Therefore, NAND Flash will exceed DRAM and become the most major memory product of the world.

C. Flat Panel Display End-Use Industry

a. Development of devices toward ultra high resolution panel.

Apple and Samsung continually released smartphones and tablet computers with high resolution which earned good reputation in the market. Vendors of other brands are also catching up with the trend. Therefore, high resolution panel is becoming the specification necessary for high-end products. After smartphones, tablet computers, notebooks, Ultrabooks and even LCD TVs are speeding up their pace regarding the implementation of high resolution panels. Further, after Apple released New iPhone and MacBook Pro which adopted fingerprint recognition modules, other brands such as Samsung, Asus, Acer and Dell are also speeding up their pace to implement fingerprint recognition modules in their cell phones, tablet computers, notebooks and slim notebook products. Based on the slow sales in LCD television market, Japanese and Taiwanese panel manufacturers are now engaged in development and massive production of 4K×2K LCD panels and will further implement products such as high-end LCD monitoring camera and LCD TV.

b. AMOLED is considered as the advanced display technology of next generation.

AMOLED has self-luminous characteristic. Its response time is short and may have high contrast efficacy. Therefore, AMOLED can show splendid colors while effectively reduce electronic consumption. Further, products' thickness may be reduced significantly because such products can be lit up without the assistance of backlight. Also, AMOLED has bendable characteristic because it can be processed on soft substrates. The proportion of cell phone vendors in Mainland China adopting AMOLED are increasing. Apple is also negotiating with panel vendors regarding the distribution of OLED panels of iPhones and it is expected that this may lead the movement of more cell phone vendors to catch up such trend. Market share of AMOLED is expected to rise sharply in 2017.

(2) Competition Status.

A. Driver IC Back-End Services is an Oligopolistic Market and 12-inch Gold Bumping and Testing Machinery Equipment are Significant Points of Expansion:

After integrations conducted in Taiwan's LCD driver IC assembly and testing industry, small vendors are merged into other vendors. After integrations of relevant back-end services vendors (for example, Fupo, USTC, Megic, Chipbond, UOT, ISTC, ChipMOS, AMCT, Aptos and SPIL), Chipbond and ChipMOS are the only main vendors left and therefore cause the LCD driver IC back-end services to become an oligopolistic market. Capacity of the two top vendors in Taiwan, i.e., Chipbond and ChipMOS, far exceeds other competitors. They are also able to offer turnkey services and thus the order of the industry may be maintained. Currently, capacity utilization rate of each vendor in peak seasons regarding the 8-inch Gold Bumping is merely 70%. In the future, the rest of the capacity will be used in assembly and testing for power management IC, MEMS, WLSCP and other application products. Along with the rapid growing demand for smart handheld device, design for small size driver IC is becoming more complicated due to the increase of the resolution of Mobile Device panels. Testing period also becomes longer. Therefore, expansion of each vendor in 2013 had been focused on the capacity of 12-inch Gold Bumping and testing machinery equipment. Based on the foregoing factors and taking into consideration of the competitive advantages, during 2013 and 2014, the Company and its subsidiaries also speeded up to establish their capacity of 12-inch Gold Bumping, and expanded their capacity of LCD driver IC high-end testing machinery equipment and assembly and testing equipment for MEMS.

B. DRAM Industry of the World Has Been "Carved Into Three Pieces" by Samsung, Micron and SK Hynix:

Since Micron owns memory assembly and testing facilities, orders placed by Micron are mainly for assembly of DRAM and NAND Flash while the testing are mostly performed in-house. The main vendors engaged by Micron in Taiwan regarding DRAM/NAND back-end services are PTI and ChipMOS. It is highly possible that Micron will take lead in the manufacturing process technologies of the next generation. Micron's testing platform is solely developed by itself and thus differs from most of the testing houses. If testing houses intend to continually obtain Micron's orders, they will need to increase their capital expenditures to purchase new testing platforms. The Company and its subsidiaries have been working a long time on raising production efficiency and reducing manufacturing cycle time and raw material costs to enhance price competitive power. Further, the Company and its subsidiaries have established a long-term and close cooperation relationship with Micron than other competitors and provide Micron with satisfactory professional services. Taking into consideration of the competitive ability of the technologies in the market of both ChipMOS and Micron, the parties will jointly develop next-generation products based on principles of equality and mutual benefit and financial stability. Investment regarding new products and new manufacturing procedure in the future will be made in a timely manner to raise the competitive ability of the Company and its subsidiaries.

(III) Status of Technologies and Research and Development

1. Technology Level, Research and Development of Operating Business.

(1) Technology level of operating business.

ChipMOS has committed to assembly and testing business for over 30 years which originated from MOSEL's back-end factory from 1986. 20 years has passed since ChipMOS' official independence from MOSEL on 1997. ChipMOS is now one of the top ten assembly and testing vendors in the world.

Although assembly and testing services produce no inherent products, the scope of such services includes military industry to daily consumer products. On the other hand, assembly and testing services focus on the back-end of the overall semiconductor supply chain. Any disorder of any link of such supply chain may affect the Time to Market. Further, assembly and testing services are no longer being considered as a traditional industry with low entry-barriers. Instead, such services are now facing process miniature and irregular and rapid ups and downs within the industry. In respect of the rise of new generation portable consumer electronics, such as smartphones and tablet computers, vendors shall always be ready to provide their clients with the best integration solution to establish win-win cooperation relationship.

In order to continually have a foothold in the assembly and testing industry, ChipMOS has committed to product research and development for decades. Research and development regarding assembly and testing generally refers to technical basis, including the characteristics of materials and machines, which are the core business of the Company, and the characteristics of electronics, which are becoming much more focused. In general, the cores of researches are combinations of the foregoing three main fields and other compositions. Relevant explanations are provided as follows:

A.Materials

The main mission of the package body is to protect ICs from the effects of external stress and environmental pollutants, and further ensure the stability of any internal heterojunction under long-term use. Therefore, the choices and applications of materials are extremely important. Materials placed in a package body shall have a most optimized combination. The best package body shall maintain certain characteristics after severe burn-in test (adopting JEDEC standards) and then shall it be confirmed as the most optimized combination of materials. In addition, how to select assembly materials at a low costs to meet clients' needs of reducing costs of products has always been the key point of ChipMOS' research and development.

B. Machine Characteristics

To protect internal IC chips from losing efficacy due to external stress, it is important that the surface of the products shall be firm enough and the internal stress shall be as little as possible. Especially the curve caused by periodical and instantaneous thermal stress that occurs in the application of miniature product will bring permanent damages to interface contacts. This will further cause the units to lose efficacy. Therefore, machine characteristics require prior simulation and post measurement. The characteristics and error range of such structure can be learned by conducting analysis in all aspects.

C. Electronic Characteristics

Another mission of the package body is to distribute the signals from IC chips to PCBs. This can be achieved through the design of the substrate. However, consumer electronics are changing rapidly and the trend of high-speed and high-frequency/ microwave radio frequency has been established. Therefore, electronic characteristics require prior simulation and post measurement by a different method in order to meet various needs of the clients.

Based on the foregoing three basic researches, in respect of products of various clients, the aim of improving package body shall be achieved by selecting various characteristics. Improvement of the main package body of each generation solely depends on advanced research and development power. Current mainstream of assembly technologies and ChipMOS' unique abilities can be realized step by step through the following research and development plans.

(2) Research and Development

Research and Development Plans Regarding Assembly and Testing Technology in 2017

A. Develop assembly technologies regarding 5S molded WLCSP.

B. Develop assembly technologies regarding Flip Chip to flexible substrate and implement applications in memory and mixed-signal products.

C. Continually develop assembly technologies regarding next-generation products of biometrics authentication and implement fingerprint sensor products.

D. Continually provide the assembly and testing services of multi-chip integration products, i.e., MCP (multi-chip package) for high density flash memory and integrated multi-chip product.

E. Stacked-Die packaging services for high density flash memory products.

F. Wafer Level CSP (Wafer Level Chip-Scale Package) packaging services for consuming and communication.

G. Develop multi-Cu RDL layers (3P2M) bumping capability and Stacked-Die packaging services regarding Cu RDL chips.

H. Wafer probing services regarding Cu pillar bumping wafers and solder ball bumping wafers.

I. Continue to develop COF SMT capability to meet the requirement of sub-system module.

Research and Development Plans Regarding Assembly and Testing Technology in 2018

A. Continually develop Flip Chip assembly technologies and implement applications in memory and mixed-signal products.

B. Continually develop fine pitch, high aspect ratio application used UBM sputtering technologies and implement applications in commercial and communication products.

C. Continually develop Cu Pillar technologies and implement next-generation products of biometrics authentication, fingerprint sensor products.

D. Wafer Level CSP (Wafer Level Chip-Scale Package) packaging services for consuming and communication.

E. Continually develop multi-Cu RDL layers (3P2M) bumping capability and Stacked-Die packaging services regarding Cu RDL chips.

F. Continue to develop COF SMT capability to meet the requirement of sub-system module.

2. Invested Research and Development Expenses of the Most Recent Year and till the Date of the Publication of the Annual Report.

Unit: NT$ thousands

Item \ Year	2017	Current year till March 31, 2018
A. Research and Development Expenses	985,873	--
B. Revenue	17,940,855	--
A/B	5%	--

3. Successfully Developed Technologies or Products during Recent Years

Year	Results of Research and Development	Explanation of Contents
2016	Development of Cu pillar bumping & Flip Chip assembly technologies.	Completed development of Cu pillar bumping & Flip Chip assembly technologies and implemented into memory products.
	Develop the capability & the application of multi-chips and module package assembly, including establishment of Stacked-Die package core technologies regarding Cu RDL chips.	Continually enhance the capability & application of multi-chips and module package assembly, including establishment of Stacked-Die package core technologies regarding Cu RDL chips.
	Develop fingerprint sensor packaging capability and product phase-in.	Continually develop fingerprint sensor assembly technologies and product implementation.
	Develop assembly technologies of 3D WLCSP (Chip on Wafer).	Completed the assembly technologies of 3D WLCSP (Chip on Wafer) and product implementations.
	Cu RDL wafer and solder bumped wafer probing service.	Establish wafer probing capabilities of Cu RDL wafer and solder bumped wafer
2017	Develop assembly technologies regarding 5S molded WLCSP	1.Develop molded WLCSP 2.Enhanced into 5 sides molded WLCSP
	Develop multi-chip stacked molding technology (included Cu RDL build-up)	1.Develop multi-chip stacked molding 2.Develop Cu RDL technology
	Develop fingerprint sensor assembly technologies and products implement	Provide LGA assembly solution for fingerprint sensor application
	Testing Service for Cu RDL & Solder Bumping	1.Service for Cu RDL 2. Service for Solder Bump
	Provide multi-Cu RDL layers(3P2M) bumping and assembly service	1.Bumping Service for 3P2M Cu RDL 2.Assembly service for multi-Cu RDL stacking.
	Provide the assembly and testing services of multi-chip integration products, i.e., MCP (multi-chip package) for high density flash memory and integrated multi-chip product.	1.Provide MCP(Wire-bond stacking) solution. 2.Provide MCP(FC-DFN) solution. 3.Provide flash memory turnkey solution (assembly and testing)
	Develop fine pitch, high aspect ratio application used UBM sputtering technologies and implement applications in commercial and communication products.	Provide solution for communication products 1.Fine pitch(Line/Space=14/14um) 2.High aspect ratio(AR>2) 3.UBM stacking(Ti/Cu, TiW/Au)

(IV) Long-term and Short-term Business Development Plans.

The Company and its subsidiaries have taken the initiative in approaching clients and the market for many years. Along with the growth of clients and the market, the Company and its subsidiaries have successfully established the basis of product qualities and company images and gradually gained a foothold in the market. In respect of the trend of industry developments and competitions in domestic and foreign market, it is expected that the condition of the Company can be adjusted according to the long-term and short-term development plans in order to improve its overall competitive power.

1. Short-term Business Development Plans

(1) The Services Provider of Entire Back-End Processes within the Semiconductor Market.

A. Provide services regarding the entire manufacturing process of core technology products.

B. Focus on the capacity of the semiconductor assembly and testing market, and the products and technologies jointly researched and developed with clients which a win-win situation is expected.

C. Continue to maintain good relationships with existing clients and further obtain new clients.

D. Logic/mixed-signal IC and MEMS products shall be set as the targets of further expansion.

(2) Major Vendors' Acceleration of Outsourcing and Organization Integration Caused Increase in ChipMOS' Business of Technical Services.

A. Major IDMs (Integrated Device Manufacturer) continually and rapidly increase their business outsourcing related to semiconductor back-end assembly and testing services in order to correspond to the quickly shortened life cycle of products and raw material price fluctuation.

B. Based on historical data of OSATs, IDMs, wafer foundries and design houses will continue to release capacities.

C. Due to integrations within the semiconductor assembly and testing market during the recent years, the number of competitors has been reduced and thus improved the market order. For example, Gold Bumping manufacture and TCP/COF.

(3) Business Strategic of Establishing Long-term Partnership with Clients.

A. Maintain a high-level profit margin.

- Adopt efficient management and diversification business strategy, and further increase equipment's capacity utilization.
- Under horizontal competition in the industry with fewer competitors, better sale price and gross profit may be maintained.

- Increase the profit margin by using the funds efficiently and adjusting the product portfolio.

B. Enhance relationship with leading vendors and companies engaged in semiconductor industry within Company's core business scope. Further, based on the technical blue prints of the Company, to cooperate with clients closely, keep devoting to innovation and research, and further expand capacity.

2. Long-term Business Development Plans

(1) Focus on High-Growth End-Use Market.

A. Focus on special end-use market.

B. Develop high-growth product application market by implementing advanced technical service of entire back-end processes.

C. Focus on the research, development and innovation of core technologies to assist clients lowering their operating costs.

(2) Focus on the Capacity Expansion, Development and Establishment of Advanced Technologies; Establish Sufficient Capacity and Expand the Market Share of High-Growth Products.

A. Develop 12-inch wafer Fine Pitch Bonding technologies which shall be applied to LCD display driver IC products.

B. Establish implementation of Flip Chip technologies regarding assembly of memory and logic/mixed-signal products.

C. Apply WLCSP and RDL technologies to electronic compasses, magnetometers and other memory products.

D. Develop assembly technologies for high-profit assembly products, such as Stacked-Die package, Multi-Chip package and SiP.

(3) Taking Initiative in Establishing Global Self-Owned Intellectual Properties Database to Achieve the Aim of Protecting Specialized Technologies.

Use positive and innovative research and development power to cooperate with clients' technology development and new products development and further establish platform for patent development. Raise the value of non-core technologies by transferring and selling patent rights.

II. Market, Production, and Sales Overview

(I) Market Analysis

1. Market Analysis

(1) The Sales Territory of Main Products (Services)

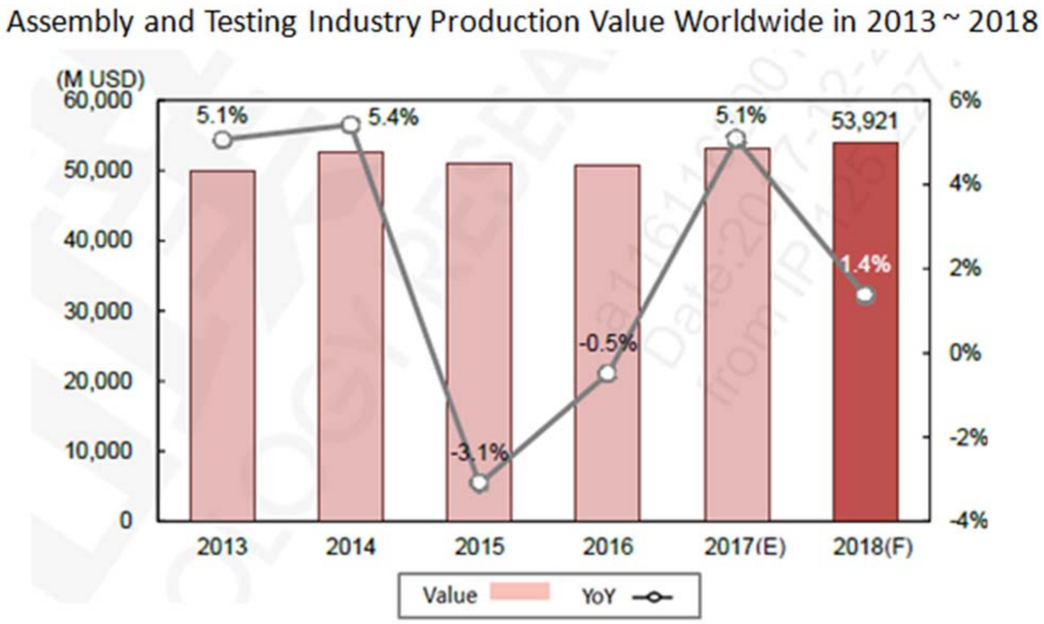
Unit: NT$ thousands; %

Territory \ Year		2016		2017	
		Sales	Ratio (%)	Sales	Ratio (%)
Domestic Sales		13,644,392	74.21	13,360,459	74.47
Export Sales	Asia	5,404,933	29.39	4,468,661	24.91
	America	249,294	1.36	253,434	1.41
	Others	94,140	0.51	85,396	0.48
	Subtotal	5,748,367	31.26	4,807,491	26.80
Subtract: Amounts from Discontinued Operations		(1,005,166)	(5.47)	(227,095)	(1.27)
Total		18,387,593	100.00	17,940,855	100.00

(2) Market Share

The Company and its subsidiaries are professional IC assembly and testing companies, mainly providing assembly and testing services of memory IC, LCD driver IC and logic/mixed-signal products for IC design houses, integrated devices manufacturers (IDM) and IC fabs. The aforementioned products are primarily applied in computers, storage devices for consumer electronics, and terminal application products for displays. According to statistics of IEK of Industrial Technology Research Institute, the production value of Taiwan IC assembly and testing industry in 2016 is NT$463.8 billion, while the consolidated revenue of Company and its subsidiaries in 2016 is about NT$18.4 billion, accounting for about 3.97% of Taiwan's production value. The Company and its subsidiaries have many years of experience in assembly and testing and professional R&D technical capabilities to provide adequate capacity scale and full service of back-end processes to meet different needs of clients. In recent years, the Company has a very good performance in terms of business scale, reflecting that the Company and its subsidiaries' products and technology have obtained a high degree of client recognition, and have already occupied a considerably competitive position in the industry.

(3) Future State of Market Supply and Demand and Growth



Source : TRI (Dec 2017)

In accordance with the estimation by TRI, total revenue of global semiconductor assembly & testing services in 2017 will grow by 5.1% and reach the amount of US$53.19 billion. In comparison with a slight decrease in 2016, total revenue of global semiconductor assembly & testing services in 2017 stopped falling and bounced back. Benefiting from the rising demand of advance packaging for mobile communication electronics that driving the increase of penetration rate of high level and advance packaging technology with high I/O volume and high integration, such as WLCSP (inclusive of Fan-in and Fan-out), and the price increase of semiconductor device, market demand for both quality and quantity of semiconductor assembly & testing services increases synchronously. It is estimated that total revenue of global semiconductor assembly and testing services in 2018 will grow by 1.4% and reach the amount of US$53.92 billion.

(4) Competitive Advantages

A. Industry-Experienced Management and Technology R&D team

Since the establishment of the Company in 1997, the Company has continued to invest in the research and development of advanced technologies relating to the field of assembly. The major R&D personnel and the management team have more than 10 years of working experience in the semiconductor industry, accumulating rich experience relevant to assembly and testing, while equipped with a clear perception of the industry trends, and a comprehensive grasp of the market demand. As a result, the Company and its subsidiaries are able to meet clients' demand, timely developing key technologies contributing to win more clients' orders.

B. Equipped with Advanced Process Technology

The competitions between domestic and foreign vendors in the IC assembly and testing industry are fierce. Each vendor would develop innovative process technology to reduce costs and lower prices to enter the market. As a result, price competition is a major factor determining competitiveness in the IC assembly and testing industry, and process technology is also an important indicator for competitiveness. The Company and its subsidiaries have advanced assembly technology, continuing to improve of the technologies in the manufacturing process, and improve production efficiency, thus helping clients reduce operating costs. In addition, the Company and its subsidiaries are actively pursuing innovation and R&D, working with clients to develop new process technology and new products, while establishing a platform of patent development. So far the Company and its subsidiaries have acquired 865 patents at home and abroad, and were named Astrum Award Winner by MDB Capital Group, a US intellectual property (IP) investment bank, in 2011, revealing that the advanced process technology possessed by the Company and its subsidiaries has become one of the important competitive advantages.

C. Production Has Reached Economies of Scale and the Capacity Continues to Expand

The mass production of IC assembly and testing vendors can reduce the unit costs of R&D, equipment procurement, and operation costs. Since the establishment of the Company in 1997, the Company has focused on the R&D of technologies and productions relating to the field of assembly and testing. So far the Company has built up sufficient manpower and machinery equipment, and production capacity has reached the economies of scale. In addition, the engineers and production line workers are skilled in the manufacturing process and operation techniques, while the Company and its subsidiaries are able to effectively manage the machinery equipment and adopt the strategy of diversification, significantly increasing the production efficiency and relatively reduced the unit cost. In order to increase the Company's market competitiveness, the Company and its subsidiaries will closely observe the market and clients' needs in the future, continuously expanding production capacity in response to the clients' demand for diversification and reducing unit costs.

D. IC Assembly and Testing Turnkey Services

The Company and its subsidiaries provide clients with turnkey services including assembly and testing of memory IC, LCD driver IC, logic/mixed-signal IC, wafer bumping manufacturing and other products in order to meet the clients' demands of one purchase to solve all needs, and shorten the delivery time while saving transportation costs, indirectly saving clients' operating costs, strengthening each other's competitiveness to jointly create a win-win situation.

E. Establishing Close and Long-term Partnership with Clients

The Company and its subsidiaries provide clients with a complete package of services including the entire manufacturing process of core technology products. In the aspects of assembly and testing technology, product quality and delivery service, our services can fully meet the needs of clients and work with our clients to develop new products and new process technology. Therefore, the Company and its subsidiaries have received accreditations and recognitions from a number of domestic and foreign well-known IC manufacturers. Furthermore, given the concerns of confidentiality of technology, quality and long-term tacit understandings, unless significant deficiencies occur to the products, the IC manufacturers would not easily replace the supplier. This fact demonstrates that the Company and its subsidiaries have established close and long-term partnership with clients. In addition, except continuing to maintain good relationships with existing clients and continuing or extending existing OEM contracts or capacity reservation contracts, the Company and its subsidiaries would use our advanced process technology as a basis in the future to focus on the development of new clients of logic/mixed-signal and consumer IC products. This practice would benefit the Company and its subsidiaries' future operation developments.

F. Solid Financial Structure

"The big ones get bigger" is one of the future development trends of assembly and testing industry. The Company and its subsidiaries have sufficient cash flow and solid asset-liability structure to ensure that the Company and its subsidiaries would continue to invest and develop steadily. This is our key to maintain the stability of operations during the recession of the IC industry. Therefore, the stability of the financial structure of the Company and its subsidiaries is an important basis to long-term cooperation and mutual development with clients, and it is also one of the competitive advantages of the Company and its subsidiaries.

G. Equipped with a Complete Product Development Blueprint and the Power to Pursue Diversified Developments

The Company and its subsidiaries have an experienced R&D technical team. In addition to continuing to strengthen and improve the IC assembly and testing technology and quality, the Company and its subsidiaries are also actively developing state-of-the-art technology and services in response to the needs of the future IC mainstream market (including high profit assembly products and technologies currently under development such as the 12-inch wafer Fine Pitch technology and Flip Chip, or ones that are applied to WLCSP and RDL technologies, Stacked-Die Package, Multi-Chip, and SiP). With our own capabilities of technology integration and development, the Company and its subsidiaries rely on a wide range of assembly and testing technologies to provide a complete portfolio of product technologies in accordance with market and client demands. The practice not only reduces the impact of the IC industry recession, but also provides clients with more diversified and differentiated assembly and testing services to increase the Company's competitive advantage.

(5) Advantages and Disadvantages of Development Prospects and Countermeasures

A. Advantages

(A) The Market is Capital and Technology-Intensive, and the Barriers to Entry are Comparatively High

The semiconductor industry is a capital and technology-intensive industry. Capital expenditures in the industry are becoming more costly because the machinery equipment required for semiconductor testing is expensive, the orders for IDM OEMs are increasing and the product technologies change rapidly. In addition, as semiconductor assembly is technology-intensive, its process technology and production defect-free rate determines the level of production costs, and it is difficult to train and recruit R&D personnel while assembly and testing products would only acquire orders after the certification of clients. These factors result in a higher threshold for new competitors. The Company and its subsidiaries have an excellent technical R&D team. We devoted ourselves to the industry for many years, resulting in our rich experience in practice. Moreover, the Company and its subsidiaries fully grasp the trends and needs in the semiconductor assembly industry, and we have already reached economies of scale, while our process technology also obtained the trust and quality certifications of international industry giants. All of these successes indicate that the Company and its subsidiaries are competitive in the market.

(B) The Domestic Semiconductor Industry Has a Complete Model of Vertical Disintegration

The vertical disintegration system of Taiwan's semiconductor industry has developed for many years, and is equipped with advantages such as the integrity of upstream and downstream industry chain, work specialization with high supportiveness, significant industry cluster effect, and the comprehensiveness of surrounding support industry. In addition, the wafer foundries and assembly and testing houses of Taiwan possess professionalized manufacturing capacity along with flexible production scheduling, world-class service quality and rapid adaptability, and already reached economies of scale. The capacity of Taiwan's semiconductor industry is not only in line with industry trends and demand, but also is capable of providing high-quality and internationally competitive products. This would be a great advantage for our development in the future.

(C) The Industry and End-Use Market of Our Products Will Continue to Grow in the Future

Due to the strong growth in shipments of smartphones, tablet computers, Ultrabook and others led to the increase of relevant chips' assembly and testing orders; the continuing trend of IDM OEM outsourcing; the fact that the amount of copper wire will still has a lot room for growth as the orders of fables vendors in the United States and IDMs in Japan will keep increasing; and along with the improvement of the penetration rate of 1x nano-process technology, the demand for advanced assembly and wire bonding would elevate simultaneously. This is conducive to the increase of the added value of the industry, and the promotion of the development of industry value upgrading. In addition, from the perspective of the storage device industry, strong demand for smartphones, tablet computers and other consumer electronics products is expected to stimulate the growth of DRAM and NAND Flash; from the perspective of displays' end-use industry, although the demand for LCD monitor and personal computer continues to decline, but as the demand for LCD TV continues to increase, the annual growth rate of the production value of the global large-size panel industry will rise slightly to 5.6%, while the production value reaches US$98.1 billion. As for the small size panels, as the demand for smartphones and tablet computers continues to rise, the annual growth rate of production value of small and medium size panel industry is expected to increase significantly to 28.6%, while the production value reaches US$33.5 billion. To sum up, the growth of the Company and its subsidiaries is expected to continue sustainably since the industry and the end-use market will continue to grow in the future.

(D) The Trend of International IDM Industry Giants' Acceleration of Outsourcing is Conducive to Assembly and Testing Market

In 2009, as the financial crisis inflicted a serious defeat on the global economy and both the domestic and international IT industry, international IDMs became more cautious in inventory control. They no longer invest in the expansion of capacities and start to reduce capital expenditure while conservatively expanding the capacity of back-end IC assembly and testing. In the meantime, IDMs have begun to engage in operation modes revision (i.e. Fabless or Fab-Lite) and structural reorganization. They concentrate on market development and R&D, improving operational efficiency, while they strive to reduce the risk of self-built fabs and focus on pooling of resources and production costs reduction, resulting in the continuing of IDMs' increasing of the proportion of outsourcing. In addition, as the IC production process continues to refine, the trend of semiconductor assembly types moving towards high-end IC assembly and testing technology emerges. Under such circumstances, IDMs are highly dependent on the professional assembly and testing houses dedicated to continuous R&D of new technologies in order to master high-end assembly technologies required for the new types of IC products. As a result, the business opportunities of domestic IC assembly and testing houses to gain outsourcing orders from international IDMs will continue to increase.

The Company has industry-experienced R&D technology teams and advanced process technology (for instance, assembly and testing technologies including COF, COG, Wafer Level CSP and MEMS, etc.), and is able to meet clients' needs for timely development of key technologies, while continuously improving process technologies in manufacturing processes and enhancing production efficiency. All of these advantages would help clients reduce operating costs. In addition, the Company and its subsidiaries have reached economies of scale, and are able to continuously expand production capacity in accordance with the market and clients' demand. The Company and its subsidiaries has sufficient capacity to meet major IDMs' diversified demands and reduce unit costs, thereby increasing the price competitive advantage, contributing to the winning of IDM OEM orders.

B. Disadvantages

(A) Capital expenditure gradually increases

The Company and its subsidiaries provide assembly and testing services, and all of our testing machinery equipment is costly. As IDM's OEM orders are increasing, assembly and testing vendors began to vigorously invest in the procurement of machinery and equipment. In addition, in response to the rapid changes in assembly and testing technologies, major semiconductor vendors have gradually entered a more advanced level of process, while the difficulty of relevant assembly technologies also simultaneously increases. As a result, the required capital expenditure is becoming more enormous, and therefore the increase in capital expenditure would elevate investment risks of the Company and its subsidiaries.

<u>Countermeasures:</u>

The Company has established a R&D center to research and develop assembly and testing technology with clients and seize the market demand at any time in order to understand new assembly and testing technology trends in the future, ensuring that the Company could introduce the products and technologies to meet market and clients' demands at an appropriate and right moment. In addition, the Company and its subsidiaries have carefully evaluated the investment plans and the management plans of personnel, machinery equipment, funds and technology, adjusting the equipment portfolio in accordance with market demands in a timely manner so as to use the minimal equipment and investment portfolio to respond to diversified client demands, reduce assembly and testing technology-related investment amount and risks, and pursue the efficient use of free cash flow while maximizing our management effectiveness.

(B) The assembly and testing technologies change rapidly and the Company has less dominance in the development of technologies

With the rapid expansion of the application of end applications, memory applications and product categories are becoming more diverse. Moreover, because the market are becoming more demanding of product functionality, performance, cost and design along with the fierce horizontal competition in the industry, semiconductor and testing technology changes rapidly; in addition, as the designers and users are the players having dominance in the field of new assembly and testing technologies, it is difficult for us to immediately grasp the market acceptance of new technologies.

Countermeasures:

The Company and its subsidiaries provide a complete package of services for the entire semiconductor back-end process, and our assembly and testing products are required to be jointly certified by the IC manufacturer and the IC assembly and testing vendors. Given the necessity of product technical confidentiality and quality stability, IC manufacturers would select an appropriate IC back-end assembly and testing vendor to engage in a close and long-term cooperation. Once the cooperation relationship of supply and demand is confirmed, it is not easy to alter the relationship. In addition, the Company and clients jointly develop new products and technologies to ensure that we can introduce the products and technologies to meet market and clients' demands at an appropriate and right moment. Furthermore, the company and its subsidiaries are committed to the R&D and innovation of core technologies. In addition to continuing to maintain good relations with existing clients, we also continue to develop assembly and testing technologies for other products such as logic/mixed-signal and consumer IC products in order to win potential new clients, dispersing the risks of our product portfolios.

(C) The shortening of IC product life cycle results in significant fluctuations in the industry's state of economy

The Company and its subsidiaries provide memory IC, LCD driver IC and logic/mixed-signal products assembly and testing services for IC design houses, IDM and IC fabs. Because IC assembly and testing is the back-end process of IC, the demand of our services comes from the IC industry. Therefore the prosperity or recession of the IC industry is closely related to the development of IC assembly and testing industry.

Countermeasures:

The Company and its subsidiaries have advanced technology services for the entire semiconductor back-end process, and we actively develop markets for high-growth end products. In addition to continuously improve the assembly and testing technology and quality for memory IC products and display driver IC products and shorten the delivery period, adjusting the product portfolio at any time in response to market demands, the Company's new process products such as Wafer Level CSP and MEMS have obtained clients' verifications. We have also actively established the application of flip chip technology in logic/mixed-signal products. Therefore, the Company and its subsidiaries could reduce the risk of business cycle by providing clients with more diversified assembly and testing services through our diversified product line. Furthermore, the Company and its subsidiaries already established long-term and stable partnerships with existing clients, while we actively develop new clients for logic/mixed-signal products, resulting in a full and stable application of our production capacity. The Company and its subsidiaries have been elastically responding to the substantial amount of orders during the IC industry boom and the reduction in orders in the industry' downturn by carefully assessing the impact of investment plans and management plans for personnel, machinery equipment, capital and technology. In addition, the Company and its subsidiaries maintain a solid financial structure and this advantage also reduces the adverse impacts on the Company's operating stability when the IC industry is experiencing a downturn.

(D) The difficulty in the training, recruitment and retention of professional IC assembly and testing personnel

Because R&D team is very important to IC assembly and testing, obtaining R&D personnel with rich experience and good quality is the key to success for IC assembly and testing companies. With the rapid development of IC industry in recent years, the demand for professional R&D personnel keeps growing. However, it is difficult to train and recruit professional R&D personnel. Therefore, the Company and its subsidiaries will also have to face the unfavorable factor of the shortage of professional R&D personnel.

Countermeasures:

In addition to establishing various internal and external education and training systems to enhance the professional skills of the staff, the Company and its subsidiaries also provide employee with benefits and distribute employee restricted shares, enabling employees to share our business results, cultivating employee's coherence to the Company. At present, the Company is also listed on the stock market, so that our stocks would have more liquidity, enabling the Company to retain the existing professional R&D talents, and become more attractive to professional R&D personnel during recruitment.

(E) The rising of raw material costs

The main key raw materials of the Company and its subsidiaries during the assembly and testing process are materials such as lead frame, substrate, gold wire, IC carrier board, and resin, claiming about 30% of the materials. As a result, the rising of raw material prices would definitely bring impacts to the IC assembly and testing industry. The Company and its subsidiaries would have to face an even greater challenge regarding the control of raw materials costs and inventory.

Countermeasures:

In addition to fully grasping the relevant information on changes in the raw materials, and keeping an eye on the changes in the industry trend any time, the Company and its subsidiaries also improve the product defect-free rate, and reduce the negative impacts of rising costs by proposing alternative raw materials, improving the existing process technologies and developing advanced process technologies and other solutions, facilitating the Company and its subsidiaries to maintain a stable competitive advantage for profits.

(F) Horizontal Competition in the Industry:

Since the IC assembly and testing industry has already matured, horizontal competition in the same industry is quite severe.

Countermeasures:

The Company would provide clients with better quality and services, continuing to strengthen the capability of technology R&D capabilities and process improvement to enhance production efficiency, product quality and reduce production costs while pursuing to maintaining client satisfaction. In addition to actively maintaining existing long-term client relationships, we would also strive to develop other new clients to consolidate and further strengthen our market position.

(II) The Important Purposes and Production Process of Our Main Products

1. The Purposes of Main Products

The main products of the Company and its subsidiaries are OEM services for the assembly and testing of products such as TSOP, FBGA, TCP, COF and COG. The client's products can be successfully applied to information, communications, office automation, consumer electronics and other related products through the comprehensive IC assembly and testing services provided by the Company and its subsidiaries.

2. The Production Process

Memory IC Products

Wafer Probe → Assembly → Burn-In → Testing

LCD Driver IC

Gold Bumping → Wafer Probe → Assembly → Testing

(III) The Supply Status of the Main Raw Materials

The main raw materials of the Company and its subsidiaries are Gold Salt (potassium gold cyanide), Substrate, Gold Wire, Lead Frame, Molding Compound, etc. Our suppliers for the raw materials listed above are all well-known domestic and foreign vendors providing stable supply, high quality products, and accurate delivery. In addition, the Company and its subsidiaries implement a random quality inspection for the main raw materials suppliers in order to obtain a supply of better quality.

Main Raw Materials	Name of Supplier	Domestic	Foreign	Supply Status
Gold Salt	SOLAR	V		Good
	Metalor		V	Good
Substrate	Ryowa		V	Good
	Unimicron	V		Good
	Simmtech		V	Good
	Kinsus	V		Good
Gold Wire	Tanaka		V	Good
	MKE		V	Good
Lead Frame	SHINKO		V	Good
	CWE	V		Good
	Fusheng Group	V		Good
	HDS		V	Good
Molding Compound	Hitachi Chemical		V	Good
	Kyocera		V	Good
	ShinEtsu		V	Good
	CWE	V		Good

(IV) The Percentage of Suppliers and Customers Accounting for More than 10% of The Total Procurement (Sales) Amount in Either of The Most Recent Two Years, The Amount and Proportion of Procurement (Sales) from Them and The Reasons for The Change

1. Major Suppliers of the Most Recent Two Years

Unit: NT$ thousands

	2016				2017				2018 Q1(Note)			
Item	Name	Amount	% of Total Net Purchases	Relationship with Issuer	Name	Amount	% of Total Net Purchases	Relationship with Issuer	Name	Amount	% of Total Net Purchases	Relationship with Issuer
1	Bank of Taiwan	1,134,495	22.09	None	SOLAR	624,827	14.62	None	-	-	-	-
2	RYOWA	1,002,604	19.52	None	Bank of Taiwan	490,217	11.47	None	-	-	-	-
3	SOLAR	504,660	9.83	None	RYOWA	447,716	10.48	None	-	-	-	-
	Others	2,936,102	57.18		Others	2,810,278	65.77		-	-	-	-
	Less: Amount from Discontinued Operations	(442,607)	(8.62)		Less: Amount from Discontinued Operations	(100,015)	(2.34)					
	Total	5,135,254	100.00		Total	4,273,023	100.00		-	-	-	-

Note: As of the publication date of the annual report, the most recent consolidated financial statements dated March 31, 2018 has not yet been approved by the Board of Directors nor reviewed by certified public accountants.

Reason of Increase / Decrease in Purchases: The decrease in the purchases of Bank of Taiwan is due to our strategy of diversifying in risk of suppliers and increase the purchases of SOLAR since 2017.

2. Major Customers of the Most Recent Two Years

Unit: NT$ thousands

	2016				2017				2018 Q1(Note)			
Item	Name	Amount	% of Total Net Sales	Relationship with Issuer	Name	Amount	% of Total Net Sales	Relationship with Issuer	Name	Amount	% of Total Net Sales	Relationship with Issuer
1	Client A	3,370,285	18.33	None	Client A	3,434,873	19.15	None	-	-	-	-
2	Client I	3,085,190	16.78	None	Client K	2,742,882	15.29	None	-	-	-	-
3	Client K	2,633,431	14.32	None	Client I	1,798,111	10.02	None	-	-	-	-
4	Client C	1,870,675	10.17	None	Client C	1,530,209	8.53	None	-	-	-	-
	Others	8,433,178	45.87		Others	8,661,875	48.28		-	-	-	-
	Less: Amount from Discontinued Operations	(1,005,166)	(5.47)		Less: Amount from Discontinued Operations	(227,095)	(1.27)		-	-	-	-
	Total	18,387,593	100.00		Total	17,940,855	100.00		-	-	-	-

Note: As of the publication date of the annual report, the most recent consolidated financial statements dated March 31, 2018 has not yet been approved by the Board of Directors nor reviewed by certified public accountants.

Reasons of Changes in Sales: The statistics of our sales are stable and there has been no significant change in major customers in the most recent two years.

(V) Production of the Most Recent Two Years

Unit: thousands wafers/piece；NT$ thousands

Year/Production Value / Major Departments	2016			2017		
	Capacity	Output	Production Value	Capacity	Output	Production Value
Assembly	4,156,467	2,010,549	5,985,479	3,581,640	2,442,313	5,105,794
Product Testing	3,660,783	2,413,212	2,216,263	3,271,152	2,505,668	2,150,313
Driver IC	2,146,943	1,735,058	3,671,112	2,201,821	1,817,561	3,610,773
Wafer Bumping	1,885	1,237	3,009,487	3,437	1,263	3,075,761
Wafer Testing	902	536	937,996	1,062	668	966,433
Less: Amounts from Discontinued Operations	(1,425,074)	(409,681)	(1,146,323)	(289,878)	(103,722)	(297,968)
Total	8,541,906	5,750,911	14,674,014	8,769,234	6,663,751	14,611,106

(VI) Sales in the Most Recent Two Years

Unit: thousands wafers/piece；NT$ thousands

Yeas/Sales / Major Departments	2016				2017			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Assembly	655,047	2,828,398	1,399,739	3,779,799	760,905	2,709,125	1,673,019	2,716,064
Product Testing	2,122,403	2,764,604	261,868	322,575	2,367,344	2,635,586	128,860	260,822
Driver IC	1,477,929	4,316,752	130,515	603,550	1,541,187	4,071,350	163,785	721,122
Wafer Bumping	1,089	2,442,106	147	557,351	1,098	2,365,486	164	689,514
Wafer Testing	640	1,292,532	752	485,092	544	1,578,912	130	419,969
Less: Amounts from Discontinued Operations	(194,650)	(916,378)	(194,205)	(88,788)	(46,379)	(208,039)	(56,651)	(19,056)
Total	4,062,458	12,728,014	1,598,816	5,659,579	4,624,699	13,152,420	1,909,307	4,788,435

III. Employees Status

Number of Employees in the most recent two years and as of the date of publication of Annual Report

Year		2016	2017	Current Year as of Mar. 31, 2018
Number of Employees	Direct Staff	3244	3355	3322
	Engineering	1962	2088	2076
	Management	354	358	370
	Total	5560	5801	5768
Average Age		36.98	35.7	35.7
Average Seniority		6.8Y	7.2Y	7.2Y
Academic qualifications	Ph.D.	0.1	0.1	0.1
	Master	7.1	7.8	7.8
	Bachelor	64.8	65.2	65.3
	High School	27.6	26.5	26.4
	Degree of Lower Levels	0.4	0.4	0.4

IV. Environmental Expenditure Information

1. Explanations regarding the total amount of the Company's losses and imposed fines due to our pollution of the environment, and disclosure of our future countermeasures and other possible expenses of the most recent year and as of the publication date of the annual report: None.

V. Labor Relations

(I) Description of the Company's employee welfare measures, training programs, the status and implementation of the retirement system, as well as the agreement between the employer and the employee and the status of other employee entitlements:

The Company is responsible for handling the related welfare and benefits for the staff according to Labor Standards Act, Labor Insurance Act, the Employee Welfare Fund Act and the related laws and regulations and conducts regular health examination, on-the-job training and free group insurance services. In terms of the Employee Welfare Committee, in addition to the various subsidies granted for weddings, funerals and birth, the welfare activities will be held on a regular basis. Moreover, the Company also provides shuttle bus and dormitory to take care of staff living far, and maintain sports parks in the Science Park, carrying out various activities of club and subsidies to enhance exchanges among various departments and improve morale among colleagues, holding departmental social mixer so as to promote the harmonious relationship between labor and management. Besides, the purpose of relieving staff’s body and mind is achieved by the establishment of staff leisure center.

(II) Explanations regarding the total amount of the Company's losses due to labor disputes, and disclosure of our future countermeasures and other possible expenses of the most recent year and as of the publication date of the annual report: None.

VI. Material Contracts

Categories of Contracts	Parties	Term	Main Purpose	Restrictions
OEM Services Agreement	Company A	From 2012/10/01 to 2017/12/31	To provide assembly and testing services.	1. Capacity arrangement. 2. Product defect-free rate agreement. 3. Indemnity clauses for IP infringements.
Contract Assembly Agreement	Company I	Effective on 2007/11/13 and may be terminated according to the terms of the agreement.	To provide wafer assembly services.	1. Product quality and defect-free rate agreement. 2. Indemnity clauses for IP infringements.
Contract Assembly Agreement	Company I	Effective on 2004/07/01 and may be terminated according to the terms of the agreement.	To provide wafer assembly services.	1. Quality and Product defect-free rate agreement. 2. Indemnity clauses for IP infringements.
IC OEM Services Agreement	Company K	From 2015/01/01 to 2019/12/31	To provide services for assembly, reliability tests, marking/remarking, and testing.	1. Warranty against defects. 2. Indemnity clauses for IP infringements. 3. Liability limitation agreement.
Certificate of Commitment for Service	Company C	From 2016/01/01 to 2018/12/31	To provide wafer processing services.	1. Product defect-free rate agreement. 2. Indemnity clauses for IP infringements.
IC Processing and Assembly Contract	Company M	Effective on 2010/01/01 with automatic extension and may be terminated according to the terms of the agreement.	To provide IC assembly services.	1. Product defect-free rate agreement. 2. Indemnity clauses for IP infringements.
IC Assembly and Testing Contract	Company G	From 2016/07/01 to 2018/06/30	To provide IC assembly and testing services.	1. Product defect-free rate agreement. 2. Indemnity clauses for IP infringements.
Service Agreement	Company W	Effective on 2013/07/01 and may be terminated according to the terms of the agreement.	To provide IC assembly and testing services.	1. Product quality and defect-free rate agreement. 2. Indemnity clauses for IP infringements.
Technology Transfer Agreement	ChipMOS TECHNOLOGIES (Shanghai) LTD.	From 2012/08/01 to 2022/07/31	To grant a license to use patents.	1. Royalty agreement. 2. Liability clauses.
Technology Transfer and License Agreement	ChipMOS TECHNOLOGIES (Shanghai) LTD.	From 2016/12/23 to 2039/12/22	To grant a license to use patents.	1. Royalty agreement. 2. Liability clauses.

Categories of Contracts	Parties	Term	Main Purpose	Restrictions
Joint Credit Facility Agreement	Land Bank of Taiwan; Bank of Taiwan; Cooperative Bank; Taishin International Bank; Chang Hwa Bank; Hua Nan Bank; Yuanta Bank; Ta Chong Commercial Bank; Shin Kong Commercial Bank; Bank of Panshin.	Effective from 2016/05/16 to the date in which the Company performed all obligations of the credit facility agreement.	The banks jointly provided a loan for the Company. The total loan amount is NT$13.2 billion.	1. The Company made a commitment that it shall not perform specific actions except with the consent of the banks group, and it shall comply with relevant agreements including the financial matters. 2. Collaterals are provided to secure the loan.
Land Lease Agreement	Southern Taiwan Science Park Bureau	From 2014/07/01 to 2024/06/30	To lease lands from the Southern Taiwan Science Park Bureau.	1. Punitive damage clauses. 2. Rent agreement 3. Early termination clause.
Land Lease Agreement	Southern Taiwan Science Park Bureau	From 2012/04/03 to 2032/04/02	To lease lands from the Southern Taiwan Science Park Bureau.	1. Punitive damage clauses. 2. Rent agreement 3. Early termination clause.
Land Lease Agreement	Hsinchu Science Park Bureau	From 2014/08/01 to 2034/07/31	To lease lands from the Hsinchu Science Park Bureau.	1. Punitive damage clauses. 2. Rent and joint liability agreement 3. Early termination clause.
Supply and Precious Metals Recovery Contract	Solar Applied Materials Technology Corporation	From 2016/09/01 to 2017/12/31	To supply materials required for the gold bumping business.	Price calculation and delivery period.
Supply Agreement	Ryowa Co., Ltd.	From 2014/09/01 to 2019/08/31	To supply materials required for the IC assembly business.	1. Payment terms. 2. Warranty and liability clauses.

VI. Financial Information

I. Condensed Balance Sheets and Statements of Comprehensive Income (Based on International Financial Reporting Standards)

(I) Condensed Balance Sheets

(1) Consolidated Financial Statements

Unit: NT$ thousands

Item / Year		Financial Summary for The Last Five Years (Note 1)					Financial information of the current year as of March 31, 2018 (Note 2)
		2013	2014 (adjusted)	2015 (adjusted)	2016	2017	
Current assets		16,812,284	20,509,379	18,108,392	16,895,957	14,200,980	-
Property, plant and equipment		12,923,517	13,604,115	14,211,560	13,497,218	15,265,311	-
Intangible assets		-	-	-	-	-	-
Other assets		312,952	533,619	697,915	902,785	3,793,651	-
Total assets		30,048,753	34,647,113	33,017,867	31,295,960	33,259,942	-
Current liabilities	Before distribution	7,181,194	8,343,771	6,186,136	4,664,500	6,670,608	-
	After distribution	8,218,738	10,342,996	7,978,689	5,521,254	Note 3	-
Non-current liabilities		4,920,786	5,497,189	5,596,570	10,357,946	8,195,998	-
Total liabilities	Before distribution	12,101,980	13,840,960	11,782,706	15,022,446	14,866,606	-
	After distribution	13,139,524	15,840,185	13,575,259	15,879,200	Note 3	-
Equity attributable to equity holders of the Company		15,440,368	18,184,468	19,107,629	16,273,514	18,393,336	-
Capital Stock		8,428,553	8,646,193	8,962,066	8,869,663	8,862,971	-
Capital surplus		1,732,588	2,272,838	3,755,849	6,888,826	6,288,377	-
Retained earnings	Before distribution	5,014,404	7,229,363	6,773,369	1,424,638	4,237,941	-
	After distribution	3,976,860	5,230,138	4,980,816	1,167,612	Note 3	-
Other equity interest		264,823	36,074	(383,655)	98,041	11,701	-
Treasury stock		-	-	-	(1,007,654)	(1,007,654)	-
Non-controlling interests		2,506,405	2,621,685	-	-	-	-
Equity attributable to predecessors' interests under common control		-	-	2,127,532	-	-	-
Total equity	Before distribution	17,946,773	20,806,153	21,235,161	16,273,514	18,393,336	-
	After distribution	16,909,229	18,806,928	19,442,608	15,416,760	Note 3	-

Note 1: The last five years financial information had been audited by certified public accountants.

Note 2: As of the publication date of the annual report, the most recent consolidated financial report dated March 31, 2018 has not yet been approved by the Board of Directors nor reviewed by certified public accountants.

Note 3: As of the publication date of the annual report, 2017 earnings distribution has not yet been ratified by the Shareholders' Meeting, thus the amount after distribution is unlisted.

(2) Parent Company Only Financial Statements

Unit: NT$ thousands

Item \ Year		Financial Summary for The Last Five Years				
		2013	2014 (adjusted)	2015 (adjusted)	2016	2017
Current assets		12,483,069	17,009,945	16,990,860	13,751,990	13,157,373
Property, plant and equipment		10,922,913	11,474,812	13,558,502	13,495,686	15,264,103
Intangible assets		-	-	-	-	-
Other assets		2,461,250	2,768,569	2,230,865	3,544,936	4,775,719
Total assets		25,867,232	31,253,326	32,780,227	30,792,612	33,197,195
Current liabilities	Before distribution	6,102,332	7,668,360	6,037,162	4,079,615	6,607,861
	After distribution	7,139,876	9,667,585	7,829,715	4,936,369	Note 2
Non-current liabilities		4,324,532	5,400,498	5,507,904	10,439,483	8,195,998
Total liabilities	Before distribution	10,426,864	13,068,858	11,545,066	14,519,098	14,803,859
	After distribution	11,464,407	15,068,083	13,337,619	15,375,852	Note 2
Equity attributable to equity holders of the Company		15,440,368	18,184,468	19,107,629	16,273,514	18,393,336
Capital Stock		8,428,553	8,646,193	8,962,066	8,869,663	8,862,971
Capital surplus		1,732,588	2,272,838	3,755,849	6,888,826	6,288,377
Retained earnings	Before distribution	5,014,404	7,229,363	6,773,369	1,424,638	4,237,941
	After distribution	3,976,860	5,230,138	4,980,816	1,167,612	Note 2
Other equity interest		264,823	36,074	(383,655)	98,041	11,701
Treasury stock		-	-	-	(1,007,654)	(1,007,654)
Predecessors' interests under common control		-	-	2,127,532	-	-
Total equity	Before distribution	15,440,368	18,184,468	21,235,161	16,273,514	18,393,336
	After distribution	14,402,824	16,185,243	19,442,608	15,416,760	Note 2

Note 1: Parent company only financial report had been audited by certified public accountants.

Note 2: As of the publication date of the annual report, 2017 earnings distribution has not yet been ratified by the Shareholders' Meeting, thus the amount after distribution is unlisted.

(II) Condensed Statements of Comprehensive Income

(1) Consolidated Financial Report

Unit: NT$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)					Current Year till March 31, 2018 (Note 2)
	2013	2014 (adjusted)	2015 (adjusted)	2016	2017	
Revenue	19,361,930	22,005,131	18,837,089	18,387,593	17,940,855	-
Gross profit	3,392,708	5,179,320	4,151,575	3,642,121	3,237,126	-
Operating profit	2,126,187	3,777,632	2,648,427	1,998,575	2,239,881	-
Non-operating income (expenses)	1,224,933	1,017,102	197,629	(298,140)	(724,394)	-
Profit before income tax	3,351,120	4,794,734	2,846,056	1,700,435	1,515,487	-
Profit for the year from continuing operations	2,702,200	3,836,037	2,010,346	1,348,385	1,211,575	-
Profit (loss) for the year from discontinued operations	-	-	(34,233)	(122,105)	1,814,953	-
Profit for the year	2,702,200	3,836,037	1,976,113	1,226,280	3,026,528	-
Other comprehensive income (loss), net of income tax	78,294	(599,681)	(47,200)	(236,421)	(189,902)	-
Total comprehensive income for the year	2,780,494	3,236,356	1,928,913	989,859	2,836,626	-
Profit attributable to equity holders of the Company	2,323,254	3,326,314	2,230,469	1,532,292	3,026,528	-
Loss attributable to predecessors' interests under common control	-	-	(291,429)	(306,012)	-	-
Profit attributable to non-controlling interests	378,946	509,723	37,073	-	-	-
Comprehensive income attributable to equity holders of the Company	2,319,039	3,087,848	2,205,275	1,295,871	2,836,626	-
Comprehensive loss attributable to predecessors' interests under common control	-	-	(291,429)	(306,012)	-	-
Comprehensive income attributable to non-controlling interests	461,455	148,508	15,067	-	-	-
Earnings per share-basic : equity holders of the Company	2.76	3.87	2.54	1.78	3.57	-
Earnings per share-basic : predecessors' interests under common control	-	-	(0.33)	(0.35)	-	-

Note 1: The last five years financial information had been audited by the certified public accountants.

Note 2: As of the publication date of the annual report, the most recent consolidated financial report dated March 31, 2018 has not yet been approved by the Board of Directors nor reviewed by certified public accountants.

(2) Parent Company Only Financial Report

Unit: NT$ thousands

Item \ Year	Financial Summary for The Last Five Years				
	2013	2014 (adjusted)	2015 (adjusted)	2016	2017
Revenue	17,255,088	19,544,911	18,275,095	18,389,205	17,941,102
Gross profit	3,155,954	4,649,865	3,955,276	3,643,246	3,236,803
Operating income	2,076,797	3,453,376	2,546,351	2,020,291	2,343,113
Non-operating income (expenses)	730,926	590,695	206,612	(442,959)	985,503
Profit before income tax	2,807,723	4,044,071	2,752,963	1,577,332	3,328,616
Profit for the year from continuing operations	2,323,254	3,326,314	1,939,040	1,226,280	3,026,528
Profit for the year	2,323,254	3,326,314	1,939,040	1,226,280	3,026,528
Other comprehensive loss,net of income tax	(4,215)	(238,467)	(25,194)	(236,421)	(189,902)
Total comprehensive income for the year	2,319,039	3,087,847	1,913,846	989,859	2,836,626
Profit attributable to equity holders of the Company	-	-	2,230,469	1,532,292	3,026,528
Loss attributable to predecessors' interests under common control	-	-	(291,429)	(306,012)	-
Comprehensive income attributable to equity holders of the Company	-	-	2,205,275	1,295,871	2,836,626
Comprehensive loss attributable to predecessors' interests under common control	-	-	(291,429)	(306,012)	-
Earnings per share-basic :equity holders of the Company	2.76	3.87	2.54	1.78	3.57
Earnings per share -basic :predecessors' interests under common control	-	-	(0.33)	(0.35)	-

Note :The parent company only financial reports had been audited by the certified public accountants.

(III) Auditors' Opinions from 2013 to 2017:

Year	Accounting firm	CPA	Audit opinion
2013	TIAOHO & CO.	Si-Chi Kuo, Chia-Hung Wu	Unqualified opinion
2014	TIAOHO & CO.	Chia-Hung Wu, Chuan-Jhen Jwo	Unqualified opinion
2015	PricewaterhouseCoopers, Taiwan	Chun-Yuan Hsiao, Chih-Cheng Hsieh	Modified unqualified opinion
2016	PricewaterhouseCoopers, Taiwan	Chun-Yuan Hsiao, Chih-Cheng Hsieh	Unqualified opinion
2017	PricewaterhouseCoopers, Taiwan	Chun-Yuan Hsiao, Chih-Cheng Hsieh	Unqualified opinion

II. Financial Analysis for the Most Recent 5 Years

1. Consolidated Financial Reports

Item	Year	Financial Summary for The Last Five Years					Current Year till March 31, 2018(Note)
		2013	2014 (adjusted)	2015 (adjusted)	2016	2017	
Financial structure	Debt ratio (%)	40.27	39.95	38.21	48.00	44.70	-
	Long-term capital to property, plant and equipment ratio(%)	176.95	193.35	175.92	197.31	174.18	-
Solvency analysis	Current ratio (%)	234.12	245.80	270.33	362.22	212.89	-
	Quick ratio (%)	211.51	222.23	238.79	318.91	183.16	-
	Times interest earned	19.57	37.15	23.54	12.76	8.96	-
Operating performance analysis	Average collection turnover (times)	4.70	4.89	4.53	4.58	4.40	-
	Average collection days	78	75	81	80	83	-
	Average inventory turnover (times)	9.53	9.91	8.89	7.77	7.32	-
	Average payment turnover (times)	17.29	16.56	17.70	19.23	19.43	-
	Average inventory turnover days	38	37	41	47	50	-
	Property, plant and equipment turnover (times)	1.52	1.66	1.43	1.33	1.25	-
	Total assets turnover (times)	0.65	0.68	0.61	0.57	0.56	-
Profitability analysis	Return on total assets (%)	9.62	12.20	7.24	4.19	9.87	-
	Return on equity (%)	15.99	19.80	11.36	6.54	17.46	-
	Profit before income tax to paid-in capital ratio (%)	39.76	55.45	31.94	19.17	17.10	-
	Net profit margin (%)	13.96	17.43	11.41	6.67	16.87	-
	Earnings per share (equity holders of the Company)（NT$）	2.76	3.87	2.54	1.78	3.57	-
	Earnings per share (predecessors' interests under common control)（NT$）	-	-	(0.33)	(0.35)	-	-
Cash flow	Cash flow ratio (%)	80.24	72.25	93.94	79.07	71.26	-
	Cash flow adequacy ratio (%)	156.32	157.94	130.13	113.79	101.68	-
	Cash reinvestment ratio (%)	7.74	6.70	4.74	2.58	5.21	-
Leverage	Operating leverage	2.55	1.77	2.17	2.62	2.29	-
	Financial leverage	1.09	1.04	1.05	1.08	1.09	-

Reasons for variation in financial ratios in the past two years (no analysis is required for variations below 20%)
(1) Current ratio and quick ratio: Mainly due to the decrease of non-current assets held for sale in 2017.
(2) Times interest earned: Mainly due to the decrease of profit before income tax in 2017.
(3) Return on total assets, return on equity, net profit margin and earnings per share: Mainly due to the increase of discontinued operations income from the disposal of a subsidiary in 2017.
(4) Cash reinvestment ratio: Mainly due to the increase in capital expenditures in 2017.

Note: As of the publication date of the annual report, the most recent consolidated financial report dated March 31, 2018 has not yet been approved by the Board of Directors nor reviewed by certified public accountants.

2. Parent Company Only Financial Report

item	Year	2013	2014 (adjusted)	2015 (adjusted)	2016	2017
		Financial Summary for The Last Five Years				
Financial structure	Debt ratio (%)	40.31	41.82	35.22	47.15	44.59
	Long-term capital to property, plant and equipment ratio(%)	180.95	205.54	197.24	197.94	174.20
Solvency analysis	Current ratio (%)	204.56	221.82	281.44	337.09	199.12
	Quick ratio (%)	181.91	200.18	253.34	288.67	169.10
	Times interest earned	18.77	35.01	22.64	11.91	18.48
Operating performance analysis	Average collection turnover (times)	4.81	4.99	5.00	4.72	4.40
	Average collection days	76	73	73	77	83
	Average inventory turnover (times)	9.43	9.90	8.83	8.07	7.32
	Average payment turnover (times)	17.74	16.91	22.52	20.19	19.43
	Average inventory turnover days	39	37	41	45	50
	Property, plant and equipment turnover (times)	1.62	1.75	1.35	1.36	1.25
	Total assets turnover (times)	0.68	0.68	0.58	0.58	0.56
Profitability analysis	Return on total assets (%)	9.63	11.99	6.44	4.24	9.95
	Return on equity (%)	16.16	19.82	9.61	6.54	17.46
	Profit before income tax to paid-in capital ratio (%)	33.31	46.77	30.72	17.78	37.56
	Net profit margin (%)	13.46	17.02	10.61	6.67	16.87
	Earnings per share (equity holders of the Company)（NT$）	2.76	3.87	2.21	1.78	3.57
	Earnings per share (predecessors' interests under common control)（NT$）	-	-	(0.33)	(0.35)	-
Cash flow	Cash flow ratio (%)	87.87	74.74	113.75	101.48	72.81
	Cash flow adequacy ratio (%)	152.43	157.10	161.00	141.40	112.17
	Cash reinvestment ratio (%)	8.73	7.57	6.65	3.19	5.29
Leverage	Operating leverage	2.42	1.75	2.10	2.53	1.90
	Financial leverage	1.08	1.04	1.05	1.08	1.06

Reasons for variation in financial ratios in the past two years (no analysis is required for variations below 20%)
(1)Current ratio and quick ratio: Mainly due to the increase of short-term bank loan and current portion of long-term bank loan in 2017.
(2)Times interest earned: Mainly due to the increase of profit before income tax in 2017.
(3)Return on total assets, return on equity, profit before income tax to paid-in capital, net profit margin and earnings per share: Mainly due to the increase of non-operating income from the disposal of a subsidiary in 2017.
(4)Cash flow ratio: Mainly due to the increase in short-term bank loan and current portion of long-term bank loan in 2017.
(5)Cash flow adequacy ratio and Cash reinvestment ratio: Mainly due to the increase in capital expenditures in 2017.
(6)Operating leverage: Mainly due to increase of profit in 2017.

Note 1: The computation formulas used in financial analysis are listed as follows (the opening balance of property, plant and equipment and total assets are based on the CPA-audited IFRS numbers on December 31, 2013).
Note 2: The following computation formulas shall be listed at the end of this statement of the annual report:
1. Financial Structure

(1) Debt ratio = total liabilities / total assets
(2) Ratio of long-term capital to property, plant and equipment = (total shareholders' equity + non-current liabilities) / net property, plant and equipment

2. Solvency analysis
(1) Current ratio = current assets / current liabilities
(2) Quick ratio = (current assets – inventories – prepaid expenses) / current liabilities
(3) Times interest earned = profit before income tax and interest expenses / interest expenses

3. Operating performance analysis
(1) Average collection turnover = net revenue / average accounts receivable (including accounts receivable and notes receivable arising from operations)
(2) Average collection days= 365 / account receivables turnover
(3) Average inventory turnover = cost of revenue / average inventory
(4) Average payment turnover = cost of revenue /average accounts payable (including accounts payable and notes payable arising from operations)
(5) Average inventory turnover days = 365 / inventory turnover
(6) Property, plant and equipment turnover = net revenue / average net property, plant and equipment
(7) Total asset turnover = net revenue / average total assets

4. Profitability analysis
(1) Return on total assets = [net profit + interest expenses(1- effective tax rate)] / average total assets
(2) Return on stareholders' equity = net profit / average stareholders' equity
(3) Net profit margin = net profit / net revenue
(4) Earnings per share = (profit attributable to equity holders of the company–preferred stock dividends) / weighted average number of shares outstanding

5. Cash flow
(1) Cash flow ratio = Net cash provided by operating activities / current liabilities
(2) Cash flow adequacy ratio = five-year sum of cash from operation / (five-year sum of capital expenditures, inventory additions and cash dividend)
(3) Cash reinvestment ratio = (Net cash flow from operating activities – cash dividend) / gross property, plant and equipment + long-term investments + other non-current assets + working capital)

6. Leverage:
(1) Operating leverage = (net revenue – variable operating costs and expenses) / operating profit
(2) Financial leverage = operating profit / (operating profit - interest expenses)

III. Audit Committee’s Report for fiscal year 2017

Audit Committee's Review Report

In respect of the Company's Financial Reports for fiscal year 2017, PricewaterhouseCoopers, Taiwan was retained to issue an audit report. The Financial Reports have been reviewed and determined to be correct and compliant by this Audit Committee. According to Article 219 of the Company Act, we hereby submit the foregoing report.

ChipMOS TECHNOLOGIES INC.

Audit Committee: Chin-Shyh Ou

March 15, 2018

Audit Committee's Review Report

In respect of the Company's Financial Reports for fiscal year 2017, PricewaterhouseCoopers, Taiwan was retained to issue an audit report. The Financial Reports have been reviewed and determined to be correct and compliant by this Audit Committee. According to Article 219 of the Company Act, we hereby submit the foregoing report.

ChipMOS TECHNOLOGIES INC.

Audit Committee: Yuh-Fong Tang

March 15, 2018

Audit Committee's Review Report

In respect of the Company's Financial Reports for fiscal year 2017, PricewaterhouseCoopers, Taiwan was retained to issue an audit report. The Financial Reports have been reviewed and determined to be correct and compliant by this Audit Committee. According to Article 219 of the Company Act, we hereby submit the foregoing report.

ChipMOS TECHNOLOGIES INC.

Audit Committee: Tai-Haur Kuo

March 15, 2018

Audit Committee's Review Report

In respect of the Company's Financial Reports for fiscal year 2017, PricewaterhouseCoopers, Taiwan was retained to issue an audit report. The Financial Reports have been reviewed and determined to be correct and compliant by this Audit Committee. According to Article 219 of the Company Act, we hereby submit the foregoing report.

ChipMOS TECHNOLOGIES INC.

Audit Committee: Cho-Lien Chang

March 15, 2018

Audit Committee's Review Report

In respect of the Company's Financial Reports for fiscal year 2017, PricewaterhouseCoopers, Taiwan was retained to issue an audit report. The Financial Reports have been reviewed and determined to be correct and compliant by this Audit Committee. According to Article 219 of the Company Act, we hereby submit the foregoing report.

ChipMOS TECHNOLOGIES INC.

Audit Committee: Kuei-Ann Wen

March 15, 2018

IV. Financial Report of the Most Recent Year

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of ChipMOS TECHNOLOGIES INC.

Opinion

We have audited the accompanying consolidated balance sheets of ChipMOS TECHNOLOGIES INC. and its subsidiaries (the "Group") as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other independent accountants, as described in the *Other matters* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China ("ROC GAAS"). Our responsibilities under those standards are further described in the *Independent Accountant's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with this Code. Based on our audits and the report of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements of the year ended December 31, 2017 are stated as follows:

Disposal of equity investment

Description

Please refer to Note 4(3) to the consolidated financial statements for information on the basis of consolidation; Notes 4(13) and 6(5) for the information on the accounting policies and the transaction in relating to investments accounted for using equity method; and Note 6(7) for the details of non-current assets held for sale and discontinued operations.

On November 30, 2016, the Board of Directors of ChipMOS TECHNOLOGIES INC. (the "Company") adopted a resolution to authorize its subsidiary, ChipMOS TECHNOLOGIES (BVI) LTD., to dispose 54.98% of its shareholding in the subsidiary, ChipMOS TECHNOLOGIES (Shanghai) LTD. The equity transfer was completed in March 2017, and the Group recognized gain on disposal of discontinued operations amounted to NT$1,843,234 thousand for the year ended December 31, 2017. Since the disposal of equity investment was a material transaction during the financial reporting period, it was identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Interviewed the management to understand the purpose, evaluation process, and determination of the consideration of the equity investment disposal.
2. Reviewed the Equity Interest Transfer Agreement and the meeting minutes of the Board of Directors' Meeting, verified that the related meeting resolutions were consistent with the Equity Interest Transfer Agreement, and provisions within the Equity Interest Transfer Agreement in relating to financial reporting were accounted for using the appropriate accounting treatment.
3. Evaluated the competency and objectivity of the independent experts engaged by the management, and reviewed the fairness opinion, as provided by management, of the disposal consideration issued by the independent experts.
4. Reviewed the equity investment disposal disclosures in the financial statements.

Provisions for deficiency compensation

Description

Please refer to Note 4(19) to the consolidated financial statements for the accounting policies on provisions; Note 5(1) for uncertainty of accounting estimates and assumptions of provisions; and Note 6(11) for the details of the provisions for deficiency compensation.

The Group is primarily engaged in assembly and testing services for high-integration and high-precision integrated circuits. In case of deficiencies in the assembly and testing services provided, the Group has to clarify the reason for such deficiencies and attribute responsibilities, and determine whether to provide related provisions. Since the timing and amount of deficiency compensation are uncertain, and subject to management's significant judgment, the provisions for deficiency compensation was identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Interviewed the management and verified the internal process on estimating provisions for deficiency compensation, and the consistency of process application during the financial reporting periods.
2. Reviewed related documents and evidence provided by management, sampled and tested the reasonableness of providing and reversing provisions for deficiency compensation during the current period.
3. Reviewed significant payments made subsequent to the reporting period and validated the reasonableness of provisions for deficiency compensation.

Other matters

The report of the other independent accountants

We did not audit the financial statements of a certain investee company accounted for using the equity method. Those financial statements were audited by the other independent accountants, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements and the information on the investee disclosed in Note 13 was based solely on the report of the other independent accountants. Investments in this investee company amounted to NT$373,276 thousand and NT$369,329 thousand, both representing 1% of total consolidated assets as of December 31, 2017 and 2016, and total net comprehensive income including the share of profit and other comprehensive income of associate accounted for using the equity method amounted to NT$1,343 thousand and NT$28,791 thousand, representing 0% and 3% of total consolidated comprehensive income for the years then ended, respectively.

Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of ChipMOS TECHNOLOGIES INC. as of and for the years ended December 31, 2017 and 2016.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Independent accountant's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the footnote disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chun-Yuan Hsiao　　　　Chih-Cheng Hsieh

For and on behalf of PricewaterhouseCoopers, Taiwan

March 15, 2018

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

ChipMOS TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 8,035,714	24	$ 7,571,366	24
1150	Notes receivable, net		2,029	-	1,753	-
1170	Accounts receivable, net	6(2)	4,013,705	12	4,138,493	13
1180	Accounts receivable－related parties, net		11	-	-	-
1200	Other receivables		56,716	-	57,411	-
1210	Other receivables－related parties		4,534	-	-	-
1220	Current tax assets		104,906	1	-	-
130X	Inventories	6(3)	1,929,239	6	1,877,982	6
1410	Prepayments		54,126	-	142,281	1
1460	Non-current assets held for sale, net	6(7)	-	-	3,105,071	10
1476	Other current financial assets		-	-	1,600	-
11XX	**Total current assets**		14,200,980	43	16,895,957	54
	Non-current assets					
1543	Non-current financial assets carried at cost	6(4)	20,890	-	9,960	-
1550	Investments accounted for using equity method	6(5)	3,433,332	10	369,329	1
1600	Property, plant and equipment	6(6) and 8	15,265,311	46	13,497,218	43
1840	Deferred tax assets	6(28)	212,372	1	249,806	1
1920	Refundable deposits		21,342	-	21,321	-
1980	Other non-current financial assets	8	70,241	-	70,677	-
1990	Other non-current assets		35,474	-	181,692	1
15XX	**Total non-current assets**		19,058,962	57	14,400,003	46
1XXX	**Total assets**		$ 33,259,942	100	$ 31,295,960	100

(Continued)

ChipMOS TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Liabilities					
	Current liabilities					
2100	Short-term bank loans	6(8)	$ 969,353	3	$ -	-
2170	Accounts payable	6(9)	687,960	2	825,062	3
2180	Accounts payable－related parties		226	-	-	-
2200	Other payables	6(10)	2,693,495	8	1,962,400	6
2220	Other payables－related parties		36	-	-	-
2230	Current tax liabilities		790	-	90,104	-
2250	Current provisions	6(11)	127,311	1	80,719	-
2260	Liabilities directly related to non-current assets held for sale	6(7)	-	-	587,639	2
2310	Receipts in advance	6(14) and 7	5,209	-	1,324	-
2320	Long-term bank loans, current portion	6(12) and 8	2,143,168	6	1,062,285	4
2355	Long-term lease obligations payable, current portion	6(13)	11,785	-	11,291	-
2399	Other current liabilities		31,275	-	43,676	-
21XX	**Total current liabilities**		6,670,608	20	4,664,500	15
	Non-current liabilities					
2540	Long-term bank loans	6(12) and 8	7,498,853	23	9,687,720	31
2570	Deferred tax liabilities	6(28)	174,293	1	92,543	-
2613	Long-term lease obligations payable	6(13)	18,057	-	29,311	-
2630	Long-term deferred revenue	6(14) and 7	24,898	-	-	-
2640	Net defined benefit liability, non-current	6(15)	478,526	1	546,968	2
2645	Guarantee deposits		1,371	-	1,404	-
25XX	**Total non-current liabilities**		8,195,998	25	10,357,946	33
2XXX	**Total liabilities**		14,866,606	45	15,022,446	48
	Equity					
	Equity attributable to equity holders of the Company					
	Capital stock					
3110	Capital stock－common stock	6(17)	8,862,971	27	8,869,663	28
	Capital surplus	6(18)				
3200	Capital surplus		6,288,377	19	6,888,826	22
	Retained earnings	6(19)				
3310	Legal reserve		1,166,517	3	1,137,837	4
3350	Unappropriated retained earnings		3,071,424	9	286,801	1
	Other equity interest	6(20)				
3410	Financial statements translation differences of foreign operations		65,593	-	10,600	-
3425	Unrealized gain on valuation of available-for-sale financial assets		678	-	-	-
3470	Equity directly related to non-current assets held for sale	6(7)	-	-	287,645	1
3490	Unearned employee awards		(54,570)	-	(200,204)	(1)
3500	**Treasury stock**	6(17)	(1,007,654)	(3)	(1,007,654)	(3)
31XX	**Equity attributable to equity holders of the Company**		18,393,336	55	16,273,514	52
3XXX	**Total equity**		18,393,336	55	16,273,514	52
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the reporting period	11				
3X2X	**Total liabilities and equity**		$ 33,259,942	100	$ 31,295,960	100

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

ChipMOS TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

			Years ended December 31,			
			2017		2016	
	Items	Notes	Amount	%	Amount	%
4000	**Revenue**	6(21)	$ 17,940,855	100	$ 18,387,593	100
5000	**Cost of revenue**	6(3)(26)(27)	(14,703,729)	(82)	(14,745,472)	(80)
5900	**Gross profit**		3,237,126	18	3,642,121	20
	Operating expenses	6(26)(27)				
6100	Sales and marketing expenses		(64,397)	-	(72,918)	-
6200	General and administrative expenses		(639,809)	(4)	(822,068)	(4)
6300	Research and development expenses		(985,873)	(5)	(838,866)	(5)
6000	**Total operating expenses**		(1,690,079)	(9)	(1,733,852)	(9)
6500	**Other income (expenses), net**	6(22)	692,834	4	90,306	-
6900	**Operating profit**		2,239,881	13	1,998,575	11
	Non-operating income (expenses)					
7010	Other income	6(23)	64,198	-	46,757	-
7020	Other gains and losses	6(24)	(391,818)	(2)	(194,705)	(1)
7050	Finance costs	6(25)	(217,283)	(1)	(179,116)	(1)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method	6(5)	(179,491)	(1)	28,924	-
7000	**Total non-operating income (expenses)**		(724,394)	(4)	(298,140)	(2)
7900	**Profit before income tax**		1,515,487	9	1,700,435	9
7950	Income tax expense	6(28)	(303,912)	(2)	(352,050)	(2)
8000	**Profit for the year from continuing operations**		1,211,575	7	1,348,385	7
8100	Profit (loss) for the year from discontinued operations	6(7)	1,814,953	10	(122,105)	(1)
8200	**Profit for the year**		$ 3,026,528	17	$ 1,226,280	6

(Continued)

ChipMOS TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

			Years ended December 31,			
			2017		2016	
	Items	Notes	Amount	%	Amount	%
	Other comprehensive income (loss)					
8311	Profit (loss) on remeasurements of defined benefit plans	6(15)	$ 50,838	-	($ 43,383)	-
8330	Share of other comprehensive loss of associates and joint ventures accounted for using equity method that will not be reclassified to profit or loss	6(5)	(124)	-	(133)	-
8349	Income tax effect that will not be reclassified to profit or loss	6(28)	(8,642)	-	7,375	-
8310	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss**		42,072	-	(36,141)	-
8361	Exchange differences on translation of foreign operations	6(20)	(232,652)	(1)	(200,280)	(1)
8380	Share of other comprehensive income of associates and joint ventures accounted for using equity method that will be reclassified to profit or loss	6(5)	678	-	-	-
8360	**Components of other comprehensive loss that will be reclassified to profit or loss**		(231,974)	(1)	(200,280)	(1)
8300	**Other comprehensive loss, net of income tax**		($ 189,902)	(1)	($ 236,421)	(1)
8500	**Total comprehensive income for the year**		$ 2,836,626	16	$ 989,859	5
	Profit (loss) attributable to:					
	Equity holders of the Company					
8610	- continuing operations		$ 1,211,575	7	$ 1,654,397	9
	- discontinued operations		1,814,953	10	(122,105)	(1)
8615	Predecessors' interests under common control		-	-	(306,012)	(2)
			$ 3,026,528	17	$ 1,226,280	6
	Comprehensive income (loss) attributable to:					
	Equity holders of the Company					
8710	- continuing operations		$ 1,309,318	7	$ 1,613,948	9
	- discontinued operations		1,527,308	9	(318,077)	(2)
8715	Predecessors' interests under common control		-	-	(306,012)	(2)
			$ 2,836,626	16	$ 989,859	5
	Earnings per share-basic	6(29)				
	Equity holders of the Company					
9710	- continuing operations		$	1.43	$	1.92
9720	- discontinued operations			2.14	(	0.14)
9750	Equity holders of the Company		$	3.57	$	1.78
	Predecessors' interests under common control			-	(	0.35)
	Earnings per share-basic		$	3.57	$	1.43
	Earnings per share-diluted	6(29)				
	Equity holders of the Company					
9810	- continuing operations		$	1.40	$	1.90
9820	- discontinued operations			2.10	(	0.14)
9850	Equity holders of the Company		$	3.50	$	1.76
	Predecessors' interests under common control			-	(	0.35)
	Earnings per share-diluted		$	3.50	$	1.41

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

ChipMOS TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to equity holders of the Company											
				Retained earnings		Other equity interest							
	Notes	Capital stock —common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain on valuation of available-for-sale financial assets	Equity directly related to non-current assets held for sale	Unearned employee awards	Treasury stock	Total	Equity attributable to predecessors' interests under common control	Total equity
Year 2016													
Balance at January 1, 2016		$ 8,962,066	$ 3,755,849	$ 914,790	$ 5,858,579	$ 63,668	$ -	$ -	($ 447,323)	$ -	$ 19,107,629	$ 2,127,532	$ 21,235,161
Appropriation of prior year's earnings:	6(19)												
Legal reserve		-	-	223,047	(223,047)	-	-	-	-	-	-	-	-
Cash dividends		-	-	-	(1,792,553)	-	-	-	-	-	(1,792,553)	-	(1,792,553)
Share-based payments		-	56,689	-	-	-	-	-	-	-	56,689	(128,602)	(71,913)
Restricted shares		4,347	10,755	-	14	-	-	-	247,119	-	262,235	-	262,235
Repurchase of shares	6(17)	-	-	-	-	-	-	-	-	(1,007,654)	(1,007,654)	-	(1,007,654)
Profit (loss) for the year		-	-	-	1,532,292	-	-	-	-	-	1,532,292	(306,012)	1,226,280
Other comprehensive loss for the year	6(20)	-	-	-	(36,141)	(200,280)	-	-	-	-	(236,421)	-	(236,421)
Reclassified as discontinued operations	6(7)	-	-	-	-	(287,645)	-	287,645	-	-	-	-	-
Effect of capital reorganization	6(30)	(96,750)	3,065,533	-	(5,052,343)	434,857	-	-	-	-	(1,648,703)	(1,692,918)	(3,341,621)
Balance at December 31, 2016		$ 8,869,663	$ 6,888,826	$ 1,137,837	$ 286,801	$ 10,600	$ -	$ 287,645	($ 200,204)	($ 1,007,654)	$ 16,273,514	$ -	$ 16,273,514
Year 2017													
Balance at January 1, 2017		$ 8,869,663	$ 6,888,826	$ 1,137,837	$ 286,801	$ 10,600	$ -	$ 287,645	($ 200,204)	($ 1,007,654)	$ 16,273,514	$ -	$ 16,273,514
Appropriation of prior year's earnings:	6(19)												
Legal reserve		-	-	28,680	(28,680)	-	-	-	-	-	-	-	-
Cash dividends		-	-	-	(257,026)	-	-	-	-	-	(257,026)	-	(257,026)
Cash distribution from capital surplus	6(18)(19)	-	(599,728)	-	-	-	-	-	-	-	(599,728)	-	(599,728)
Restricted shares	6(16)	(6,692)	(17,650)	-	1,729	-	-	-	145,634	-	123,021	-	123,021
Change in shareholding of equity investment	6(18)	-	16,929	-	-	-	-	-	-	-	16,929	-	16,929
Effect of disposal of a subsidiary	6(7)	-	-	-	-	287,645	-	(287,645)	-	-	-	-	-
Profit for the year		-	-	-	3,026,528	-	-	-	-	-	3,026,528	-	3,026,528
Other comprehensive income (loss) for the year	6(20)	-	-	-	42,072	(232,652)	678	-	-	-	(189,902)	-	(189,902)
Balance at December 31, 2017		$ 8,862,971	$ 6,288,377	$ 1,166,517	$ 3,071,424	$ 65,593	$ 678	$ -	($ 54,570)	($ 1,007,654)	$ 18,393,336	$ -	$ 18,393,336

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

ChipMOS TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax－continuing operations		$ 1,515,487	$ 1,700,435
Profit (loss) before income tax－discontinued operations	6(7)	1,814,953	(122,105)
Profit before income tax		3,330,440	1,578,330
Adjustments to reconcile profit (loss)			
Depreciation	6(6)(26)	2,899,278	3,228,441
Amortization	6(26)	-	2,838
(Reversal of) allowance for impairment of accounts receivable	6(2)	(87)	87
Interest expense		190,425	145,151
Interest income		(53,123)	(42,307)
Share-based payments	6(16)(27)	123,021	356,463
Share of (profit) loss of associates and joint ventures accounted for using equity method	6(5)	179,491	(28,924)
Donation		-	127
Gain on disposal of property, plant and equipment		(132,777)	(6,839)
Impairment loss on property, plant and equipment	6(6)(22)	956	8,198
Profit for the year from discontinued operations	6(7)	(1,814,953)	-
Elimination of the transactions between discontinued operations and affiliated companies		3,076	-
Deferred income		(11,434)	(2,403)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(276)	(359)
Accounts receivable		124,875	(479,989)
Accounts receivable－related parties		26	-
Other receivables		703	(124,226)
Other receivables－related parties		35,855	-
Inventories		(51,257)	(347,133)
Prepayments		104,870	12,291
Other current financial assets		1,600	17,243
Other non-current assets		6,914	6,914
Changes in operating liabilities			
Accounts payable		(137,102)	215,555
Accounts payable－related parties		226	-
Other payables		450,625	(249,607)
Other payables－related parties		36	-
Current provisions		46,592	(16,184)
Receipts in advance		(172)	2,150
Other current liabilities		(12,401)	22,878
Net defined benefit liability, non-current		(17,604)	(15,886)
Cash generated from operations		5,267,823	4,282,809
Interest received		47,299	44,413
Dividends received		14,325	5,730
Interest paid		(188,630)	(145,668)
Income tax paid		(387,590)	(499,293)
Net cash generated from operating activities		4,753,227	3,687,991

(Continued)

ChipMOS TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of non-current financial assets carried at cost	6(4)	($ 10,940)	$ -
Acquisition of investments accounted for using equity method	6(5) and 7	(1,373,486)	-
Acquisition of property, plant and equipment	6(32)	(4,411,180)	(4,471,465)
Proceeds from disposal of property, plant and equipment		306,634	59,134
(Increase) decrease in refundable deposits		(11)	407
Decrease (increase) in other current financial assets		436	(5,466)
Proceeds from disposal of a subsidiary	6(32)	2,230,544	-
Increase in other non-current assets		-	(139,304)
Cash and cash equivalents reclassified as non-current assets held for sale	6(1)(7)	-	(389,897)
Net cash used in investing activities		(3,258,003)	(4,946,591)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term bank loans		5,247,871	3,820,594
Payments on short-term bank loans		(4,278,518)	(4,969,469)
Proceeds from long-term bank loans		-	10,560,000
Payments on long-term bank loans		(1,124,699)	(6,200,567)
Decrease in guarantee deposits		(33)	(44)
Payments on repurchase of shares	6(17)	-	(1,007,654)
Cash paid in respect of share-based payments		-	(292,623)
Cash paid for capital reorganization	6(32)	-	(3,341,621)
Cash dividend	6(19)	(257,026)	(1,792,553)
Cash distribution from capital surplus	6(18)(19)	(599,728)	-
Net cash used in financing activities		(1,012,133)	(3,223,937)
Effect of foreign exchange rate changes		(18,743)	(73,447)
Net increase (decrease) in cash and cash equivalents		464,348	(4,555,984)
Cash and cash equivalents at beginning of year		7,571,366	12,127,350
Cash and cash equivalents at end of year		$ 8,035,714	$ 7,571,366

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

ChipMOS TECHNOLOGIES INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

ChipMOS TECHNOLOGIES INC. (the "Company") was incorporated on July 28, 1997. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the research, development, manufacturing and sale of high-integration and high-precision integrated circuits and related assembly and testing services. On April 11, 2014, the Company's shares were listed on the Taiwan Stock Exchange ("TWSE"). On October 31, 2016, the Company's former parent company, ChipMOS TECHNOLOGIES (Bermuda) LTD. ("ChipMOS Bermuda") was merged with and into the Company, with the latter being the surviving company (the "Merger"). On November 1, 2016, the Company's American Depositary Shares ("ADSs") were listed on the NASDAQ Global Select Market.

2. THE AUTHORIZATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements were authorized for issuance by the Board of Directors on March 15, 2018.

3. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

(1) Effect of the adoption of new or amended International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC")

A. New standards, interpretations and amendments endorsed by the FSC effective from 2017 are as follows:

New, Revised or Amended Standards and Interpretations	Effective date issued by International Accounting Standards Board ("IASB")
Amendments to IFRS 10, IFRS 12 and International Accounting Standards ("IAS") 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants "	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
International Financial Reporting Interpretations Committee ("IFRIC") 21 "Levies"	January 1, 2014
Annual Improvements to IFRSs 2010－2012 Cycle	July 1, 2014
Annual Improvements to IFRSs 2011－2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012－2014 Cycle	January 1, 2016

B. The above standards and interpretations have no significant impact on the Group's financial position and financial performance based on the Group's assessment.

(2) Effect of new, revised or amended IFRSs as endorsed by the FSC that has not been adopted

A. New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS 4 on applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendment to IAS 40 "Transfer of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Annual Improvements to IFRSs 2014－2016 Cycle－Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"	January 1, 2018
Annual Improvements to IFRSs 2014－2016 Cycle－Amendments to IFRS 12 "Disclosure of Interest in Other Entities"	January 1, 2017
Annual Improvements to IFRSs 2014－2016 Cycle－Amendments to IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018

B. Except for the following, the above standards and interpretations have no significant impact on the Group's financial position and financial performance based on the Group's assessment.

(a) IFRS 9 "Financial Instruments"

i. Debt instruments are classified as financial assets measured at the fair value through profit or loss, financial assets measured at fair value through other comprehensive income or financial assets measured at amortized cost according to the characteristics of the entity's business model and the contractual cash flows. Equity instruments are classified as financial assets measured at the fair value through profit or loss, unless an entity irrevocably designates an investment in equity instruments that is not held for trading as measured at fair value through other comprehensive income.

ii. The expected loss model is used to assess the impairment losses of debt instruments. The 12 months expected credit loss or lifetime expected credit loss (i.e. interest income calculated on the gross carrying amount of the asset before impairment losses occurred) is adopted if the credit risk of a financial instrument has increased significantly since the initial recognition at each balance sheet date; or if the instrument has been impaired, the interest income after the impairment is calculated based on the book value (net of allowance) of the asset. The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(b) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 “Revenue from Contracts with Customers” (“IFRS 15”) replaces IAS 11 “Construction Contracts”, IAS 18 “Revenue” and relevant interpretations. According to IFRS 15, revenue is recognized when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following five steps:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract(s).

Step 5: Recognize revenue when (or as) the entity satisfies the performance obligation.

Furthermore, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(c) Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of the good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a license should be recognized at a point of time or over a period of time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard.

(d) Amendments to IAS 7 "Disclosure initiative"

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group expects to provide additional disclosure describing the changes in liabilities arising from financing activities.

C. When adopting the new standards endorsed by the FSC effective from 2018, the Group will apply the new rules under IFRS 9 "Financial Instruments" ("IFRS 9") and adopt IFRS 15 using the modified retrospective approach from January 1, 2018. The significant effects of applying the new standards as of January 1, 2018 are summarized below:

(a) In accordance with IFRS 9, the Group expects to reclassify financial assets carried at cost in the amount of $9,950, and make an irrevocable decision at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income, retained earnings and other equity interest in the amounts of $89,335, $28,584 and $50,801, respectively.

(b) In accordance with IFRS 9, the Group expects to reclassify financial assets carried at cost in the amount of $10,940, by increasing financial assets at fair value through profit or loss and retained earnings in the amounts of $11,433 and $493, respectively.

(c) In line with the regulations under IFRS 9 on provision for impairment based on the expected credit loss model, contract assets will be decreased by $115, accounts receivable decreased by $1,819, other receivables decreased by $5, other receivables－related parties decreased by $2, and retained earnings decreased by $1,941.

(d) Revenue recognition of customized products

The Group provides high-integration and high-precision integrated circuits and related assembly and testing services based on the specifications as required by the customers. The revenue is recognized when the significant risks and rewards are transferred under previous accounting policies, and the timing of recognition usually occurred upon service completion. Considering that the Group provides assembly and testing service to create or enhance a highly customized product and the customer controls the asset as it is created or enhanced, the revenue will be recognized based on the percentage of completion under IFRS 15. As a result, retained earnings will be increased by $46,607, inventory decreased by $208,505 and contract assets increased by $255,112.

(e) Presentation of contract assets and contract liabilities

In line with IFRS 15 requirements, the Group's liabilities in relation to sales discounts to customers are recognized as contract liabilities, but were previously presented as current provisions in the balance sheet. As of January 1, 2018, the balance is $70,156.

(f) Recognition of deferred tax

When initially adopting IFRS 9 and IFRS 15, the Group will have to recognize adjustments in the balance sheet which would result to temporary differences. Accordingly, as of January 1, 2018, deferred tax assets will be decreased by $736 and deferred tax liabilities increased by $19,651.

(3) The IFRSs issued by IASB but not yet endorsed by the FSC

A. New, revised or amended standards and interpretations issued by IASB but not yet included in the IFRSs endorsed by the FSC are as follows:

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
Amendments to IFRS 9, "Prepayments Features with Negative Compensation"	January 1, 2019
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined By IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19, "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28, "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019
Annual Improvements to IFRSs 2015－2017 Cycle	January 1, 2019

B. Except for the following, the above standards and interpretations have no significant impact on the Group's financial position and financial performance based on the Group's assessment.

IFRS 16 "Leases"

IFRS 16 "Leases" ("IFRS 16") supersedes IAS 17 "Leases" and the related interpretations. The standard requires lessees to recognize a right-of-use asset and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting treatment is the same for lessors, who classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these accompanying consolidated financial statements are set out below. These policies have been consistently applied during the reported periods, unless otherwise stated.

(1) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", IFRSs, IASs and interpretations of IFRSs and IASs as endorsed by the FSC ("IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Available-for-sale financial assets were measured at fair value.

(b) Defined benefit liabilities were recognized based on the net amount of pension fund assets less the present value of benefit obligation.

B. The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Transactions, balances and unrealized gains or losses between inter-companies and the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in a deficit balance in the non-controlling interests.

(d) Changes in a parent's ownership interests in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of investee	Main business	Percentage of Ownership (%) December 31, 2017	December 31, 2016	Note
The Company	ChipMOS U.S.A., Inc. ("ChipMOS USA")	Research, development, and marketing of semiconductors, circuits, electronic related products	100	100	
The Company	ChipMOS TECHNOLOGIES (BVI) LTD. ("ChipMOS BVI")	Holding company	100	100	
ChipMOS BVI	ChipMOS TECHNOLOGIES (Shanghai) LTD. ("ChipMOS Shanghai")	Semiconductor assembling and testing services	-	100	Note

Note: On November 30, 2016, the Company's Board of Directors approved ChipMOS BVI's disposal of 54.98% interests of its subsidiary, ChipMOS Shanghai. The transaction was completed in March 2017, thereafter, ChipMOS Shanghai was excluded from the consolidated financial statements and recorded as "Investments accounted for using equity method". Detailed information is provided in Note 6(5).

C. Subsidiaries not included in the consolidated financial statements:

None.

D. Adjustments for subsidiaries with different balance sheet dates:

Not applicable.

E. Significant restrictions on the funds transfer from subsidiaries to parent company:

According to the Regulations on the Foreign Exchange System of the People's Republic of China ("P.R.C."), capital inward and outward remittance of ChipMOS Shanghai have to be approved by the regulatory foreign exchange administrations and designated banks.

F. Subsidiaries that have non-controlling interests that are material to the Group:

None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars (NTD), which is the Company's functional currency and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates on the trade date or measurement date. Therefore, foreign exchange differences resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation are recognized in profit or loss on the balance sheet date.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their exchange differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their exchange differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the initial dates of the transactions.

(d) All foreign exchange differences are presented in the statement of comprehensive income under "other gains and losses" by the nature of transactions.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates that have different functional currency and presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet are translated at the exchange rates prevailing at the balance sheet date;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All exchange differences are recognized in other comprehensive income.

(5) Classification of current and non-current assets and liabilities

A. Assets that meet one of the following criteria are classified as current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within 12 months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than 12 months after the balance sheet date.

All assets that do not meet the above criteria are classified as non-current assets.

B. Liabilities that meet one of the following criteria are classified as current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within 12 months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be unconditionally extended to more than 12 months after the balance sheet date. Liabilities bearing terms that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All liabilities that do not meet the above criteria are classified as non-current liabilities.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the above definition and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss ("FVTPL") are financial assets held for trading or financial assets designated as at fair value through profit or loss on the initial recognition. Financial assets are classified as assets held for trading if acquired principally for the purpose of selling in the short term. The purchase or disposal of FVTPL is a type of operating activity that derives from managing operating cash. Derivatives are categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on the initial recognition:

(a) Hybrid (combined) contracts; or

(b) Eliminating or significantly reducing the inconsistency on measurement or recognition; or

(c) Investment is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.

C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are recognized in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

D. As of December 31, 2017 and 2016, there were no financial assets classified as FVTPL.

(8) Loans and receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or loss events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss are as follows:

(a) Significant financial difficulty of the issuer or the debtor;

(b) A breach of contract, such as a default or delinquency in interest or principal payments;

(c) The Group, for economic or legal reasons relating to the borrower’s financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(d) The possibility of the borrower entering bankruptcy or other financial reorganization increases significantly;

(e) The disappearance of an active market for that financial asset because of financial difficulties;

(f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(h) The fair value of an investment of equity instrument declines significantly or prolonged below its cost.

C. When the Group assesses there is objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made according to the category of financial assets, as follows:

(a) Financial assets measured at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. The impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(10) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset have expired.

(11) Inventories

Inventories are initially recorded at cost. Cost is determined on a weighted-average cost basis. At the end of reporting period, the differences were allocated to inventories and cost of revenue based on an appropriate rate. Allocation of fixed production overheads is based on the normal operating capacity of the production facilities. Costs associated with underutilized capacity are expensed in the period that the cost occurs.

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The item by item approach is used in raw materials, and category method is used in work in process and finished goods. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs.

(12) Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(13) Investments accounted for using equity method - associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in "capital surplus" in proportion to its ownership.

D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case where an associate issues new shares and the Group does not subscribe or proportionately acquire the new shares, which results in a change in the Group's ownership percentage of the associate while maintaining significant influence on the associate, then "capital surplus" and "investments accounted for using the equity method" shall be adjusted for the increase or decrease of its share of equity interests. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. When the Group disposes of its investment in an associate, if it loses significant influence on this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence on this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8 "Accounting Policies, Change in Accounting Estimates and Errors", from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	6 to 51 years
Machinery and equipment	2 to 8 years
Tools	2 to 3 years
Others	2 to 6 years

(15) Leased assets / operating leases (lessee)

A. Based on the terms of a lease contract, a lease is classified as a finance lease if the Group assumes substantially all the risks and rewards incidental to ownership of the leased asset.

(a) A finance lease is recognized as an asset and a liability at the lease's commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

(b) The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(c) Property, plant and equipment held under finance leases are depreciated over their estimated useful lives. If there is no reasonable certainty that the Group will obtain ownership at the end of the lease, the asset shall be depreciated over the shorter of the lease term and its useful life.

B. Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(16) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(17) Loans

Loans are recognized initially at fair value, net of transaction costs incurred. Loans are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the loans using the effective interest method.

(18) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision arising from the passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees and should be recognized as expenses when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in the current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The discount rate is determined by using the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognized immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes an expense as it can no longer withdraw an offer of termination benefits, or it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(21) Employee share-based payments

A. For equity-settled share-based payment arrangements, employee services received are measured at the fair value of the equity instruments awarded at the granting date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

B. For the cash-settled share-based payment arrangements, the cost of cash-settled transactions is measured initially at fair value at the grant date using an appropriate valuation model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognized in employee benefit expenses.

C. The entity settling a share-based payment transaction when another entity in the group receives the goods or services shall recognize the transaction as an equity-settled share-based payment transaction only if it is settled in the entity's own equity instruments. Otherwise, the transaction shall be recognized as a cash-settled share-based payment transaction.

D. Restricted shares:

(a) Restricted shares issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period.

(b) For restricted shares where those shares do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognizes the fair value of the dividends received by employees who are expected to resign during the vesting period as a compensation cost at the date the dividends were declared.

(c) For restricted stocks where employees do not need to pay to acquire those shares, if an employee resigns during the vesting period, the Group will recover and retire those shares at no cost.

(22) Income tax

A. The income tax expense for the period comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the income tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% income tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(23) Capital stock

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options in net proceeds of tax are shown in equity as a deduction.

B. Where the Company repurchases the Company's shares that have been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(25) Revenue recognition

A. The Group is primarily engaged in research, development, manufacturing, sale, assembling and testing of high-integration and high-precision integrated circuits. The criteria that the Group uses to determine when to recognize revenue are:

(a) The entity has transferred the significant risks and rewards of ownership of the goods to the buyer;

(b) The entity retains neither continuing managerial involvement nor effective control over the goods sold;

(c) The amount of revenue can be measured reliably;

(d) It is probable that the economic benefits associated with the transaction will flow to the entity;

(e) The stage of completion of the transaction can be measured reliably;

(f) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

B. The Group does not provide warranties to customers except in cases of deficiencies in the assembly and testing services provided. An appropriate sales allowance is recognized in the period during which the sale is recognized, and is estimated based on historical experience.

(26) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chairman of the Board of Directors that makes strategic decisions.

(27) Capital reorganization

A. On October 31, 2016, the Company merged with its former parent company, ChipMOS Bermuda, through a share exchange and the transaction was accounted for as a capital reorganization within the Group. When presenting comparative financial statements, the Company presented it as if ChipMOS Bermuda had always been combined and the financial statements were restated retrospectively. The assets and liabilities acquired from ChipMOS Bermuda was measured using the book value method, and any differences between the consideration given by the Company and the aggregate book value of the assets and liabilities of ChipMOS Bermuda were first accounted for as addition (deduction) in capital surplus arising from share premiums, and if the share premium is insufficient, the remaining balance will be accounted for as a deduction from unappropriated retained earnings. In addition, on the effective date of the Merger, the Company reclassified its shares originally held by ChipMOS

Bermuda as treasury stock and cancelled those shares with deduction in capital surplus equal to the proportion of retired shares. If capital surplus is insufficient, the remaining balance will be accounted for as a deduction from unappropriated retained earnings. Transaction costs attributable to the Merger were accounted for as a deduction from capital surplus.

B. Pursuant to the Interpretation (2012) No. 301 issued by the Accounting Research and Development Foundation, when presenting comparative financial statements, the Company presented it as if ChipMOS Bermuda had always been combined and the financial statements were restated retrospectively. Net income attributable to ChipMOS Bermuda prior to the Merger were presented as "Predecessors' interests under common control".

5. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of the accompanying consolidated financial statements requires management to make critical judgments in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgments in applying the Group's accounting policies

Provisions for deficiency compensation

The Group is primarily engaged in the research, development, manufacturing, sale, and assembly and testing of high-integration and high-precision integrated circuits. In any cases where deficiencies in the assembly and testing services arise, the Group has to clarify the reason for deficiencies and attribute of responsibilities. The Group follows the guidance of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" to determine warranty provisions. Since the timing and amount of these warranties are based on assumptions and estimates it requires management to make critical judgments.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

The Group estimates sales discounts and returns based on historical results and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognized. The Group reassesses the reasonableness of estimates of discounts and returns periodically.

B. Causes and effects of accounting estimate change

By considering the Group's experience on using similar property, plant and equipment in prior periods as well as by referring to the experience from peer industries, on November 10, 2016, the Board of Directors approved to change the estimated useful lives of certain properties from 11 years to 16 years and certain equipment from 2~6 years to 2~8 years effectively from November 1, 2016, in order to better reflect economic benefits from consumption of those property and equipment.

The impact on depreciation expenses of 2016 and future periods were expected as follows:

	2016	2017	2018	2019
Decrease in depreciation expenses	($ 119,737)	($ 605,259)	($ 389,972)	($ 164,824)

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash on hand and petty cash	$ 470	$ 525
Checking accounts and demand deposits	4,151,630	4,106,384
Time deposits	3,883,614	3,854,354
	8,035,714	7,961,263
Less: Cash and cash equivalents of discontinued operations	-	(389,897)
	$ 8,035,714	$ 7,571,366

A. On November 30, 2016, the Company’s Board of Directors approved its subsidiary ChipMOS BVI to sell 54.98% of ChipMOS Shanghai's equity, and the transaction was completed in March 2017. The cash and cash equivalents of ChipMOS Shanghai as of December 31, 2016 amounted to $389,897 were reclassified and shown as “Non-current assets held for sale, net”. Information is provided in Note 6(7).

B. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

C. No cash and cash equivalents of the Group were pledged to others.

(2) Accounts receivable

	December 31, 2017	December 31, 2016
Accounts receivable	$ 4,013,705	$ 4,138,580
Less: Allowance for doubtful accounts	-	(87)
	$ 4,013,705	$ 4,138,493

A. The Group’s credit term granted to customers is 30~90 days. Receivables do not bear interest. The Group determines the recoverable amount based on any changes in the credit quality of the customers from initial recognition to the end of the reporting period. The allowance for doubtful accounts is determined based on the current financial condition of customers.

B. The Group’s accounts receivable that were neither past due nor impaired were fully performed in line with the credit standards prescribed based on counterparties’ industrial characteristics, scale of business and profitability.

C. The aging analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017	December 31, 2016
≦ 1 month	$ 10,482	$ 24,141
1-2 months	477	728
2-3 months	426	183
3-4 months	1,431	245
> 4 months	3,056	2,013
	$ 15,872	$ 27,310

D. Movement analysis of financial assets that were impaired is as follows:

(a) As of December 31, 2017 and 2016, the Group's accounts receivable that were impaired amounted to $0 and $87, respectively.

(b) Movements in the provision for impairment of accounts receivable are as follows:

	2017		
	Individual provision	Collective provision	Total
January 1	$ 87	$ -	$ 87
Reversal of allowance for impairment	(87)	-	(87)
December 31	$ -	$ -	$ -

	2016		
	Individual provision	Collective provision	Total
January 1	$ -	$ -	$ -
Provision for impairment	87	-	87
December 31	$ 87	$ -	$ 87

E. No accounts receivable of the Group were pledged to others.

(3) Inventories

	December 31, 2017		
	Cost	Allowance for impairment losses	Carrying amount
Raw materials	$ 1,769,917	($ 49,183)	$ 1,720,734
Work in process	180,252	(4,163)	176,089
Finished goods	32,784	(368)	32,416
Total	$ 1,982,953	($ 53,714)	$ 1,929,239

	December 31, 2016		
	Cost	Allowance for impairment losses	Carrying amount
Raw materials	$ 1,787,810	($ 140,463)	$ 1,647,347
Work in process	190,823	(14,203)	176,620
Finished goods	54,190	(175)	54,015
Total	$ 2,032,823	($ 154,841)	$ 1,877,982

The cost of inventories recognized as an expense for the year:

	2017	2016
Cost of revenue	$ 14,958,886	$ 15,655,485
Loss on abandonment	38,460	9,567
(Reversal of) allowance for inventory valuation and obsolescence loss	(98,539)	66,424
	14,898,807	15,731,476
Less: Cost of revenue of discontinued operations	(195,078)	(986,004)
	$ 14,703,729	$ 14,745,472

A. Reversal of allowance for inventory valuation loss was recognized due to the change in market value of replacement costs.

B. No inventories of the Group were pledged to others.

(4) Non-current financial assets carried at cost

	December 31, 2017	December 31, 2016
Unlisted preferred stocks – domestic	$ -	$ 10
Unlisted stocks – domestic	-	41,336
Unlisted foreign stocks and partnerships	49,474	38,534
	49,474	79,880
Less: Allowance for impairment losses	(28,584)	(69,920)
	$ 20,890	$ 9,960

A. Based on the Group’s intention, the investments should be classified as “available-for-sale financial assets”. However, as these unlisted stocks are not traded in an active market, and no sufficient industry and financial information of companies similar to these unlisted stocks can be obtained, the fair value of the investment in unlisted stocks cannot be measured reliably. As a result, the Group classified the investments as “Financial assets carried at cost”.

B. Due to the operation loss and accumulated deficit of VIGOUR TECHNOLOGY Corporation ("VIGOUR"), the Company has recognized full impairment loss of its investments on VIGOUR amounted to $41,336 in prior years. Based on the Company's assessment, considering VIGOUR is currently in liquidation process and no residual assets are expected to be available for distributions, the carrying amount of investments and accumulated impairment losses were reclassified to "Other receivables" in the fourth quarter of 2017.

C. No financial assets carried at cost held by the Group was pledged to others.

(5) Investments accounted for using equity method

Associates	December 31, 2017	December 31, 2016
JMC ELECTRONICS CO., LTD. ("JMC")	$ 373,276	$ 369,329
ChipMOS Shanghai	3,060,056	-
	$ 3,433,332	$ 369,329

A. On November 30, 2016, the Company's Board of Directors adopted a resolution to authorize its subsidiary, ChipMOS BVI, to dispose 54.98% of ChipMOS Shanghai's equity. The equity transfer was completed in March 2017, and subsequently, due to the loss of control but retention of significant influence, ChipMOS Shanghai was excluded from the consolidated financial statements and recorded as "Investments accounted for using equity method". Information is provided in Note 6(7).

B. In June 2017, ChipMOS BVI participated in ChipMOS Shanghai's increase of paid-in capital based on its shareholding amounted to $1,373,486.

C. In January 2017, the Company did not participate in the capital increase of JMC, which reduced the Company's ownership from 21.22% to 19.10%. Given that the Company still retains significant influence by holding two seats in JMC's Board of Directors, JMC was still recognized as "Investments accounted for using equity method". As a result of the change in shareholding, the Company recognized capital surplus from long-term investment amounted to $16,929 for the year ended December 31, 2017.

D. JMC has quoted market prices. As of December 31, 2017 and 2016, the fair value was $1,155,550 and $706,318, respectively.

E. The Company's investments accounted for using equity method are based on the audited financial statements of investees for the reporting periods. For the years ended December 31, 2017 and 2016, the Company recognized its share of profit (loss) of investments accounted for using equity method amounted to ($179,491) and $28,924, respectively.

F. The basic information and summarized financial information of the associates of the Group are as follows:

(a) Basic information

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		December 31, 2017	December 31, 2016		
JMC	Kaohsiung Taiwan	19.10%	21.22%	None	Equity method
ChipMOS Shanghai	Shanghai P.R.C.	45.02%	-	None	Equity method

(b) Summarized financial information

Balance sheets

	JMC	
	December 31, 2017	December 31, 2016
Current assets	$ 833,914	$ 904,571
Non-current assets	1,161,620	876,314
Current liabilities	(284,580)	(258,513)
Non-current liabilities	(1,756)	(2,491)
Total net assets	$ 1,709,198	$ 1,519,881
Share in associate's net assets	$ 326,456	$ 322,509
Goodwill	46,820	46,820
Carrying amount of the associate	$ 373,276	$ 369,329

Balance sheets

	ChipMOS Shanghai
	December 31, 2017
Current assets	$ 3,380,641
Non-current assets	2,766,839
Current liabilities	(460,054)
Non-current liabilities	(489,097)
Total net assets	$ 5,198,329
Share in associate's net assets	$ 2,340,506
Depreciable assets	703,536
Goodwill	22,118
Inter-company transactions and amortization	(6,104)
Carrying amount of the associate	$ 3,060,056

Statements of comprehensive income

	JMC	
	2017	2016
Revenue	$ 1,322,928	$ 1,667,761
Profit for the year from continuing operations	$ 4,414	$ 136,303
Other comprehensive income (loss), net of income tax	2,903	(627)
Total comprehensive income	$ 7,317	$ 135,676
Dividend received from the associate	$ 14,325	$ 5,730

Statements of comprehensive income

	ChipMOS Shanghai
	2017
Revenue	$ 1,141,415
Loss for the year from continuing operations	($ 348,472)
Other comprehensive income, net of income tax	-
Total comprehensive loss	($ 348,472)
Dividend received from associate	$ -

According to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", total comprehensive income of ChipMOS Shanghai for the three months ended March 31, 2017 is included in the Group's consolidated statements of comprehensive income with the adjustments of ceasing to recognize depreciation and amortization expenses and the elimination of inter-companies' transactions. Information about discontinued operations is provided in Note 6(7).

(6) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Tools	Others	Construction in progress and equipment to be inspected	Total
January 1, 2017							
Cost	$ 452,738	$ 11,183,278	$ 47,002,228	$ 3,999,894	$ 3,353,413	$ 1,627,816	$ 67,619,367
Accumulated depreciation and impairment	-	(6,395,332)	(39,430,608)	(3,475,451)	(2,786,790)	-	(52,088,181)
	452,738	4,787,946	7,571,620	524,443	566,623	1,627,816	15,531,186
Less: Property, plant and equipment classified as non-current assets held for sale	-	(710,191)	(433,688)	(90,460)	(168,314)	(631,315)	(2,033,968)
	$ 452,738	$ 4,077,755	$ 7,137,932	$ 433,983	$ 398,309	$ 996,501	$ 13,497,218
2017							
January 1	$ 452,738	$ 4,077,755	$ 7,137,932	$ 433,983	$ 398,309	$ 996,501	$ 13,497,218
Additions	-	211,098	2,007,767	571,601	195,957	1,716,268	4,702,691
Disposals	-	-	(30,066)	(2,302)	(1,865)	-	(34,233)
Reclassifications	-	141,400	1,535,619	44,882	22,149	(1,744,050)	-
Depreciation expenses	-	(511,167)	(1,837,482)	(357,695)	(192,934)	-	(2,899,278)
Impairment losses	-	-	-	-	(956)	-	(956)
Exchange adjustment	-	-	(43)	-	(88)	-	(131)
December 31	$ 452,738	$ 3,919,086	$ 8,813,727	$ 690,469	$ 420,572	$ 968,719	$ 15,265,311
December 31, 2017							
Cost	$ 452,738	$ 9,809,970	$ 45,778,207	$ 4,004,703	$ 2,624,083	$ 968,719	$ 63,638,420
Accumulated depreciation and impairment	-	(5,890,884)	(36,964,480)	(3,314,234)	(2,203,511)	-	(48,373,109)
	$ 452,738	$ 3,919,086	$ 8,813,727	$ 690,469	$ 420,572	$ 968,719	$ 15,265,311

	Land	Buildings	Machinery and equipment	Tools	Others	Construction in progress and equipment to be inspected	Total
January 1, 2016							
Cost	$ 452,738	$ 10,700,236	$45,945,380	$3,673,636	$ 3,047,001	$ 826,103	$ 64,645,094
Accumulated depreciation and impairment	-	(5,863,556)	(38,602,675)	(3,323,862)	(2,643,441)	-	(50,433,534)
	$ 452,738	$ 4,836,680	$ 7,342,705	$ 349,774	$ 403,560	$ 826,103	$ 14,211,560
2016							
January 1	$ 452,738	$ 4,836,680	$ 7,342,705	$ 349,774	$ 403,560	$ 826,103	$ 14,211,560
Additions	-	255,916	934,913	358,413	351,850	2,789,903	4,690,995
Disposals	-	(51)	(8,624)	-	(351)	-	(9,026)
Reclassifications	-	372,448	1,509,798	22,882	37,373	(1,942,501)	-
Depreciation expenses	-	(631,233)	(2,188,976)	(201,755)	(206,477)	-	(3,228,441)
Impairment losses	-	-	-	-	(8,198)	-	(8,198)
Exchange adjustment	-	(45,814)	(18,196)	(4,871)	(11,134)	(45,689)	(125,704)
December 31	$ 452,738	$ 4,787,946	$ 7,571,620	$ 524,443	$ 566,623	$ 1,627,816	$ 15,531,186
December 31, 2016							
Cost	$ 452,738	$ 11,183,278	$47,002,228	$3,999,894	$ 3,353,413	$ 1,627,816	$ 67,619,367
Accumulated depreciation and impairment	-	(6,395,332)	(39,430,608)	(3,475,451)	(2,786,790)	-	(52,088,181)
	452,738	4,787,946	7,571,620	524,443	566,623	1,627,816	15,531,186
Less: Property, plant and equipment classified as non-current assets held for sale	-	(710,191)	(433,688)	(90,460)	(168,314)	(631,315)	(2,033,968)
	$ 452,738	$ 4,077,755	$ 7,137,932	$ 433,983	$ 398,309	$ 996,501	$ 13,497,218

A. Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	2017	2016
Amount of interest capitalized	$ 18,769	$ 13,435
Range of the interest rates for capitalization	1.7624%	1.7456%~3.6166%

B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(7) Non-current assets held for sale and discontinued operations

A. On November 30, 2016, the Company's Board of Directors approved its subsidiary, ChipMOS BVI, to dispose 54.98% of ChipMOS Shanghai's equity to Tibet Unigroup Guowei Investment Co., Ltd. and other strategic investors. As of December 31, 2016, the assets, liabilities and equity related to ChipMOS Shanghai have been reclassified as held for sale and presented as discontinued operations for satisfying the definition of discontinued operations. The equity transfer was completed in March 2017, and subsequently, due to the loss of control but retention of significant influence, ChipMOS Shanghai was excluded from the consolidated financial statements and recorded as "Investments accounted for using equity method". Information is provided in Note 6(5).

B. The cash flow information of the discontinued operations is as follows:

	2017	2016
Cash flows from operating activities	(\$ 109,079)	(\$ 1,109,029)
Cash flows from investing activities	(272,925)	(1,331,564)
Cash flows from financing activities	461,312	1,463,664
Effect of foreign exchange rate changes	(19,874)	(61,336)
Net increase (decrease) in cash and cash equivalents	\$ 59,434	(\$ 1,038,265)

C. Assets of disposal group classified as held for sale:

	December 31, 2016
Cash and cash equivalents	\$ 389,897
Accounts receivable, net	230,523
Other receivables	202,909
Inventories	136,842
Prepayments	15,943
Other current financial assets	1,193
Property, plant and equipment	2,033,968
Refundable deposits	113
Long-term prepaid rents	82,291
Other non-current assets	11,392
	\$ 3,105,071

D. Liabilities of disposal group classified as held for sale:

	December 31, 2016
Accounts payable	\$ 98,973
Other payables	177,178
Receipts in advance	6,687
Long-term bank loans, current portion	7,614
Long-term lease obligations payable, current portion	27,702
Other current liabilities	34,276
Long-term bank loans	106,461
Long-term lease obligations payable	27,702
Long-term deferred revenue	100,395
Guarantee deposits	651
	\$ 587,639

E. Equity of disposal group classified as held for sale:

	December 31, 2016
Financial statements translation differences of foreign operations	$ 287,645

F. Cumulative income or expense recognized in other comprehensive income relating to disposal group classified as held for sale:

	2017	2016
Financial statements translation differences of foreign operations	($ 287,645)	($ 195,972)

G. The result of discontinued operations is as follows:

	2017	2016
Revenue	$ 227,095	$ 1,005,166
Cost of revenue	(195,078)	(986,004)
Operating expenses	(58,840)	(179,178)
Other income (expenses), net	1,429	13,753
Non-operating income (expenses), net	(2,887)	24,158
Loss from discontinued operations before income tax	(28,281)	(122,105)
Income tax expense	-	-
Loss from discontinued operations after income tax	(28,281)	(122,105)
Gain on disposal of discontinued operations	1,843,234	-
Profit (loss) from discontinued operations	$ 1,814,953	($ 122,105)

H. The transfer of ChipMOS Shanghai's equity was completed in March 2017. The analysis of disposal gain is as follows:

	2017
Gain on disposal of equity	$ 999,630
Fair value gain on remeasurement of retained investment	843,604
Gain on disposal of discontinued operations	$ 1,843,234

(8) Short-term bank loans

	December 31, 2017	December 31, 2016
Bank loans		
Unsecured bank loans	$ 969,353	$ -
Interest rate range	0.55%~1.71%	-
Unused credit lines of short-term bank loans		
NT$	$ 3,028,357	$ 3,119,000
US$ (in thousands)	$ 80,000	$ 80,000

(9) Accounts payable

	December 31, 2017	December 31, 2016
Accounts payable	$ 250,785	$ 367,688
Estimated accounts payable	437,175	457,374
	$ 687,960	$ 825,062

(10) Other payables

	December 31, 2017	December 31, 2016
Salaries and bonuses payable	$ 601,239	$ 443,993
Interest payable	2,854	1,059
Pension payable	32,402	29,930
Employees' compensation payable	371,912	70,553
Directors' remuneration payable	18,596	3,528
Payable to equipment suppliers	713,313	550,346
Other expense payable	953,179	862,991
	$ 2,693,495	$ 1,962,400

(11) Current provisions

A. Movements in provisions are as follows:

	2017		
	Provisions for sales allowance	Provisions for deficiency compensation	Total
January 1	$ 66,065	$ 14,654	$ 80,719
Provision	117,234	119,318	236,552
Payment	(113,143)	(76,817)	(189,960)
December 31	$ 70,156	$ 57,155	$ 127,311

B. The Company’s provisions include sales allowance and deficiency compensation. The details of these provisions are provided in Notes 5(1) and 5(2)A.

(12) Long-term bank loans

Type of loans	Period and payment term	December 31, 2017	December 31, 2016
Syndicated bank loan	Borrowing period is from June 30, 2016 to June 30, 2021; interest is repayable monthly; principal is repayable semi-annually from December 30, 2017.	$ 9,675,301	$ 10,800,000
Less: Fee on syndicated bank loan		(33,280)	(49,995)
Less: Current portion (fee included)		(2,143,168)	(1,062,285)
		$ 7,498,853	$ 9,687,720
Interest rate range		1.7895%	1.7895%
Unused credit lines of long-term bank loans			
NT$		$ 2,400,000	$ 2,400,000

A. On May 16, 2016, the Company entered into a syndicated loan with ten banks in Taiwan, including Land Bank of Taiwan, in the amount of NT$13,200 million with a term of five years. Funding from this syndicated loan was used to repay the prior syndicated loan in 2014 and broaden the Company's working capital. Pursuant to the syndicated loan agreement, the Group is required to maintain certain financial ratios including current ratio, interest protection multiples and debt to equity ratio during the loan periods.

B. Information about the items related to the long-term bank loans that are pledged to others as collaterals is provided in Note 8.

(13) Lease obligations payable

The Company leases equipment under finance lease and based on the terms of the lease contracts, the Company has the option to purchase the equipment at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable when the leases expire.

Future minimum lease payables and their present values as of December 31, 2017 and 2016 are as follows:

	December 31, 2017		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
Current	$ 12,266	($ 481)	$ 11,785
Non-current	$ 18,266	($ 209)	$ 18,057

	December 31, 2016		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
Current	$ 12,000	($ 709)	$ 11,291
Non-current	$ 30,000	($ 689)	$ 29,311

(14) Deferred revenue

	December 31, 2017	December 31, 2016
Current (Shown as "Receipts in advance")	$ 4,057	$ -
Non-current (Shown as "Long-term deferred revenue")	24,898	-
	$ 28,955	$ -

Deferred revenue represents the technology transfer and license agreement between the Company and ChipMOS Shanghai and is amortized to royalty income on a systematic basis over 10 years. Information is provided in Note 7(3)D.

(15) Pensions

A. Defined Benefit Plans

The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the pension fund deposited with the Bank of Taiwan, the trustee, under the name of the independent pension fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by March of following year.

(a) The amounts recognized in the balance sheets are as follows:

	December 31, 2017	December 31, 2016
Present value of defined benefit obligations	($ 838,543)	($ 894,163)
Fair value of plan assets	360,017	347,195
Net defined benefit liability	($ 478,526)	($ 546,968)

(b) Movements in net defined benefit liability are as follows:

	2017		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1	($ 894,163)	$ 347,195	($ 546,968)
Current service cost	(386)	-	(386)
Interest (expense) income	(13,236)	5,226	(8,010)
	(907,785)	352,421	(555,364)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,842)	(1,842)
Financial assumption movement effect	28,506	-	28,506
Experience adjustments	24,174	-	24,174
	52,680	(1,842)	50,838
Pension fund contribution	-	26,000	26,000
Paid pension	16,562	(16,562)	-
December 31	($ 838,543)	$ 360,017	($ 478,526)

	2016		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1	($ 844,166)	$ 324,695	($ 519,471)
Current service cost	(321)	-	(321)
Interest (expense) income	(14,644)	5,768	(8,876)
	(859,131)	330,463	(528,668)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(3,413)	(3,413)
Financial assumption movement effect	(31,294)	-	(31,294)
Experience adjustments	(8,676)	-	(8,676)
	(39,970)	(3,413)	(43,383)
Pension fund contribution	-	25,083	25,083
Paid pension	4,938	(4,938)	-
December 31	($ 894,163)	$ 347,195	($ 546,968)

(c) The Bank of Taiwan was commissioned to manage the fund of the Company’s defined benefit pension plan in accordance with the fund’s annual investment and utilization plan and the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund” (Article 6: The scope of utilization for the fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the authority. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of the fair value of plan asset in accordance with IAS 19 "Employee Benefits" paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(d)The principal actuarial assumptions used were as follows:

	2017	2016
Discount rate	1.75%	1.50%
Future salary increases	3.50%	3.50%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligations is affected. The analysis was as follows:

	Discount rate		Future salary increase	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2017				
Effect on present value of defined benefit obligations	($ 27,192)	$ 28,506	$ 27,955	($ 26,816)
December 31, 2016				
Effect on present value of defined benefit obligations	($ 31,294)	$ 32,893	$ 32,174	($ 30,787)

The sensitivity analysis above is based on a change in an assumption while holding all other assumptions constant. In practice, changes in some of the assumptions may be correlated. The method of sensitivity analysis and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis remain unchanged from previous period.

(e)Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2018 amounts to $26,910.

(f) As of December 31, 2017, the weighted average duration of that retirement plan is 13.4 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 28,007
1-2 years	31,702
2-5 years	102,703
Over 5 years	178,720
	$ 341,132

B. Define Contribution Plans

(a) Effective from July 1, 2005, the Company established a defined contribution pension plan ("New Plan") under the Labor Pension Act, covering all regular employees with Republic of China ("R.O.C.") nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2017 and 2016 were $190,106 and $174,096, respectively.

(b) Before the equity transfer in March 2017, the Company's subsidiary in the P.R.C., ChipMOS Shanghai, has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the P.R.C. are based on certain percentage of employees' monthly salaries and wages. The contribution percentage for the years ended December 31, 2017 and 2016, were both 21%. Other than the monthly contributions, ChipMOS Shanghai has no further obligations. The pension costs under defined contribution pension plans of ChipMOS Shanghai for the years ended December 31, 2017 and 2016 were $14,743 and $58,419, respectively, which are reclassified as "Profit (loss) from discontinued operations".

(16) Share-based payments

Employee stock option plan / Share appreciation rights plan

A. On October 31, 2016, the Company's former parent company, ChipMOS Bermuda, was merged with and into the Company with the latter being the surviving entity and ChipMOS Bermuda being the dissolved entity.

B. Before the Merger, the Group's share-based payment arrangements were as follows:

Types of arrangement	Grant date	Quantity granted (shares/units)	Contract period	Vesting conditions
Employee stock option plan	2006 to 2015	3,952,711	2001 to 2024	As granted or certain % after first year
Share appreciation rights plan	2006 to 2016	1,908,314	2006 to 2022	

All outstanding stock options and share appreciation rights issued by ChipMOS Bermuda and received by the employees of the Company, whether vested or unvested, were settled in cash by ChipMOS Bermuda prior to the Merger in accordance with the terms of the merger agreement.

C. Details of the share-based payment arrangements before the Merger are as follows:

Employee stock option plan	Ten months ended October 30, 2016 Number of options	Ten months ended October 30, 2016 Weighted-average exercise price (in US$)
Outstanding at January 1	1,062,250	13.57
Forfeited	(25,084)	15.35
Exercised	(97,715)	7.21
Expired	(49,500)	20.57
Early settled	(889,951)	13.83
Outstanding at the end of the period	-	-
Exercisable at the end of the period	-	-

Stock appreciation rights plan	Ten months ended October 30, 2016 Number of rights	Ten months ended October 30, 2016 Weighted-average exercise price (in US$)
Outstanding at January 1	588,596	14.07
Granted	37,500	19.55
Forfeited	(9,785)	15.16
Exercised	(123,033)	11.26
Early settled	(493,278)	15.17
Outstanding at the end of the period	-	-
Exercisable at the end of the period	-	-

D. The weighted-average share price of stock options at exercise dates for the ten months ended October 30, 2016 were US$18.10.

E. There are no outstanding stock options and share appreciation rights as of December 31, 2017 and 2016.

Restricted shares

A. On July 14, 2015, the Company's Board of Directors approved the issuance of restricted shares. The record dates for the shares issuance were July 21, 2015 and May 10, 2016. The relevant information is as follows:

Type of arrangement	Grant date	Share price on grant date (in dollars)	Number of shares (in thousands)	Number of shares returned due to employee resignation (in thousands) 2017	Number of shares returned due to employee resignation (in thousands) 2016	Contract period	Vesting condition
Restricted shares award agreement	July 21, 2015	36.1	15,752	(558)	(707)	3 years	Meet service and performance conditions
Restricted shares award agreement	May 10, 2016	30.6	1,548	(137)	(220)	3 years	Meet service and performance conditions

The restricted shares issued by the Company cannot be transferred during the vesting period, but voting right and dividend right are not restricted. Employees are required to return the shares but not required to return the dividends received if they resign during the vesting period. When the employees accomplish the years of service and performance conditions, the received restricted shares will be vested based on the vesting ratio.

B. The expenses incurred on share-based payment transactions for the years ended December 31, 2017 and 2016 were $123,021 and $356,463, respectively.

(17) Capital stock

A. As of December 31, 2017, the Company's authorized capital was $9,700,000, consisting of 970,000 thousand ordinary shares, and the paid-in capital was $8,862,971 with a par value of $10 (in dollars) per share, consisting of 886,297 thousand ordinary shares. All proceeds from shares issued have been collected.

B. On October 31, 2016, the Company's former parent company, ChipMOS Bermuda was merged with and into the Company, with the latter being the surviving company. Please refer to Note 6(30) for details of the capital reorganization. Pursuant to the Merger, the Company issued 25,620,267 units of ADSs, which were listed on the NASDAQ Global Select Market, and each ADS represents 20 ordinary shares of the Company. As of December 31, 2017, the outstanding ADSs were 9,431,486 units representing 188,630 thousand ordinary shares of the Company. The major terms and conditions of the ADSs are summarized as follows:

(a) Voting rights:

ADS holders have no right to directly vote in shareholders' meetings with respect to the deposited shares. The depository bank shall vote on behalf of ADS holders or provide voting instruction to the designated person of the Company. The depository bank shall vote in the manner as instructed by ADS holders.

(b) Distribution of dividends:

ADS holders are deemed to have the same rights as holders of ordinary shares with respect to the distribution of dividends.

C. Movements in the number of the Company's ordinary shares outstanding are as follows:

	Number of shares (in thousands) 2017	2016
January 1	856,754	895,893
Restricted shares	-	1,548
Restricted shares – cancelled	(542)	(800)
Restricted shares – uncancelled	(153)	(127)
Repurchase of shares – uncancelled	-	(30,085)
Issuance of new shares for capital reorganization (Note 6(30))	-	512,405
Cancellations of shares for capital reorganization (Note 6(30))	-	(522,080)
December 31	856,059	856,754

D. Treasury stock

(a) The reasons for share repurchases and movements in the number of the Company's treasury stock are as follows:

Name of company holding the shares	Reason for repurchase	December 31, 2017 Number of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	30,000	$ 1,005,011
The Company	Dissenting shareholders	85	2,643
		30,085	$ 1,007,654

Name of company holding the shares	Reason for repurchase	December 31, 2016 Number of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	30,000	$ 1,005,011
The Company	Dissenting shareholders	85	2,643
		30,085	$ 1,007,654

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares repurchased as treasury stock may not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back may not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury stock may not be pledged as collateral and is not entitled to dividends before it is reissued.

(18) Capital surplus

Pursuant to the R.O.C. Company Act, any capital surplus arising from paid-in capital in excess of par value on issuance of ordinary shares and donations can be used to cover accumulated deficits or to issue new shares or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficits. Furthermore, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above may not exceed 10% of the paid-in capital each year. The capital surplus may not be used to cover accumulated deficits unless the legal reserve is insufficient.

	2017				
	Share premium	Employee restricted shares	Long-term investment	Employee stock options	Total
January 1	$ 6,473,471	$ 408,051	$ 7,304	$ -	$ 6,888,826
Share-based payments	-	(17,650)	-	-	(17,650)
Cash distribution from capital surplus	(599,728)	-	-	-	(599,728)
Changes in shareholding of equity investment	-	-	16,929	-	16,929
December 31	$ 5,873,743	$ 390,401	$ 24,233	$ -	$ 6,288,377

Information relating to capital surplus arising from long-term investment is provided in Note 6(5).

	2016				
	Share premium	Employee restricted shares	Long-term investment	Employee stock options	Total
January 1	$ 2,501,767	$ 397,296	$ 7,304	$ 849,482	$ 3,755,849
Share-based payments	-	10,755	-	56,689	67,444
Capital reorganization	3,971,704	-	-	(906,171)	3,065,533
December 31	$ 6,473,471	$ 408,051	$ 7,304	$ -	$ 6,888,826

(19) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as a legal reserve. The Company may then appropriate or reverse a certain amount as special reserve according to the relevant regulations. After the distribution of earnings, the remaining earnings and prior years' unappropriated retained earnings may be appropriated according to a proposal by the Board of Directors and approved in the shareholders' meeting.

B. The Company's dividend policy is summarized here. As the Company operates in a volatile business environment, the issuance of dividends to be distributed takes into consideration the Company's financial structure, operating results and future expansion plans. The earnings distribution of the Company may be made by way of cash dividends or stock dividends, provided that cash dividends account for at least 10% of the total dividends distributed. The earnings distribution will be proposed by the Board of Directors and approved at the shareholders' meeting.

C. Except for covering accumulated deficits or issuing new shares or cash to shareholders in proportion to their share ownership, the legal reserve may not be used for any other purpose. The use of the legal reserve for the issuance of shares or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. In accordance with the regulations, the Company must set aside a special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When the debit balance on other equity items is reversed subsequently, the reversed amount may be included in the distributable earnings.

E. The appropriations of 2016 and 2015 earnings were resolved in the shareholders' meetings held on May 26, 2017 and May 31, 2016, respectively. The appropriations and dividends per share (including cash distribution from capital surplus) are as follows:

	2016		2015	
	Amount	Cash distribution per share (in dollars)	Amount	Cash distribution per share (in dollars)
Legal reserve	$ 28,680		$ 223,047	
Cash dividend	257,026	$ 0.30	1,792,553	$ 2.09
Cash distribution from capital surplus	599,728	0.70	-	-

F. The information relating to employees' compensation and directors' and supervisors' remuneration is provided in Note 6(27).

(20) Other equity interest

	2017				
	Exchange differences on translation of foreign operations	Equity directly related to non-current assets held for sale	Unearned employee awards	Unrealized gain on valuation of available-for-sale financial assets	Total
January 1	$ 10,600	$ 287,645	($ 200,204)	$ -	$ 98,041
Currency translation differences					
- The Company	(232,652)	-	-	-	(232,652)
- Disposal of a subsidiary	287,645	(287,645)	-	-	-
Employee restricted shares					
- The Company	-	-	145,634	-	145,634
Evaluation adjustment					
- Associates	-	-	-	678	678
December 31	$ 65,593	$ -	($ 54,570)	$ 678	$ 11,701

	2016			
	Exchange differences on translation of foreign operations	Equity directly related to non-current assets held for sale	Unearned employee awards	Total
January 1	$ 63,668	$ -	($ 447,323)	($ 383,655)
Currency translation differences				
- The Company	(200,280)	-	-	(200,280)
- Reclassified as discontinued operations	(287,645)	287,645	-	-
Employee restricted shares				
- The Company	-	-	247,119	247,119
Capital reorganization	434,857	-	-	434,857
December 31	$ 10,600	$ 287,645	($ 200,204)	$ 98,041

(21) Revenue

	2017	2016
Testing	$ 4,895,289	$ 4,864,803
Assembly	5,425,189	6,608,197
LCDD	4,792,472	4,920,302
Bumping	3,055,000	2,999,457
	18,167,950	19,392,759
Less: Revenue of discontinued operations	(227,095)	(1,005,166)
	$ 17,940,855	$ 18,387,593

(22) Other income (expenses), net

	2017	2016
Gain on disposal of property, plant and equipment	$ 132,774	$ 6,839
Impairment loss on property, plant and equipment (Note 6(6))	(956)	(8,198)
Gain on disposal of scrapped materials	28,811	34,233
Gain on disposal of items purchased on behalf of others	26,417	48,812
Royalty income	11,998	-
Insurance compensation income	486,858	7,033
Others	8,361	15,340
	694,263	104,059
Less: Other income (expenses) of discontinued operations	(1,429)	(13,753)
	$ 692,834	$ 90,306

(23) Other income

	2017	2016
Interest income	$ 53,587	$ 42,307
Rental income	11,075	8,203
	64,662	50,510
Less: Other income of discontinued operations	(464)	(3,753)
	$ 64,198	$ 46,757

(24) Other gains and losses

	2017	2016
Foreign exchange losses, net	($ 420,023)	($ 173,433)
Reimbursement of ADSs service charge	23,707	-
Gain on disposal of financial assets at fair value through profit or loss	637	621
Others	3,713	-
	(391,966)	(172,812)
Less: Other gains and losses of discontinued operations	148	(21,893)
	($ 391,818)	($ 194,705)

(25) Finance costs

	2017	2016
Interest expense		
Bank loans	$ 211,401	$ 158,374
Lease obligations payable	708	212
Less: Amounts capitalized in qualifying assets	(19,270)	(13,435)
	192,839	145,151
Finance expense	27,647	35,453
	220,486	180,604
Less: Finance costs of discontinued operations	(3,203)	(1,488)
	$ 217,283	$ 179,116

(26) Expenses by nature

	2017	2016
Changes in finished goods and work in process of inventories	$ 26,301	($ 7,530)
Raw materials and supplies used	3,110,602	3,655,400
Employee benefit expenses	5,981,086	5,628,040
Depreciation and amortization	2,899,278	3,231,279
Others	4,630,459	5,137,317
	16,647,726	17,644,506
Less: Cost of revenue and operating expenses of discontinued operations	(253,918)	(1,165,182)
	$ 16,393,808	$ 16,479,324

(27) Employee benefit expenses

	2017	2016
Salaries	$ 4,938,691	$ 4,357,293
Labor and health insurance	390,788	351,232
Pension	213,245	241,712
Share-based payments	123,021	356,463
Other personnel expenses	315,341	321,340
	5,981,086	5,628,040
Less: Employee benefit expenses of discontinued operations	(85,308)	(310,915)
	$ 5,895,778	$ 5,317,125

A. In accordance with the Company's Articles of Incorporation, employees' compensation is based on the current year's earnings, which should first be used to cover accumulated deficits, if any, and then 10% of the remaining balance distributed as employees' compensation, including distributions to certain qualifying employees in affiliate companies, and no more than 0.5% as directors' remuneration. Subject to the Board of Directors' approval, employees' compensation may be made by way of cash or share issuance. Distribution of employees' compensation and directors' remuneration shall be presented and reported in the subsequent shareholders' meeting.

B. Based on profit distributable as of the end of reporting period, for the years ended December 31, 2017 and 2016, the employees' compensation were accrued at $371,912 and $70,553, respectively; the directors' remuneration were accrued at $18,596 and $3,528, respectively. The aforementioned amounts were recognized as salaries.

C. For the year of 2016, employees' compensation and directors' remuneration recognized were consistent with the amounts resolved in the Board of Directors' meetings.

Information about the appropriation of employees' compensation and directors' remuneration by the Company as approved by the Board of Directors is posted in the "Market Observation Post System".

(28) Income tax expense

A. Income tax expense

(a) Components of income tax expense:

	2017	2016
Current income tax:		
Current income tax on profits for the period	$ 125,376	$ 331,144
Income tax on unappropriated retained earnings	109	-
Prior year income tax under estimation	67,885	4,527
Total current income tax	193,370	335,671
Deferred income tax:		
Relating to origination and reversal of temporary differences	110,542	16,379
Total deferred income tax	110,542	16,379
Income tax expense	$ 303,912	$ 352,050

(b) The income tax (charge) / credit relating to components of other comprehensive income is as follows:

	2017	2016
Remeasurement of defined benefit obligations	$ 8,642	($ 7,375)

B. Reconciliation of income tax expense and the accounting profit:

	2017	2016
Tax calculated based on profit before tax and statutory tax rate	$ 566,649	$ 214,550
Expenses disallowed (added) by tax regulation	10,185	(2,190)
Tax exempted (income) expenses by tax regulation	(256,788)	12,057
Temporary difference not recognized as deferred tax assets	(85,168)	1,306
Taxable loss not recognized as deferred tax assets	-	54,012
Withholding tax	-	57,337
Prior year income tax under estimation	67,885	4,527
Income tax on unappropriated retained earnings	109	-
Effect of different tax rates in countries in which the Group operates	1,040	10,451
Income tax expense	$ 303,912	$ 352,050

Unappropriated retained earnings decreased by $5,052,343 due to the capital reorganization, and accordingly the Company did not recognize an additional 10% tax on respective unappropriated retained earnings for the year 2015. Information about the capital reorganization for the year ended December 31, 2016 is provided in Note 6(30).

C. The amounts of deferred tax assets or liabilities resulting from temporary differences are as follows:

	2017			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets				
Loss on inventories	$ 26,324	($ 17,192)	$ -	$ 9,132
Property, plant and equipment	80,869	(25,375)	-	55,494
Provisions	11,232	10,411	-	21,643
Deferred revenue	41,294	(1,809)	-	39,485
Net defined benefit liability	90,087	(2,994)	(8,642)	78,451
Unrealized exchange losses	-	8,167	-	8,167
Total	$ 249,806	($ 28,792)	($ 8,642)	$ 212,372
Deferred tax liabilities				
Property, plant and equipment	($ 78,388)	($ 95,905)	$ -	($ 174,293)
Unrealized exchange gains	(14,155)	14,155	-	-
Total	($ 92,543)	($ 81,750)	$ -	($ 174,293)
Information presented on balance sheet:				
Deferred tax assets	$ 249,806			($ 212,372)
Deferred tax liabilities	($ 92,543)			($ 174,293)

	2016			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets				
Loss on inventories	$ 14,823	$ 11,501	$ -	$ 26,324
Property, plant and equipment	3,672	77,197	-	80,869
Provisions	16,473	(5,241)	-	11,232
Deferred revenue	50,423	(9,129)	-	41,294
Net defined benefit liability	86,719	(4,007)	7,375	90,087
Unrealized exchange losses	(5,843)	5,843	-	-
Total	$ 166,267	$ 76,164	$ 7,375	$ 249,806
Deferred tax liabilities				
Property, plant and equipment	$ -	($ 78,388)	$ -	($ 78,388)
Unrealized exchange gains	-	(14,155)	-	(14,155)
Total	$ -	($ 92,543)	$ -	($ 92,543)
Information presented on balance sheet:				
Deferred tax assets	$ 166,267			$ 249,806
Deferred tax liabilities	$ -			($ 92,543)

D. The Company has not recognized deductible and taxable temporary differences associated with investments as deferred tax assets and liabilities. As of December 31, 2017, the amounts of deductible and taxable temporary differences unrecognized as deferred tax assets and liabilities were $28,584 and $920,943, respectively. As of December 31, 2016, the amount of deductible temporary differences unrecognized as deferred tax assets was $534,568.

E. Please refer to Note 9 for the accrual of additional 10% tax on year 2016 unappropriated retained earnings.

F. The Company's income tax return through 2015 have been assessed and approved by the Tax Authority.

G. The Company's unappropriated retained earnings were all generated in and after 1998.

H. The balance of the imputation tax credit account was $1,192,119 as of December 31, 2016 and the creditable tax rate was 20.48%. With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated in February 2018, the information on the balance of the imputation tax credit account as of December 31, 2017, is no longer disclosed. Please refer to Note 11.

(29) Earnings per share

	2017		
Basic earnings per share	Amount after income tax	Weighted-average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
Profit attributable to:			
Equity holders of the Company			
- Continuing operations	$ 1,211,575		$ 1.43
- Discontinued operations	1,814,953		2.14
Equity holders of the Company	$ 3,026,528	846,686	$ 3.57
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares:			
Employees' bonuses		14,034	
Restricted shares		5,075	
Profit attributable to:			
Equity holders of the Company			
- Continuing operations	$ 1,211,575		$ 1.40
- Discontinued operations	1,814,953		2.10
Equity holders of the Company	$ 3,026,528	865,795	$ 3.50

	2016		
Basic earnings per share	Amount after income tax	Weighted-average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
Profit (loss) attributable to:			
Equity holders of the Company			
- Continuing operations	$ 1,654,397		$ 1.92
- Discontinued operations	(122,105)		(0.14)
Equity holders of the Company	1,532,292		1.78
Predecessors' interests under common control	(306,012)		(0.35)
	$ 1,226,280	859,644	$ 1.43
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares:			
Employees' bonuses		3,035	
Restricted shares		4,122	
Profit (loss) attributable to:			
Equity holders of the Company			
- Continuing operations	$ 1,654,397		$ 1.90
- Discontinued operations	(122,105)		(0.14)
Equity holders of the Company	1,532,292		1.76
Predecessors' interests under common control	(306,012)		(0.35)
	$ 1,226,280	866,801	$ 1.41

(30) Capital reorganization

A. To integrate resources, the Company’s former parent company, ChipMOS Bermuda, was merged with and into the Company as of October 31, 2016, the record date of the Merger, with the latter being the surviving entity and ChipMOS Bermuda being the dissolved entity. Under the merger agreement, each shareholder of ChipMOS Bermuda is entitled to receive, with respect to each ChipMOS Bermuda share, 0.9355 units of the Company’s newly-issued ADSs trading on the NASDAQ Global Select Market (each ADS unit represents 20 ordinary shares of the Company) and US$3.71 in cash. The Company paid US$101,657 thousand in cash (equivalent to $3,208,310) and issued 25,620,267 units of ADSs (representing 512,405 thousand ordinary shares of the Company) as the total consideration. In addition, the Company paid $133,311 in directly attributable transaction cost due to the Merger. As a result, the Company paid $3,341,621 in cash for the capital reorganization.

B. The Company issued 512,405 thousand shares for the capital reorganization, and reduced capital by cancelling 522,080 thousand shares originally held by ChipMOS Bermuda. After the Merger, the Company’s shares net decreased by 9,675 thousand shares. When cancelling treasury stock, the Company deducted capital surplus equal to the proportion of cancelled shares. Due to the deficit in capital surplus, the Company deducted unappropriated retained earnings by $5,052,343.

C. As of October 30, 2016, the ending balance of "Predecessors' interests under common control" was $1,692,918, which represents ChipMOS Bermuda's net assets under the assumption it had always been combined. The amount has been eliminated as of the record date of the Merger.

(31) Operating lease commitments

A. The Company has entered into several operating lease contracts for land with Hsinchu and Southern Taiwan Science Park Bureaus. These renewable operating leases will expire by 2032 and 2034. In accordance with the lease contracts, Science Park Bureau reserves the right to adjust annual rents. Currently, the annual rents amount to $32,265.

B. ChipMOS USA has entered into renewable operating lease contracts for its office. The renewable operating leases will expire by 2018 and 2019.

C. Future aggregate minimum lease obligations payable under the aforementioned leases are as follows:

	December 31, 2017	December 31, 2016
Less than 1 year	$ 39,342	$ 39,929
1 to 5 years	130,182	140,328
More than 5 years	139,899	176,897
	$ 309,423	$ 357,154

(32) Supplemental cash flow information

Partial cash paid for investing and financing activities

A. Property, plant and equipment

	2017	2016
Purchase of property, plant and equipment	$ 4,702,691	$ 4,690,995
Add: Beginning balance of payable on equipment	550,346	523,962
Beginning balance of payable on lease	40,602	-
Less: Ending balance of payable on equipment	(713,313)	(647,486)
Ending balance of payable on lease	(29,842)	(96,006)
Transfer from prepaid equipment (shown as "Other non-current assets")	(139,304)	-
Cash paid during the year	$ 4,411,180	4,471,465

B. Capital reorganization:

	2017	2016
Net assets acquired from ChipMOS Bermuda	$ -	$ 12,987,736
Less: Issuance of new shares	-	(9,779,426)
Cash consideration	-	3,208,310
Directly attributable transaction assets	-	133,311
	$ -	$ 3,341,621

C. Disposal of a subsidiary:

	2017	2016
Disposal of a subsidiary	$ 2,166,151	$ -
Add: Ending balance of other payables	64,393	-
Cash received during the year	$ 2,230,544	$ -

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

On October 31, 2016, the Company's former parent company, ChipMOS Bermuda, was merged with and into the Company through a share exchange with the latter being the surviving entity and ChipMOS Bermuda being the dissolved entity. After the Merger, the Company has neither a parent company nor an ultimate controlling party. The transactions between the Company and its subsidiaries were eliminated in the accompanying consolidated financial statements and were not disclosed herein. The transactions between the Group and other related parties are as follows:

(2) Names of related parties and relationship

Name	Relationship
ChipMOS Shanghai	Associate
JMC	Associate

(3) Significant related party transactions

A. Subcontracting fee

	2017	2016
ChipMOS Shanghai	$ 41,183	$ -

B. Disposal of property, plant and equipment

	2017	
	Selling price	Gain on disposal
ChipMOS Shanghai	$ 21,982	$ 20,240

There were no disposal of property, plant and equipment to related parties for the year ended December 31, 2016.

C. Acquisition of financial assets

In June 2017, ChipMOS BVI participated in ChipMOS Shanghai's increase of paid-in capital based on its shareholding amounted to $1,373,486, please refer to Note 6(5).

D. Patent licensing agreement

(a) In May 2016, the Company and ChipMOS Shanghai entered into a patent licensing agreement. Under the agreement, ChipMOS Shanghai paid the Company a licensing fee in the aggregate total of US$2,500 thousand (amended to US$1,000 thousand in January 2017) which was accounted for as receipts in advance and long-term deferred revenue, and recognized royalty income for 10 years from the effective date. In addition, ChipMOS

Shanghai shall pay the Company a running royalty for the foregoing license equivalent to 0.5% of the total revenue from the licensed products. Given that the related production lines of ChipMOS Shanghai have begun its operations in April 2017, the Company recognized royalty income henceforth. The Company recognized deferred revenue amounted to $27,916 as of December 31, 2017, and royalty income amounted to $2,828 for the nine months then ended.

(b) In October 2011, ChipMOS Bermuda and ChipMOS Shanghai entered into a patent licensing agreement which has a term of 10 years starting from August 1, 2012. Under the agreement, ChipMOS Shanghai will pay ChipMOS Bermuda a royalty in the aggregate total of RMB 27,400 thousand, which was accounted as receipts in advance and payable in 40 quarterly installments of RMB 685 thousand. The rights and obligations of this agreement have been transferred to the Company on October 31, 2016. In March 2017, ChipMOS Shanghai was derecognized from the consolidated financial statements and recorded as "Investment accounted for using equity method", therefore, royalty income for the three months ended March 31, 2017 were eliminated on a consolidated basis. The Company recognized deferred revenue amounted to $1,039 as of December 31, 2017 and royalty income amounted to $9,170 for the year then ended.

(4) Key management personnel compensation

	2017	2016
Short-term employee benefits	$ 188,565	$ 153,519
Post-employment compensation	5,622	3,335
Share-based payments	18,736	109,255
	212,923	266,109
Less: Key management personnel compensation of discontinued operations	(460)	(1,200)
	$ 212,463	$ 264,909

8. PLEDGED ASSETS

Pledged assets	Purpose	Carrying amount December 31, 2017	Carrying amount December 31, 2016
Property, plant and equipment			
- Land	Bank loan	$ 452,738	$ 452,738
- Buildings	Bank loan	3,919,086	4,077,755
- Machinery and equipment	Bank loan	2,792,265	3,490,412
Other non-current financial assets	Lease and bank loan	70,241	70,677
		$ 7,234,330	$ 8,091,582

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As described in Note 6(30), as of October 31, 2016, the Company merged with its former parent company, ChipMOS Bermuda and as a result, the Company deducted unappropriated retained earnings by $5,052,343. The Company has filed an application to the National Taxation Bureau of the Northern Area, Ministry of Finance to apply the accumulated deficit amount, resulted from subtracting the aforementioned amount, as a deduction in the calculation of years 2016 and 2015 additional 10% tax on unappropriated retained earnings.

(2) For information relating to operating leases, please refer to Note 6(31).

(3) Information relating to royalty transaction with related parties, please refer to Note 7(3)D.

(4) A letter of guarantee was issued by the Bank of Taiwan to the Tariff Bureau of the Ministry of Finance for making payment of customs-duty deposits when importing. As of December 31, 2017 and 2016, the amount of $97,500 and $131,000, respectively, were guaranteed by the Bank of Taiwan.

(5) Capital expenditures that are contracted for, but not provided for, are as follows:

	December 31, 2017	December 31, 2016
Property, plant and equipment	$ 2,178,262	$ 1,615,460

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(1) The amendment to the Income Tax Act has been approved and promulgated in February 2018 raising the profit-seeking enterprise income tax rate from 17% to 20%, decrease the tax rate on unappropriated retained earnings from 10% to 5%, and abandon the imputation tax credit account effective from fiscal year starting January 1, 2018.

(2) In January 2018, ChipMOS BVI participated in ChipMOS Shanghai's increase of paid-in capital based on its shareholding amounted to $794,694.

(3) In order to adjust capital structure and increase returns of equity, the Company's Board of Directors adopted a resolution on March 15, 2018 to reduce capital stock and return cash of $1.5 (in dollars) per share to shareholders. The proposal will be further discussed in shareholders' meeting.

12. OTHERS

(1) As resolved during the special shareholders' meeting on January 28, 2016, the Company decided to invite strategic funding and agreed that the investor should be an entity which Tsinghua Unigroup Ltd. has substantial control over. Investment in the Company would be through a private placement in cash involving no more than 299,252 thousand shares of the Company. However, both parties subsequently agreed to terminate the aforementioned transaction after an amicable negotiation. On November 30, 2016, the Board of Directors of the Company approved

the termination of the transaction as well as reported the matter to the general shareholders' meeting on May 26, 2017.

(2) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the liabilities to assets ratio. Total capital is shown as "equity" in the consolidated balance sheet, which is also equal to total assets minus total liabilities.

The liabilities to assets ratio at December 31, 2017 and 2016 were as follows:

	December 31, 2017	December 31, 2016
Total liabilities	$ 14,866,606	$ 15,022,446
Total assets	33,259,942	31,295,960
Liabilities to assets ratio	44.70%	48.00%

Compared to December 31, 2016, the liabilities to assets ratio decreased as of December 31, 2017 due to the acquisition of production equipment and the payment of long-term bank loans.

(3) Financial instruments

A. The Group's carrying amount of financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets, guarantee deposits, bank loans, accounts payable and other payables) are approximate to their fair values. The fair value of the financial instruments carried at cost cannot be measured reliably. Information about the financial instruments carried at cost is provided in Note 6(4).

The detailed information of financial instruments is provided in the respective notes to the financial statements.

B. Financial risk management policies

The Group's risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant financial transactions, a due approval process must be carried out by the Board of Directors based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

In order to minimize and manage financial risks, the Group's overall risk management programme focuses on analyzing, identifying, and evaluating financial risk factors that may potentially have adverse effects on the Group's financial position, and provide feasible solutions to avoid those factors.

C. Significant financial risks and degrees of financial risks

(a) Market risk

The Group's market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks comprise foreign currency risk, interest rate risk, and other price risks.

In practice, the risk variable rarely changes individually, and the change of each risk variable is usually correlative. The following sensitivity analysis did not consider the interaction of each risk variable.

Foreign exchange risk

i. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Company's and its subsidiaries' functional currency) and the Group's net investments in foreign subsidiaries.

ii. The Group applies natural hedges by using accounts receivable and accounts payable denominated in the same currency. However, this natural hedge does not concur with the requirement for hedge accounting. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

iii. The Group's foreign currency exposure gives rise to market risks associated with exchange rate movements against the NT dollar for cash and cash equivalents, accounts receivable, other receivables, bank loans, accounts payable and other payables.

iv. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2017		
	Foreign currency (in thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 208,066	29.7600	$ 6,192,044
JPY:NTD	798,254	0.2642	210,899
RMB:NTD	167,484	4.5650	764,564
Financial liabilities			
Monetary items			
USD:NTD	$ 16,036	29.7600	$ 477,231
JPY:NTD	1,071,432	0.2642	283,072

	December 31, 2016		
	Foreign currency (in thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 178,201	32.2500	$ 5,746,982
JPY:NTD	517,114	0.2756	142,517
Financial liabilities			
Monetary items			
USD:NTD	$ 7,802	32.2500	$ 251,615
JPY:NTD	550,456	0.2756	151,706

v. The total exchange gain (loss), including realized and unrealized gains (losses) arising from significant foreign exchange variations on monetary items held by the Group for the years ended December 31, 2017 and 2016, amounted to ($420,023) and ($173,433), respectively, including foreign exchange gains (losses) of discontinued operations which amounted to ($1,053) and $21,893, respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variations:

	2017		
	Change in exchange rate	Effect on profit (loss)	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	5%	$ 309,602	$ -
JPY:NTD	5%	10,545	-
RMB:NTD	5%	38,228	-
Financial liabilities			
Monetary items			
USD:NTD	5%	$ 23,862	$ -
JPY:NTD	5%	14,154	-

	2016		
	Change in exchange rate	Effect on profit (loss)	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	5%	$ 287,349	$ -
JPY:NTD	5%	7,126	-
Financial liabilities			
Monetary items			
USD:NTD	5%	$ 12,581	$ -
JPY:NTD	5%	7,585	-

Interest rate risk

i. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate bank loans. The Group reassesses the hedge management periodically to make sure it complies with the cost effectiveness.

ii. The sensitivity analysis depends on the exposure of interest rate risk at the end of the reporting period.

iii. Analysis of debt with floating interest rates is based on the assumption that the outstanding debt at the end of the reporting period is outstanding throughout the period. The degree of variation the Group used to report to internal management is increase or decrease of 1% in interest rates which is assessed as the reasonable degree of variation by the management.

iv. As of December 31, 2017 and 2016, it is estimated that a general increase or decrease of 1% in interest rates, with all other variables held constant, would decrease or increase the Group's profit approximately by $106,447 and $108,000, respectively, mainly due to the Group's floating rate on bank loans.

(b) Credit risk

i. Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. As of December 31, 2017 and 2016, the Group is exposed to credit risk arises from the carrying amount of the financial assets recognized in the consolidated balance sheet.

ii. The Group is exposed to credit risk from its operating activities (primarily notes and accounts receivable) and from its financing activities (primarily deposits with banks and financial instruments).

iii. Each business unit performs ongoing credit evaluations of its debtors' financial conditions according to the Group's established policies, procedures and controls relating to customer credit risk management. The Group maintains an account for allowance for doubtful receivables based upon the available facts and circumstances, history of collection and write-off experiences of all trade and other receivables which consequently minimize the Group's exposure to bad debts.

iv. Credit risk from balances with banks and financial institutions is managed by the Group's finance unit in accordance with the Group's policies. The counterparty of the Group is determined through its internal controls policy. For banks and financial institutions, only parties rated above BBB+ by Taiwan Ratings are accepted. The probability of counterparty default is remote, so there is no significant credit risk.

(c) Liquidity risk

i. The Group manages and maintains adequate cash and cash equivalents to finance the Group's operations, and minimize the impact from cash flow fluctuations. The Group also monitors its debt financing plans to ensure it is in compliance with the financial covenants required under its loan agreements.

ii. The primary source of liquidity for the Group is from bank loans. See Notes 6(8) and (12) for details of the unused credit lines of the Group as of December 31, 2017 and 2016.

iii. The table below summarizes the maturity profile of the Group's non-derivative financial liabilities based on the earliest repayment dates and contractual undiscounted payments, including principal and interest. The Group does not consider the probability of early repayments requested by the banks.

	December 31, 2017				
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Short-term bank loans	$ 971,813	$ -	$ -	$ -	$ 971,813
Accounts payable (including related parties)	688,186	-	-	-	688,186
Other payables (including related parties)	2,693,531	-	-	-	2,693,531
Long-term bank loans (including current portion)	2,321,459	5,876,483	1,863,784	-	10,061,726
Lease obligations payable	12,266	18,266	-	-	30,532
Guarantee deposits	-	-	-	1,371	1,371
	$ 6,687,255	$ 5,894,749	$ 1,863,784	$ 1,371	$ 14,447,159

	December 31, 2016				
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Accounts payable	$ 825,062	$ -	$ -	$ -	$ 825,062
Other payables	1,962,400	-	-	-	1,962,400
Long-term bank loans (including current portion)	1,272,266	4,605,936	5,504,353	-	11,382,555
Lease obligations payable	12,000	30,000	-	-	42,000
Guarantee deposits	-	-	-	1,404	1,404
	$ 4,071,728	$ 4,635,936	$ 5,504,353	$ 1,404	$ 14,213,421

The difference between the floating interest rates and estimated interest rates will affect the non-derivative financial assets and liabilities stated above.

(4) Fair value information

There were no financial instruments and non-financial instruments measured at fair value as of December 31, 2017 and 2016.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Financings provided: None.

B. Endorsements and guarantees provided: There were no endorsements and guarantees provided by the Company. For information related to the Company's letter of guarantee for duty, please refer to Note 9(4).

C. Marketable securities held at the end of the period (not including subsidiaries, associates and joint ventures):

Held company name	Marketable securities type and name	Relationship with the company	General ledger account	As of December 31, 2017 Number of shares	Carrying amount	Ownership (%)	Fair value	Note
The Company	RYOWA CO., LTD.	N/A	Non-current financial assets carried at cost	420	$ 9,950	18.12	N/A	
The Company	CONNECTEC JAPAN Corporation	N/A	Non-current financial assets carried at cost	56,497	-	4.28	N/A	
ChipMOS BVI	Shanghai Zuzhu Business Consulting Partnership (Limited Partnership) ("Zuzhu")	N/A	Non-current financial assets carried at cost	-	4,376	5.10	N/A	
ChipMOS BVI	Shanghai Zuzhan Business Consulting Partnership (Limited Partnership) ("Zuzhan")	N/A	Non-current financial assets carried at cost	-	2,188	13.42	N/A	
ChipMOS BVI	Shanghai Zuchen Business Consulting Partnership (Limited Partnership) ("Zuchen")	N/A	Non-current financial assets carried at cost	-	2,188	11.34	N/A	
ChipMOS BVI	Shanghai Guizao Business Consulting Partnership (Limited Partnership) ("Guizao")	N/A	Non-current financial assets carried at cost	-	2,188	11.85	N/A	

D. Marketable securities acquired or disposed of with accumulated amount exceeding the lower of $300 million or 20% of the paid-in capital:

					Balance as of January 1, 2017		Addition		Disposal				Balance as of December 31, 2017	
Investor	Marketable securities type and name	General ledger account	Counterparty	Relationship with the investor	Number of shares/units (in thousands)	Amount	Number of shares/units (in thousands)	Amount	Number of shares/units (in thousands)	Selling price	Book value	Gain (loss) on disposal	Number of shares/units (in thousands)	Amount
The Company	Cathay Taiwan Money Market Fund	Note 1	N/A	N/A	-	$ -	36,372	$ 450,000	36,372	$ 450,136	$ 450,000	$ 136	-	$ -
The Company	UPAMC James Bond Money Market Fund	Note 1	N/A	N/A	-	-	27,126	450,000	27,126	450,226	450,000	226	-	-
ChipMOS BVI	ChipMOS Shanghai's equity	Investments accounted for using equity method	Tibet Unigroup Guowei Investment Co., Ltd. and other strategic investors	N/A	Note 2	2,440,884	Note 2	1,373,486	Note 2	2,166,151	1,166,521	999,630	Note 2	3,066,160

Note 1: Accounted for as "Financial assets at fair value through profit and loss".

Note 2: Limited company, hence does not issue common stock.

E. Acquisition of real estate properties with amount exceeding the lower of $300 million or 20% of the paid-in capital: None.

F. Disposal of real estate properties with amount exceeding the lower of $300 million or 20% of paid-in capital: None.

G. Purchases from or sales to related parties with amount exceeding the lower of $100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties with amount exceeding the lower of $100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods:

Number	Company name	Counterparty	Relationship	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total revenues or total assets (%)
0	The Company	ChipMOS USA	Note	Service expense	$ 35,892	-	-
0	The Company	ChipMOS Shanghai	Note	Gain on disposal of property, plant and equipment	55,330	-	-

Note: Represents the transactions from parent company to subsidiary.

(2) Information on investees

Names, locations and related information of investees (excluding information on investments in the P.R.C.):

Investor	Investee	Location	Main business activities	Original investment amount: Ending balance	Original investment amount: Beginning balance	Shares held as of December 31, 2017: Number of shares	Shares held as of December 31, 2017: Ownership (%)	Shares held as of December 31, 2017: Carrying amount	Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognized for the year ended December 31, 2017	Note
The Company	ChipMOS USA	San Jose, USA	Research, development and marketing of semiconductors, circuits, electronic related products	$ 217,918	$ 217,918	3,550,000	100	$ 227,573	$ 2,790	$ 2,790	
The Company	JMC	Kaohsiung Taiwan	Manufacturing, processing and trading of high-end flexible IC substrates for display driver ICs	315,164	315,164	19,100,000	19.10	373,276	4,413	789	Note
The Company	ChipMOS BVI	British Virgin Islands	Holding company	2,983,432	2,983,432	2,370,242,975	100	3,826,308	1,524,242	1,524,429	

Note: Company’s associate accounted for using the equity method.

(3) Information on investments in the P.R.C.

A. Basic information:

Investee in P.R.C.	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to P.R.C.as of January 1, 2017	Amount remitted from Taiwan to P.R.C./ Amount remitted back to Taiwan for the year ended December 31, 2017: Remitted to P.R.C.	Amount remitted from Taiwan to P.R.C./ Amount remitted back to Taiwan for the year ended December 31, 2017: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to P.R.C. as of December 31, 2017	Net income (loss) of investee for the year ended December 31, 2017	Ownership (%) held by the Company (directly or indirectly)	Investment income (loss) recognized for the year ended December 31, 2017	Carrying amount of investments in P.R.C. as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan through December 31, 2017	Note
ChipMOS Shanghai	Semiconductor assembling and testing services	$ 9,051,779	Note 1	$ 2,885,586	$ -	$ -	$ 2,885,586	($ 348,472)	45.02	($ 265,859)	$3,066,160	$ -	Notes 2, 3
Zuzhu	Business consulting services	87,139	Note 1	-	-	-	-	12	5.10	-	4,376	-	
Zuzhan	Business consulting services	16,606	Note 1	-	-	-	-	(9)	13.42	-	2,188	-	
Zuchen	Business consulting services	19,673	Note 1	-	-	-	-	10	11.34	-	2,188	-	
Guizao	Business consulting services	18,810	Note 1	-	-	-	-	10	11.85	-	2,188	-	

Note 1: Through investing in an existing company (ChipMOS BVI) in the third area, which then invested in the investee in P.R.C..

Note 2: The financial statements that are audited by the Company's independent accountants.

Note 3: On November 30, 2016, the Company's Board of Directors approved ChipMOS BVI's disposal of 54.98% interests of its subsidiary, ChipMOS Shanghai. The transaction was completed in March 2017. Detailed information is provided in Notes 6(5) and 6(7).

Company name	Accumulated amount of remittance from Taiwan to P.R.C. as of December 31, 2017	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs ("MOEA")	Limit on investments in P.R.C. imposed by the Investment Commission of MOEA
The Company	$2,885,586	$2,885,586	$11,036,002

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the P.R.C.: None.

14. SEGMENT INFORMATION

(1) General information

The Group engages mainly in the assembly and testing of semiconductors, memory modules and investing. In accordance with IFRS 8 "Operating Segments", the Group's segments include Testing, Assembly, Testing and Assembly for Liquid Crystal Display and other Flat-Panel Display Driver Semiconductors ("LCDD"), Bumping and others as the five reportable segments.

(2) Measurement of segment information

The Group's reportable segments are strategic business units which provide different products and services. The accounting policies adopted by the operating segments are the same as the accounting policies described in Note 4.

(3) Information about segment profit or loss

The segment information provided to the chief operating decision maker for the reportable segments is as follows:

	2017							
	Testing	Assembly	LCDD	Bumping	Others	Elimination	Discontinued operations	Total
Revenue:								
External customers	$4,895,289	$ 5,425,189	$ 4,792,472	$ 3,055,000	$ -	$ -	($ 227,095)	$ 17,940,855
Inter-segment	-	-	452	60	35,808	(36,320)	-	-
Total revenue	$4,895,289	$ 5,425,189	$ 4,792,924	$ 3,055,060	$ 35,808	($ 36,320)	($ 227,095)	$ 17,940,855
Operating profit (loss)	$1,471,244	($ 36,557)	$ 1,244,148	($ 364,191)	($ 100,545)	$ 388	$ 25,394	$ 2,239,881
Depreciation and amortization	($ 673,393)	($ 597,500)	($ 1,048,587)	($ 579,605)	($ 503)	$ 310	$ -	($ 2,899,278)
Share of profit of associates	$ -	$ -	$ -	$ -	$ 1,347,851	($ 1,527,342)	$ -	($ 179,491)
Interest income	$ -	$ -	$ -	$ -	$ 53,587	$ -	($ 464)	$ 53,123
Interest expense	$ -	$ -	$ -	$ -	($ 192,839)	$ -	$ 2,414	($ 190,425)
Expenditure for segment assets	$ 836,894	$ 655,879	$ 2,615,153	$ 594,765	$ -	$ -	$ -	$ 4,702,691

	2016							
	Testing	Assembly	LCDD	Bumping	Others	Elimination	Discontinued operations	Total
Revenue:								
External customers	$4,864,803	$ 6,608,197	$ 4,920,302	$ 2,999,457	$ -	$ -	($ 1,005,166)	$ 18,387,593
Inter-segment	-	1,103	-	510	41,670	(43,283)	-	-
Total revenue	$4,864,803	$ 6,609,300	$ 4,920,302	$ 2,999,967	$ 41,670	($ 43,283)	($ 1,005,166)	$ 18,387,593
Operating profit (loss)	$1,366,488	$ 61,081	$ 892,461	($ 391,526)	($ 68,578)	($ 7,614)	$ 146,263	$ 1,998,575
Depreciation and amortization	($ 718,117)	($ 716,619)	($1,174,635)	($ 629,590)	($ 565)	$ 8,247	$ 141,375	($ 3,089,904)
Share of profit of associates	$ -	$ -	$ -	$ -	($ 128,866)	$ 157,790	$ -	$ 28,924
Interest income	$ -	$ -	$ -	$ -	$ 55,509	($ 13,202)	($ 3,753)	$ 38,554
Interest expense	$ -	$ -	$ -	$ -	($ 158,002)	$ 12,851	$ 606	($ 144,545)
Expenditure for segment assets	$ 973,345	$ 735,375	$ 1,856,565	$ 1,325,442	$ 49	($ 199,781)	($ 1,567,683)	$ 3,123,312

(4) Reconciliation for segment income (loss)

Revenue from external customers and segment income (loss) reported to the chief operating decision maker are measured using the same method as for revenue and operating profit in the financial statements. Thus, no reconciliation is needed.

(5) Information on products and services

	2017		2016	
	Revenue	%	Revenue	%
Testing	$ 4,895,289	27	$ 4,864,803	26
Assembly	5,425,189	30	6,608,197	36
LCDD	4,792,472	27	4,920,302	27
Bumping	3,055,000	17	2,999,457	16
	18,167,950	101	19,392,759	105
Less: Revenue of discontinued operations	(227,095)	(1)	(1,005,166)	(5)
	$ 17,940,855	100	$ 18,387,593	100

(6) Geographical information

	2017		2016	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 13,360,459	$ 15,390,343	$ 13,644,392	$ 13,768,181
Japan	2,258,538	-	1,861,147	-
Singapore	1,798,585	-	3,087,835	-
P.R.C.	173,783	-	239,618	2,127,764
Others	576,585	2,025	559,767	2,727
	18,167,950	15,392,368	19,392,759	15,898,672
Less: Discontinued operations	(227,095)	-	(1,005,166)	(2,127,764)
	$ 17,940,855	$ 15,392,368	$ 18,387,593	$ 13,770,908

(7) Major customer information

The information on the major customers which constituted more than 10% of the Group's total revenue for the years ended December 31, 2017 and 2016 is as follows:

Company name	2017 Amount	2017 %	2016 Amount	2016 %
Customer A	$ 3,434,873	19	$ 3,370,285	18
Customer K	2,742,882	15	2,633,431	14
Customer I	1,798,111	10	3,085,190	17
Customer C	1,530,209	9	1,870,675	10

V. Parent Company Only Financial Report of the Most Recent Year

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of ChipMOS TECHNOLOGIES INC.

Opinion

We have audited the accompanying parent company only balance sheets of ChipMOS TECHNOLOGIES INC. (the "Company") as of December 31, 2017 and 2016, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other independent accountants, as described in the *Other matters* section of our report, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers".

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China ("ROC GAAS"). Our responsibilities under those standards are further described in the *Independent Accountant's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with this Code. Based on our audits and the report of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements of the year ended December 31, 2017 are stated as follows:

Disposal of equity investment

Description

Please refer to Notes 4(11) and 6(5) to the parent company only financial statements for the information on the accounting policies and the transaction in relating to investments accounted for using equity method.

On November 30, 2016, the Board of Directors of the Company adopted a resolution to authorize its subsidiary, ChipMOS TECHNOLOGIES (BVI) LTD., to dispose 54.98% of its shareholding in the subsidiary, ChipMOS TECHNOLOGIES (Shanghai) LTD. The equity transfer was completed in March 2017, and the Company recognized share of profit of associates accounted for using equity method amounted to NT$1,843,234 thousand for the year ended December 31, 2017. Since the disposal of equity investment was a material transaction during the financial reporting period, it was identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Interviewed the management to understand the purpose, evaluation process, and determination of the consideration of the equity investment disposal.
2. Reviewed the Equity Interest Transfer Agreement and the meeting minutes of the Board of Directors' Meeting, verified that the related meeting resolutions were consistent with the Equity Interest Transfer Agreement, and provisions within the Equity Interest Transfer Agreement in relating to financial reporting were accounted for using the appropriate accounting treatment.
3. Evaluated the competency and objectivity of the independent experts engaged by the management, and reviewed the fairness opinion, as provided by management, of the disposal consideration issued by the independent experts.
4. Reviewed the equity investment disposal disclosures in the financial statements.

Provisions for deficiency compensation

Description

Please refer to Note 4(17) to the parent company only financial statements for the accounting policies on provisions; Note 5(1) for uncertainty of accounting estimate and assumptions of provisions; and Note 6(10) for details of the provisions for deficiency compensation.

The Company is primarily engaged in assembly and testing services for high-integration and high-precision integrated circuits. In case of deficiencies in the assembling and testing services provided, the Company has to clarify the reason for such deficiencies and attribute responsibilities, and determine whether to provide related provisions. Since the timing and amounts of deficiency compensation are uncertain, and subject to management's significant judgment, the provisions for deficiency compensation were identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Interviewed the management and verified the internal process on estimating provisions for deficiency compensation, and the consistency of process application during the financial reporting periods.
2. Reviewed related documents and evidence provided by management, sampled and tested the reasonableness of providing and reversing provisions for deficiency compensation during the current period.
3. Reviewed significant payments made subsequent to the reporting period and validated the reasonableness of provisions for deficiency compensation.

Other matters

The report of the other independent accountants

We did not audit the financial statements of a certain investee company accounted for using the equity method. Those financial statements were audited by the other independent accountants whose report thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements and the information on the investee disclosed in Note 13 was based solely on the report of the other independent accountants. Investments in this investee company amounted to NT$373,276 thousand and NT$369,329 thousand, both representing 1% of total assets as of December 31, 2017 and 2016, and total net comprehensive income including the share of profit and other comprehensive income of associate accounted for using the equity method amounted to NT$1,343 thousand and NT$28,791 thousand, representing 0% and 3% of total comprehensive income for the years then ended, respectively.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers", and for such internal controls as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the Audit Committee, are responsible for overseeing the Company's financial reporting process.

Independent accountant's responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the footnote disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding the planned scope and timing of the audit, and significant audit findings including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chun-Yuan Hsiao　　　　　　　　　　　　Chih-Cheng Hsieh

For and on behalf of PricewaterhouseCoopers, Taiwan

March 15, 2018

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

ChipMOS TECHNOLOGIES INC.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 6,992,107	21	$ 7,297,146	24
1150	Notes receivable, net		2,029	-	1,753	-
1170	Accounts receivable, net	6(2)	4,013,705	12	4,138,491	14
1180	Accounts receivable－related parties, net		11	-	57	-
1200	Other receivables		56,716	-	254,966	1
1210	Other receivables－related parties	7	4,534	-	82,734	-
1220	Current tax assets		104,906	1	-	-
130X	Inventories	6(3)	1,929,239	6	1,877,982	6
1410	Prepayments		54,126	-	97,261	-
1476	Other current financial assets		-	-	1,600	-
11XX	**Total current assets**		13,157,373	40	13,751,990	45
	Non-current assets					
1543	Non-current financial assets carried at cost	6(4)	9,950	-	9,960	-
1550	Investments accounted for using equity method	6(5)	4,427,157	13	3,012,366	10
1600	Property, plant and equipment	6(6) and 8	15,264,103	46	13,495,686	44
1840	Deferred tax assets	6(27)	212,372	1	249,806	1
1920	Refundable deposits		20,525	-	20,435	-
1980	Other non-current financial asset	8	70,241	-	70,677	-
1990	Other non-current assets		35,474	-	181,692	-
15XX	**Total non-current assets**		20,039,822	60	17,040,622	55
1XXX	**Total assets**		$ 33,197,195	100	$ 30,792,612	100

(Continued)

ChipMOS TECHNOLOGIES INC.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Liabilities					
	Current liabilities					
2100	Short-term bank loans	6(7)	$ 969,353	3	$ -	-
2170	Accounts payable	6(8)	687,960	2	825,062	3
2180	Accounts payable－related parties		226	-	-	-
2200	Other payables	6(9)	2,629,101	8	1,962,372	6
2220	Other payables－related parties	7	2,473	-	3,016	-
2230	Current tax liabilities		-	-	89,870	-
2250	Current provisions	6(10)	127,311	1	80,719	-
2310	Receipts in advance	6(13) and 7	5,209	-	1,324	-
2320	Long-term bank loans, current portion	6(11) and 8	2,143,168	6	1,062,285	4
2355	Long-term lease obligations payable, current portion	6(12)	11,785	-	11,291	-
2399	Other current liabilities		31,275	-	43,676	-
21XX	**Total current liabilities**		6,607,861	20	4,079,615	13
	Non-current liabilities					
2540	Long-term bank loans	6(11) and 8	7,498,853	23	9,687,720	32
2570	Deferred tax liabilities	6(27)	174,293	1	92,543	-
2613	Long-term lease obligations payable	6(12)	18,057	-	29,311	-
2630	Long-term deferred revenue	6(13) and 7	24,898	-	81,537	-
2640	Net defined benefit liability, non-current	6(14)	478,526	1	546,968	2
2645	Guarantee deposits		1,371	-	1,404	-
25XX	**Total non-current liabilities**		8,195,998	25	10,439,483	34
2XXX	**Total liabilities**		14,803,859	45	14,519,098	47
	Equity					
	Capital stock					
3110	Capital stock－common stock	6(16)	8,862,971	27	8,869,663	29
	Capital surplus	6(17)				
3200	Capital surplus		6,288,377	19	6,888,826	22
	Retained earnings	6(18)				
3310	Legal reserve		1,166,517	3	1,137,837	4
3350	Unappropriated retained earnings		3,071,424	9	286,801	1
	Other equity interest	6(19)				
3400	Other equity interest		11,701	-	98,041	-
3500	**Treasury stock**	6(16)	(1,007,654)	(3)	(1,007,654)	(3)
3XXX	**Total equity**		18,393,336	55	16,273,514	53
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the reporting period	11				
3X2X	**Total liabilities and equity**		$ 33,197,195	100	$ 30,792,612	100

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

ChipMOS TECHNOLOGIES INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	Years ended December 31, 2017 Amount	%	2016 Amount	%
4000	**Revenue**	6(20)	$ 17,941,102	100	$ 18,389,205	100
5000	**Cost of revenue**	6(3)(25)	(14,704,299)	(82)	(14,745,959)	(80)
5900	**Gross profit**		3,236,803	18	3,643,246	20
	Operating expenses	6(25)(26)				
6100	Sales and marketing expenses		(100,290)	(1)	(114,584)	(1)
6200	General and administrative expenses		(503,456)	(3)	(781,992)	(4)
6300	Research and development expenses		(985,873)	(5)	(838,866)	(5)
6000	**Total operating expenses**		(1,589,619)	(9)	(1,735,442)	(10)
6500	**Other income (expenses), net**	6(21)	695,929	4	112,487	1
6900	**Operating profit**		2,343,113	13	2,020,291	11
	Non-operating income (expenses)					
7010	Other income	6(22) and 7	56,034	-	59,248	-
7020	Other gains and losses	6(23)	(389,814)	(2)	(194,225)	(1)
7050	Finance costs	6(24)	(208,725)	(1)	(179,116)	(1)
7060	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	6(5)	1,528,008	9	(128,866)	(1)
7000	**Total non-operating income (expenses)**		985,503	6	(442,959)	(3)
7900	**Profit before income tax**		3,328,616	19	1,577,332	8
7950	Income tax expense	6(27)	(302,088)	(2)	(351,052)	(2)
8000	**Profit for the year from continuing operations**		3,026,528	17	1,226,280	6
8200	**Profit for the year**		$ 3,026,528	17	$ 1,226,280	6

(Continued)

ChipMOS TECHNOLOGIES INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	2017 Amount	2017 %	2016 Amount	2016 %
	Other comprehensive income (loss)					
8311	Profit (loss) on remeasurement of defined benefit plans	6(14)	$ 50,838	-	($ 43,383)	-
8330	Share of other comprehensive loss of associates and joint ventures that will not be reclassified to profit or loss	6(5)	(124)	-	(133)	-
8349	Income tax effect that will not be reclassified to profit or loss	6(27)	(8,642)	-	7,375	-
8310	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss**		42,072	-	(36,141)	-
8361	Exchange differences on translation of foreign operations	6(19)	(232,652)	(1)	(200,280)	(1)
8380	Share of other comprehensive income of associates and joint ventures that will be reclassified to profit or loss	6(5)	678	-	-	-
8360	**Components of other comprehensive loss that will be reclassified to profit or loss**		(231,974)	(1)	(200,280)	(1)
8300	**Other comprehensive loss, net of income tax**		($ 189,902)	(1)	($ 236,421)	(1)
8500	**Total comprehensive income for the year**		$ 2,836,626	16	$ 989,859	5
	Profit (loss) attributable to:					
	Equity holders of the Company		$ 3,026,528	17	$ 1,532,292	8
	Predecessors' interests under common control		-	-	(306,012)	(2)
			$ 3,026,528	17	$ 1,226,280	6
	Comprehensive income (loss) attributable to:					
	Equity holders of the Company		$ 2,836,626	16	$ 1,295,871	7
	Predecessors' interests under common control		-	-	(306,012)	(2)
			$ 2,836,626	16	$ 989,859	5
	Earnings per share-basic	6(28)				
9710	Equity holders of the Company		$ 3.57		$ 1.78	
9720	Predecessors' interests under common control		-		(0.35)	
9750	**Earnings per share-basic**		$ 3.57		$ 1.43	
	Earnings per share-diluted	6(28)				
9810	Equity holders of the Company		$ 3.50		1.76	
9820	Predecessors' interests under common control		-		(0.35)	
9850	**Earnings per share-diluted**		$ 3.50		$ 1.41	

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

ChipMOS TECHNOLOGIES INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to equity holders of the Company									
				Retained earnings		Other equity interest					
	Notes	Capital stock — common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain on valuation of available-for-sale financial assets	Unearned employee awards	Treasury stock	Equity attributable to predecessors' interests under common control	Total equity
Year 2016											
Balance at January 1, 2016		$ 8,962,066	$ 3,755,849	$ 914,790	$ 5,858,579	$ 63,668	$ -	($ 447,323)	$ -	$ 2,127,532	$ 21,235,161
Appropriation of prior year's earnings:	6(18)										
Legal reserve		-	-	223,047	(223,047)	-	-	-	-	-	-
Cash dividends		-	-	-	(1,792,553)	-	-	-	-	-	(1,792,553)
Share-based payments		-	56,689	-	-	-	-	-	-	(128,602)	(71,913)
Restricted shares		4,347	10,755	-	14	-	-	247,119	-	-	262,235
Repurchase of shares	6(16)	-	-	-	-	-	-	-	(1,007,654)	-	(1,007,654)
Profit (loss) for the year		-	-	-	1,532,292	-	-	-	-	(306,012)	1,226,280
Other comprehensive loss for the year	6(19)	-	-	-	(36,141)	(200,280)	-	-	-	-	(236,421)
Effect of capital reorganization	6(29)(31)	(96,750)	3,065,533	-	(5,052,343)	434,857	-	-	-	(1,692,918)	(3,341,621)
Balance at December 31, 2016		$ 8,869,663	$ 6,888,826	$ 1,137,837	286,801	$ 298,245	$ -	($ 200,204)	($ 1,007,654)	$ -	$ 16,273,514
Year 2017											
Balance at January 1, 2017		$ 8,869,663	$ 6,888,826	$ 1,137,837	$ 286,801	$ 298,245	$ -	($ 200,204)	($ 1,007,654)	$ -	$ 16,273,514
Appropriation of prior year's earnings:	6(18)										
Legal reserve		-	-	28,680	(28,680)	-	-	-	-	-	-
Cash dividends		-	-	-	(257,026)	-	-	-	-	-	(257,026)
Cash distribution from capital surplus	6(18)	-	(599,728)	-	-	-	-	-	-	-	(599,728)
Restricted shares		(6,692)	(17,650)	-	1,729	-	-	145,634	-	-	123,021
Change in shareholding	6(5)(17)										
of equity investment		-	16,929	-	-	-	-	-	-	-	16,929
Profit for the year		-	-	-	3,026,528	-	-	-	-	-	3,026,528
Other comprehensive income (loss) for the year	6(19)	-	-	-	42,072	(232,652)	678	-	-	-	(189,902)
Balance at December 31, 2017		$ 8,862,971	$ 6,288,377	$ 1,166,517	$ 3,071,424	$ 65,593	$ 678	($ 54,570)	($ 1,007,654)	$ -	$ 18,393,336

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

ChipMOS TECHNOLOGIES INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2017	Years ended December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		$ 3,328,616	$ 1,577,332
Adjustments to reconcile profit (loss)			
Depreciation	6(6)(25)	2,899,085	3,089,825
(Reversal of) allowance for impairment of accounts receivable	6(2)	(87)	87
Interest expense	6(24)	190,425	144,545
Interest income	6(22)	(46,846)	(51,045)
Share-based payments	6(15)(26)	123,021	356,463
Share of (profit) loss of subsidiaries, associates and joint ventures accounted for using equity method	6(5)	(1,528,008)	128,866
Donation		-	127
Gain on disposal of property, plant and equipment	6(6)(21)	(132,777)	(8,780)
Impairment loss on property, plant and equipment	6(6)(21)	956	8,198
Amortization of intercompany transactions		(22,792)	4,120
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(276)	(359)
Accounts receivable		124,873	(487,269)
Accounts receivable – related parties		46	72
Other receivables		7,751	33,452
Other receivables – related parties		40,147	(46,678)
Inventories		(51,257)	(344,122)
Prepayments		59,850	40,606
Other current financial assets		1,600	-
Other non-current assets		6,914	6,915
Changes in operating liabilities			
Accounts payable		(137,102)	189,275
Accounts payable – related parties		226	-
Other payables		450,652	(265,340)
Other payables – related parties		(543)	(186)
Receipts in advance		(172)	213
Current provisions		46,592	(16,184)
Other current liabilities		(12,401)	16,375
Net defined benefit liability, non-current		(17,604)	(15,887)
Long-term deferred revenue		-	80,365
Cash generated from operations		5,330,889	4,440,986
Interest received		41,022	55,333
Dividends received		14,325	5,730
Interest paid		(188,630)	(145,227)
Income tax paid		(386,322)	(498,239)
Net cash generated from operating activities		4,811,284	3,858,583

(Continued)

ChipMOS TECHNOLOGIES INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in other receivables – related parties		$ -	$ 984,750
Acquisition of investments accounted for using equity method	6(5)	-	(1,467,675)
Acquisition of property, plant and equipment	6(31)	(4,411,180)	(3,049,643)
Proceeds from disposal of property, plant and equipment		306,634	972
(Increase) decrease in refundable deposits		(80)	492
Decrease (increase) in other current financial assets		436	(7,066)
Increase in other non-current assets		-	(139,304)
Net cash used in investing activities		(4,104,190)	(3,677,474)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term bank loans		5,247,871	3,820,594
Payments on short-term bank loans		(4,278,518)	(4,969,469)
Proceeds from long-term bank loans		-	10,300,000
Payments on long-term bank loans		(1,124,699)	(6,060,000)
Decrease in guarantee deposits		(33)	(25)
Payments on repurchase of shares	6(16)	-	(1,007,654)
Cash paid in respect of share-based payments		-	(292,623)
Cash paid for capital reorganization	6(29)(31)	-	(3,341,621)
Cash dividend	6(18)	(257,026)	(1,792,553)
Cash distribution from capital surplus	6(18)	(599,728)	-
Net cash used in financing activities		(1,012,133)	(3,343,351)
Net decrease in cash and cash equivalents		(305,039)	(3,162,242)
Cash and cash equivalents at beginning of year		7,297,146	10,459,388
Cash and cash equivalents at end of year		$ 6,992,107	$ 7,297,146

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

ChipMOS TECHNOLOGIES INC.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

ChipMOS TECHNOLOGIES INC. (the "Company") was incorporated on July 28, 1997. The Company is primarily engaged in the research, development, manufacturing and sale of high-integration and high-precision integrated circuits and related assembly and testing services. On April 11, 2014, the Company's shares were listed on the Taiwan Stock Exchange ("TWSE"). On October 31, 2016, the Company's former parent company, ChipMOS TECHNOLOGIES (Bermuda) LTD. ("ChipMOS Bermuda") was merged with and into the Company, with the latter being the surviving company (the "Merger"). On November 1, 2016, the Company's American Depositary Shares ("ADSs") were listed on the NASDAQ Global Select Market.

2. THE AUTHORIZATION OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

The accompanying parent company only financial statements were authorized for issuance by the Board of Directors on March 15, 2018.

3. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

(1) Effect of the adoption of new or amended International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC")

A. New standards, interpretations and amendments endorsed by the FSC effective from 2017 are as follows:

New, Revised or Amended Standards and Interpretations	Effective date issued by International Accounting Standards Board ("IASB")
Amendments to IFRS 10, IFRS 12 and International Accounting Standards ("IAS") 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11, "Accounting for Acquisition of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendments to IAS 1, "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38, "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41, "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19, "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendments to IAS 27, "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36, "Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
Amendments to IAS 39, "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
International Financial Reporting Interpretations Committee ("IFRIC") 21 "Levies"	January 1, 2014
Annual Improvements to IFRSs 2010－2012 Cycle	July 1, 2014
Annual Improvements to IFRSs 2011－2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012－2014 Cycle	January 1, 2016

B. The above standards and interpretations have no significant impact on the Company's financial position and financial performance based on the Company's assessment.

(2) Effect of new, revised or amended IFRSs as endorsed by the FSC that has not been adopted

A. New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
Amendments to IFRS 2, "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4, "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15, "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7, "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12, "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40, "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Annual Improvements to IFRSs 2014－2016 Cycle－Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"	January 1, 2018
Annual Improvements to IFRSs 2014－2016 Cycle－Amendments to IFRS 12 "Disclosure of Interest in Other Entities"	January 1, 2017
Annual Improvements to IFRSs 2014－2016 Cycle－Amendments to IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018

B. Except for the following, the above standards and interpretations have no significant impact on the Company's financial position and financial performance based on the Company's assessment.

(a) IFRS 9 "Financial Instruments"

i. Debt instruments are classified as financial assets measured at the fair value through profit or loss, financial assets measured at fair value through other comprehensive income or financial assets measured at amortized cost according to the characteristics of the entity's business model and the contractual cash flows. Equity instruments are classified as financial assets measured at the fair value through profit or loss, unless an entity irrevocably designates an investment in equity instruments that is not held for trading as measured at fair value through other comprehensive income.

ii. The expected loss model is used to assess the impairment losses of debt instruments. The 12 months expected credit loss or lifetime expected credit loss (i.e. interest income calculated on the gross carrying amount of the asset before impairment losses occurred) is adopted if the credit risk of a financial instrument has increased significantly since the initial recognition at each balance sheet date; or if the instrument has been impaired, the interest income after the impairment is calculated based on the book value (net of allowance) of the asset. The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(b) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15") replaces IAS 11 "Construction Contracts", IAS 18 "Revenue" and relevant interpretations. According to IFRS 15, revenue is recognized when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following five steps:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract(s).

Step 5: Recognize revenue when (or as) the entity satisfies the performance obligation.

Furthermore, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(c) Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of the good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a license should be recognized at a point of time or over a period of time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard.

(d) Amendments to IAS 7 "Disclosure initiative"

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Company expects to provide additional disclosure describing the changes in liabilities arising from financing activities.

C. When adopting the new standards endorsed by the FSC effective from 2018, the Company will apply the new rules under IFRS 9 "Financial Instruments" ("IFRS 9") and adopt IFRS 15 using the modified retrospective approach from January 1, 2018. The significant effects of applying the new standards as of January 1, 2018 are summarized below:

(a) In accordance with IFRS 9, the Company expects to reclassify financial assets carried at cost in the amount of $9,950, and make an irrevocable decision at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income, retained earnings and other equity interest in the amounts of $89,335, $28,584 and $50,801, respectively.

(b) In accordance with IFRS 9, the Company's subsidiary, ChipMOS TECHNOLOGIES (BVI) LTD. expects to reclassify financial assets carried at cost in the amount of $10,940, by increasing financial assets at fair value through profit or loss and retained earnings in the amounts of $11,433 and $493, respectively. As the result, the Company expects to increase investments accounted for using equity method and retained earnings in the amounts of $493 and $493, respectively.

(c) In line with the regulations under IFRS 9 on provision for impairment based on the expected credit loss model, contract assets will be decreased by $115, accounts receivable decreased by $1,819, other receivables decreased by $5, other receivables – related parties decreased by $2, and retained earnings decreased by $1,941.

(d) Revenue recognition of customized products

The Company provides high-integration and high-precision integrated circuits and related assembly and testing services based on the specifications as required by the customers. The revenue is recognized when the significant risks and rewards are transferred under previous accounting policies, and the timing of recognition usually occurred upon service completion. Considering that the Group provides assembly and testing services to create or enhance a highly customized product and the customer controls the asset as it is created or enhanced, the revenue will be recognized based on the percentage of completion under IFRS 15. As a result, retained earnings will be increased by $46,607, inventory decreased by $208,505 and contract assets increased by $255,112.

(e) Presentation of contract assets and contract liabilities

In line with IFRS 15 requirements, the Company's liabilities in relation to sales discounts to customers are recognized as contract liabilities, but were previously presented as current provisions in the balance sheet. As of January 1, 2018, the balance is $70,156.

(f) Recognition of deferred tax

When initially adopting IFRS 9 and IFRS 15, the Company will have to recognize adjustments in the balance sheet which would result to temporary differences. Accordingly, as of January 1, 2018, deferred tax assets will be decreased by $736 and deferred tax liabilities increased by $19,651.

(3) The IFRSs issued by IASB but not yet endorsed by the FSC

A. New, revised or amended standards and interpretations issued by IASB but not yet included in the IFRSs endorsed by the FSC are as follows:

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
Amendments to IFRS 9, "Prepayments Features with Negative Compensation"	January 1, 2019
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined By IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19, "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28, "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019
Annual Improvements to IFRSs 2015－2017 Cycle	January 1, 2019

B. Except for the following, the above standards and interpretations have no significant impact on the Company's financial position and financial performance based on the Company's assessment.

IFRS 16 "Leases"

IFRS 16 "Leases" ("IFRS 16") supersedes IAS 17 "Leases" and the related interpretations. The standard requires lessees to recognize a right-of-use asset and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting treatment is the same for lessors, who classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these accompanying parent company only financial statements are set out below. These policies have been consistently applied during the reported periods, unless otherwise stated.

(1) Statement of compliance

The parent company only financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

(a) Available-for-sale financial assets were measured at fair value.

(b) Defined benefit liabilities were recognized based on the net amount of pension fund assets less the present value of benefit obligation.

B. The preparation of the parent company only financial statements in conformity with the IFRSs, IASs, interpretations and IFRICs as endorsed by the FSC requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan dollars (NTD), which is the Company's functional currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates on the trade date or measurement date. Therefore, foreign exchange differences resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation are recognized in profit or loss on the balance sheet date.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their exchange differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their exchange differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the initial dates of the transactions.

(d) All foreign exchange differences are presented in the statement of comprehensive income under "other gains and losses" by the nature of transactions.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates that have different functional currency and presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet are translated at the exchange rates prevailing at the balance sheet date;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All exchange differences are recognized in other comprehensive income.

(4) Classification of current and non-current assets and liabilities

A. Assets that meet one of the following criteria are classified as current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within 12 months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than 12 months after the balance sheet date.

All assets that do not meet the above criteria are classified as non-current assets.

B. Liabilities that meet one of the following criteria are classified as current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within 12 months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be unconditionally extended to more than 12 months after the balance sheet date. Liabilities bearing terms that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All liabilities that do not meet the above criteria are classified as non-current liabilities.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the above definition and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss (“FVTPL”) are financial assets held for trading or financial assets designated as at fair value through profit or loss on the initial recognition. Financial assets are classified as assets held for trading if acquired principally for the purpose of selling in the short term. The purchase or disposal of FVTPL is a type of operating activity that derives from managing operating cash. Derivatives are categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on the initial recognition:

(a) Hybrid (combined) contracts; or

(b) Eliminating or significantly reducing the inconsistency on measurement or recognition; or

(c) Investment is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.

C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are recognized in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

D. As of December 31, 2017 and 2016, there were no financial assets classified as FVTPL.

(7) Loans and receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

A. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or loss events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss are as follows:

(a) Significant financial difficulty of the issuer or the debtor;

(b) A breach of contract, such as a default or delinquency in interest or principal payments;

(c) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(d) The possibility of the borrower entering bankruptcy or other financial reorganization increases significantly;

(e) The disappearance of an active market for that financial asset because of financial difficulties;

(f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(h) The fair value of an investment of equity instrument declines significantly or prolonged below its cost.

C. When the Company assesses there is objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made according to the category of financial assets, as follows:

(a) Financial assets measured at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. The impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(9) <u>Derecognition of financial assets</u>

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset have expired.

(10) <u>Inventories</u>

Inventories are initially recorded at cost. Cost is determined on a weighted-average cost basis. At the end of reporting period, the differences were allocated to inventories and cost of revenue based on an appropriate rate. Allocation of fixed production overheads is based on the normal operating capacity of the production facilities. Costs associated with underutilized capacity are expensed in the period that the cost occurs.

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The item by item approach is used in raw materials, and category method is used in work in process and finished goods. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs.

(11) <u>Investments accounted for using equity method – subsidiaries and associates</u>

A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Unrealized gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.

D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owner. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

F. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interests in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

G. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in "capital surplus" in proportion to its ownership.

H. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interests in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

I. In the case where an associate issues new shares and the Company does not subscribe or proportionately acquire the new shares, which results in a change in the Company's ownership percentage of the associate while maintaining significant influence on the associate, then "capital surplus" and "investments accounted for using the equity method" shall be adjusted for the increase or decrease of its share of equity interests. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

J. When the Company disposes of its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

K. According to "Rules Governing the Preparation of Financial Statements by Securities Issuers", profit for the year and other comprehensive income for the year reported in the parent company only financial statements, shall be equal to profit for the year and other comprehensive income attributable to owners of the parent reported in the consolidated financial statements, equity reported in the parent company only financial statements shall be equal to equity attributable to owners of parent reported in the consolidated financial statements.

(12) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8 "Accounting Policies, Change in Accounting Estimates and Errors", from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	6 to 51 years
Machinery and equipment	2 to 8 years
Tools	2 to 3 years
Others	2 to 6 years

(13) Leased assets / operating leases (lessee)

A. Based on the terms of a lease contract, a lease is classified as a finance lease if the Company assumes substantially all the risks and rewards incidental to ownership of the leased asset.

(a) A finance lease is recognized as an asset and a liability at the lease's commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

(b) The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(c) Property, plant and equipment held under finance leases are depreciated over their estimated useful lives. If there is no reasonable certainty that the Company will obtain ownership at the end of the lease, the asset shall be depreciated over the shorter of the lease term and its useful life.

B. Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(14) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(15) Loans

Loans are recognized initially at fair value, net of transaction costs incurred. Loans are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the loans using the effective interest method.

(16) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(17) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision arising from the passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(18) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees and should be recognized as expenses when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in the current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The discount rate is determined by using the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognized immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognizes an expense as it can no longer withdraw an offer of termination benefits, or it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(19) Employee share-based payments

A. For equity-settled share-based payment arrangements, employee services received are measured at the fair value of the equity instruments awarded at the granting date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

B. For the cash-settled share-based payment arrangements, the cost of cash-settled transactions is measured initially at fair value at the grant date using an appropriate valuation model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognized in employee benefit expenses.

C. The entity settling a share-based payment transaction when another entity in the group receives the goods or services shall recognize the transaction as an equity-settled share-based payment transaction only if it is settled in the entity's own equity instruments. Otherwise, the transaction shall be recognized as a cash-settled share-based payment transaction.

D. Restricted shares:

(a) Restricted shares issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period.

(b) For restricted shares where those shares do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Company recognizes the fair value of the dividends received by employees who are expected to resign during the vesting period as a compensation cost at the date the dividends were declared.

(c) For restricted stocks where employees do not need to pay to acquire those shares, if an employee resigns during the vesting period, the Company will recover and retire those shares at no cost.

(20) Income tax

A. The income tax expense for the period comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the income tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% income tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(21) Capital stock

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options in net proceeds of tax are shown in equity as a deduction.

B. Where the Company repurchases the Company's shares that have been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(22) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(23) Revenue recognition

A. The Company is primarily engaged in research, development, manufacturing, sale, assembling and testing of high-integration and high-precision integrated circuits. The criteria that the Company uses to determine when to recognize revenue are:

(a) The entity has transferred the significant risks and rewards of ownership of the goods to the buyer;

(b) The entity retains neither continuing managerial involvement nor effective control over the goods sold;

(c) The amount of revenue can be measured reliably;

(d) It is probable that the economic benefits associated with the transaction will flow to the entity;

(e) The stage of completion of the transaction can be measured reliably;

(f) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

B. The Company does not provide warranties to customers except in cases of deficiencies in the assembly and testing services provided. An appropriate sales allowance is recognized in the period during which the sale is recognized, and is estimated based on historical experience.

(24) Capital reorganization

A. On October 31, 2016, the Company merged with its former parent company, ChipMOS Bermuda, through a share exchange and the transaction was accounted for as a capital reorganization within the group. When presenting comparative financial statements, the Company presented it as if ChipMOS Bermuda had always been combined and the financial statements were restated retrospectively. The assets and liabilities acquired from ChipMOS Bermuda was measured using the book value method, and any differences between the consideration given by the Company and the aggregate book value of the assets and liabilities of ChipMOS Bermuda were first accounted for as addition (deduction) in capital surplus arising from share premiums, and if the share premium is insufficient, the remaining balance will be accounted for as a deduction from unappropriated retained earnings. In addition, on the effective date of the Merger, the Company reclassified its shares originally held by ChipMOS Bermuda as treasury stock and cancelled those shares with deduction in capital surplus equal to the proportion of retired shares. If capital surplus is insufficient, the remaining balance will be accounted for as a deduction from unappropriated retained earnings. Transaction costs attributable to the Merger were accounted for as a deduction from capital surplus.

B. Pursuant to the Interpretation (2012) No. 301 issued by the Accounting Research and Development Foundation, when presenting comparative financial statements, the Company presented it as if ChipMOS Bermuda had always been combined and the financial statements were restated retrospectively. Net income attributable to ChipMOS Bermuda prior to the Merger were presented as "Predecessors' interests under common control".

5. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of the accompanying parent company only financial statements requires management to make critical judgments in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgments in applying the Company's accounting policies

Provisions for deficiency compensation

The Company is primarily engaged in the research, development, manufacturing, sale, and assembly and testing of high-integration and high-precision integrated circuits. In any cases where deficiencies in the assembly and testing services arise, the Company has to clarify the reason for deficiencies and attribute of responsibilities. The Company follows the guidance of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" to determine warranty provisions. Since the timing and amount of these warranties are based on assumptions and estimates it requires management to make critical judgments.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

The Company estimates sales discounts and returns based on historical results and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognized. The Company reassesses the reasonableness of estimates of discounts and returns periodically.

B. Causes and effects of accounting estimate change

By considering the Company's experience on using similar property, plant and equipment in prior periods as well as by referring to the experience from peer industries, on November 10, 2016, the Board of Directors approved to change the estimated useful lives of certain properties from 11 years to 16 years and certain equipment from 2~6 years to 2~8 years effectively from November 1, 2016, in order to better reflect economic benefits from consumption of those property and equipment. The impact on depreciation expenses of 2016 and future periods were expected as follows:

	2016	2017	2018	2019
Decrease in depreciation expenses	($ 119,737)	($ 605,259)	($ 389,972)	($ 164,824)

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash on hand and petty cash	$ 470	$ 470
Checking accounts and demand deposits	3,317,957	3,692,176
Time deposits	3,673,680	3,604,500
	$ 6,992,107	$ 7,297,146

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. No cash and cash equivalents of the Company were pledged to others.

(2) Accounts receivable

	December 31, 2017	December 31, 2016
Accounts receivable	$ 4,013,705	$ 4,138,578
Less: Allowance for doubtful accounts	-	(87)
	$ 4,013,705	$ 4,138,491

A. The Company's credit term granted to customers is 30~90 days. Receivables do not bear interest. The Company determines the recoverable amount based on any changes in the credit quality of the customers from initial recognition to the end of the reporting period. The allowance for doubtful accounts is determined based on the current financial condition of customers.

B. The Company's accounts receivable that were neither past due nor impaired were fully performed in line with the credit standards prescribed based on counterparties' industrial characteristics, scale of business and profitability.

C. The aging analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017	December 31, 2016
≦ 1 month	$ 10,482	$ 24,141
1-2 months	477	728
2-3 months	426	183
3-4 months	1,431	245
> 4 months	3,056	2,013
	$ 15,872	$ 27,310

D. Movement analysis of financial assets that were impaired is as follows:

(a) As of December 31, 2017 and 2016, the Company's accounts receivable that were impaired amounted to $0 and $87, respectively.

(b) Movements in the provision for impairment of accounts receivable are as follows:

	2017		
	Individual provision	Collective provision	Total
January 1	$ 87	$ -	$ 87
Reversal of allowance for impairment	(87)	-	(87)
December 31	$ -	$ -	$ -

	2016		
	Individual provision	Collective provision	Total
January 1	$ -	$ -	$ -
Provision for impairment	87	-	87
December 31	$ 87	$ -	$ 87

E. No accounts receivable of the Company were pledged to others.

(3) Inventories

	December 31, 2017		
	Cost	Allowance for impairment losses	Carrying amount
Raw materials	$ 1,769,917	($ 49,183)	$ 1,720,734
Work in process	180,252	(4,163)	176,089
Finished goods	32,784	(368)	32,416
Total	$ 1,982,953	($ 53,714)	$ 1,929,239

	December 31, 2016		
	Cost	Allowance for impairment losses	Carrying amount
Raw materials	$ 1,787,810	($ 140,463)	$ 1,647,347
Work in process	190,823	(14,203)	176,620
Finished goods	54,190	(175)	54,015
Total	$ 2,032,823	($ 154,841)	$ 1,877,982

The cost of inventories recognized as an expense for the period:

	2017	2016
Cost of revenue	$ 14,767,125	$ 14,671,198
Loss on abandonment	38,301	7,098
(Reversal of) allowance for inventory valuation and obsolescence loss	(101,127)	67,663
	$ 14,704,299	$ 14,745,959

A. Reversal of allowance for inventory valuation loss was recognized due to the change in market value of replacement costs.

B. No inventories of the Company were pledged to others.

(4) Non-current financial assets carried at cost

	December 31, 2017	December 31, 2016
Unlisted preferred stocks – domestic	$ -	$ 10
Unlisted stocks – domestic	-	41,336
Unlisted foreign stocks	38,534	38,534
	38,534	79,880
Less: Allowance for impairment losses	(28,584)	(69,920)
	$ 9,950	$ 9,960

A. Based on the Company’s intention, the investments should be classified as “available-for-sale financial assets”. However, as these unlisted stocks are not traded in an active market, and no sufficient industry and financial information of companies similar to these unlisted stocks can be obtained, the fair value of the investment in unlisted stocks cannot be measured reliably. As a result, the Company classified the investments as “Financial assets carried at cost”.

B. Due to the operation loss and accumulated deficit of VIGOUR TECHNOLOGY Corporation (“VIGOUR”), the Company has recognized full impairment loss of its investments on VIGOUR amounted to $41,336 in prior years. Based on the Company’s assessment, considering VIGOUR is currently in liquidation process and no residual assets are expected to be available for distributions, the carrying amount of investments and accumulated impairment losses were reclassified to “Other receivables” in the fourth quarter of 2017.

C. No financial assets carried at cost held by the Company was pledged to others.

(5) Investments accounted for using equity method

	2017	2016
January 1	$ 3,012,366	$ 1,984,408
Addition	-	1,467,675
Share of profit or loss	1,528,008	(128,866)
Earnings distribution	(14,325)	(5,730)
Amortization of intercompany transactions	116,277	(104,708)
Changes in capital surplus	16,929	-
Change in other equity interest - exchange differences from translation of foreign operations	(232,652)	(200,280)
Other comprehensive income	554	(133)
December 31	$ 4,427,157	$ 3,012,366

Subsidiaries	December 31, 2017	December 31, 2016
ChipMOS TECHNOLOGIES (BVI) LTD. (“ChipMOS BVI”)	$ 3,826,308	$ 2,399,381
ChipMOS U.S.A., Inc. (“ChipMOS USA”)	227,573	243,656
	4,053,881	2,643,037
Associate		
JMC ELECTRONICS CO., LTD. (“JMC”)	373,276	369,329
	$ 4,427,157	$ 3,012,366

A. Subsidiaries

(a) Information about the Company’s subsidiaries is provided in Note 4(3) of the consolidated financial statements for the year ended December 31, 2017.

(b) On November 30, 2016, the Company’s Board of Directors adopted a resolution to authorize ChipMOS BVI to dispose 54.98% of its shareholding in the subsidiary, ChipMOS TECHNOLOGIES (Shanghai) LTD. (“ChipMOS Shanghai”) to Tibet Unigroup Guowei Investment Co., Ltd. and other strategic investors. The equity transfer was completed in March 2017. Information is provided in Note 6(7) of the consolidated financial statements for the year ended December 31, 2017.

(c) In June 2017, ChipMOS BVI participated in ChipMOS Shanghai’s increase of paid-in capital based on its shareholding amounted to $1,373,486.

B. Associate

(a) In January 2017, the Company did not participate in the capital increase of JMC, which reduced the Company's ownership from 21.22% to 19.10%. Given that the Company still retains significant influence by holding two seats in JMC's Board of Directors, JMC was still recognized as "Investments accounted for using equity method". As a result of the change in shareholding, the Company recognized capital surplus from long-term investment amounted to $16,929 for the year ended December 31, 2017.

(b) JMC has quoted market prices. As of December 31, 2017 and 2016, the fair value was $1,155,550 and $706,318, respectively.

(c) For the years ended December 31, 2017 and 2016, the Company recognized its share of profit of investments accounted for using equity method amounted to $789 and $28,924, respectively.

C. The basic information and summarized financial information of JMC is as follows:

(a) Basic information

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		December 31, 2017	December 31, 2016		
JMC	Kaohsiung Taiwan	19.10%	21.22%	None	Equity method

(b) Summarized financial information

Balance Sheet

	JMC	
	December 31, 2017	December 31, 2016
Current assets	$ 833,914	$ 904,571
Non-current assets	1,161,620	876,314
Current liabilities	(284,580)	(258,513)
Non-current liabilities	(1,756)	(2,491)
Total net assets	$ 1,709,198	$ 1,519,881
Share in associate's net assets	$ 326,456	$ 322,509
Goodwill	46,820	46,820
Carrying amount of the associate	$ 373,276	$ 369,329

Statements of comprehensive income

	JMC 2017	JMC 2016
Revenue	$ 1,322,928	$ 1,667,761
Profit for the period from continuing operations	$ 4,414	$ 136,303
Other comprehensive income (loss), net of income tax	2,903	(627)
Total comprehensive income	$ 7,317	$ 135,676
Dividend received from the associate	$ 14,325	$ 5,730

(6) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Tools	Others	Construction in progress and equipment to be inspected	Total
January 1, 2017							
Cost	$ 452,738	$ 9,490,601	$ 43,676,084	$ 3,531,610	$ 2,376,679	$ 996,501	$ 60,524,213
Accumulated depreciation and impairment	-	(5,412,846)	(36,538,452)	(3,097,627)	(1,979,602)	-	(47,028,527)
	$ 452,738	$ 4,077,755	$ 7,137,632	$ 433,983	$ 397,077	$ 996,501	$ 13,495,686
2017							
January 1	$ 452,738	$ 4,077,755	$ 7,137,632	$ 433,983	$ 397,077	$ 996,501	$ 13,495,686
Additions	-	211,098	2,007,767	571,601	195,957	1,716,268	4,702,691
Disposals	-	-	(30,066)	(2,302)	(1,865)	-	(34,233)
Reclassifications	-	141,400	1,535,619	44,882	22,149	(1,744,050)	-
Depreciation expenses	-	(511,167)	(1,837,606)	(357,695)	(192,617)	-	(2,899,085)
Impairment losses	-	-	-	-	(956)	-	(956)
December 31	$ 452,738	$ 3,919,086	$ 8,813,346	$ 690,469	$ 419,745	$ 968,719	$ 15,264,103
December 31, 2017							
Cost	$ 452,738	$ 9,809,970	$ 45,774,402	$ 4,004,703	$ 2,618,917	$ 968,719	$ 63,629,449
Accumulated depreciation and impairment	-	(5,890,884)	(36,961,056)	(3,314,234)	(2,199,172)	-	(48,365,346)
	$ 452,738	$ 3,919,086	$ 8,813,346	$ 690,469	$ 419,745	$ 968,719	$ 15,264,103

	Land	Buildings	Machinery and equipment	Tools	Others	Construction in progress and equipment to be inspected	Total
January 1, 2016							
Cost	$ 452,738	$ 9,335,878	$44,304,030	$3,248,655	$ 2,135,617	$ 685,520	$ 60,162,438
Accumulated depreciation and impairment	-	(4,845,705)	(37,028,687)	(2,958,663)	(1,770,881)	-	(46,603,936)
	$ 452,738	$ 4,490,173	$ 7,275,343	$ 289,992	$ 364,736	$ 685,520	$ 13,558,502
2016							
January 1	$ 452,738	$ 4,490,173	$ 7,275,343	$ 289,992	$ 364,736	$ 685,520	$ 13,558,502
Additions	-	131,778	727,588	320,021	187,824	1,756,052	3,123,263
Disposals	-	(51)	(86,196)	(1,228)	(581)	-	(88,056)
Reclassifications	-	43,333	1,366,518	12,190	23,030	(1,445,071)	-
Depreciation expenses	-	(587,478)	(2,145,621)	(186,992)	(169,734)	-	(3,089,825)
Impairment losses	-	-	-	-	(8,198)	-	(8,198)
December 31	$ 452,738	$ 4,077,755	$ 7,137,632	$ 433,983	$ 397,077	$ 996,501	$ 13,495,686
December 31, 2016							
Cost	$ 452,738	$ 9,490,601	$43,676,084	$3,531,610	$ 2,376,679	$ 996,501	$ 60,524,213
Accumulated depreciation and impairment	-	(5,412,846)	(36,538,452)	(3,097,627)	(1,979,602)	-	(47,028,527)
	$ 452,738	$ 4,077,755	$ 7,137,632	$ 433,983	$ 397,077	$ 996,501	$ 13,495,686

A. Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	2017	2016
Amount of interest capitalized	$ 18,769	$ 12,921
Interest rates for capitalization	1.7624%	1.7456%

B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(7) Short-term bank loans

	December 31, 2017	December 31, 2016
Bank loans		
Unsecured bank loans	$ 969,353	$ -
Interest rate range	0.55%~1.71%	-
Unused credit lines of short-term bank loans		
NT$	$ 3,028,357	$ 3,119,000
US$ (in thousands)	$ 80,000	$ 80,000

(8) Accounts payable

	December 31, 2017	December 31, 2016
Accounts payable	$ 250,785	$ 367,688
Estimated accounts payable	437,175	457,374
	$ 687,960	$ 825,062

(9) Other payables

	December 31, 2017	December 31, 2016
Salaries and bonuses payable	$ 601,239	$ 443,993
Interest payable	2,854	1,059
Pension payable	32,402	29,930
Employees' compensation payable	371,912	70,553
Directors' remuneration payable	18,596	3,528
Payable to equipment suppliers	713,313	550,346
Other expense payable	888,785	862,963
	$ 2,629,101	$ 1,962,372

(10) Current provisions

A. Movements in provisions are as follows:

	2017		
	Provisions for sales allowance	Provisions for deficiency compensation	Total
January 1	$ 66,065	$ 14,654	$ 80,719
Provision	117,234	119,318	236,552
Payment	(113,143)	(76,817)	(189,960)
December 31	$ 70,156	$ 57,155	$ 127,311

B. The Company’s provisions include sales allowance and deficiency compensation. The details of these provisions are provided in Notes 5(1) and 5(2)A.

(11) Long-term bank loans

Type of loans	Period and payment term	December 31, 2017	December 31, 2016
Syndicated bank loan	Borrowing period is from June 30, 2016 to June 30, 2021; interest is repayable monthly; principal is repayable semi-annually from December 30, 2017.	$ 9,675,301	$ 10,800,000
Less: Fee on syndicated bank loan		(33,280)	(49,995)
Less: Current portion (fee included)		(2,143,168)	(1,062,285)
		$ 7,498,853	$ 9,687,720
Interest rate range		1.7895%	1.7895%
Unused credit lines of long-term bank loans			
NT$		$ 2,400,000	$ 2,400,000

A. On May 16, 2016, the Company entered into a syndicated loan with ten banks in Taiwan, including Land Bank of Taiwan, in the amount of NT$13,200 million with a term of five years. Funding from this syndicated loan was used to repay the prior syndicated loan in 2014 and broaden the Company’s working capital. Pursuant to the syndicated loan agreement, the Group is required to maintain certain financial ratios including current ratio, interest protection multiples and debt to equity ratio during the loan periods.

B. Information about the items related to the long-term bank loans that are pledged to others as collaterals is provided in Note 8.

(12) Lease obligations payable

The Company leases equipment under finance lease and based on the terms of the lease contracts, the Company has the option to purchase the equipment at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable when the leases expire. Future minimum lease payables and their present values as of December 31, 2017 and 2016 are as follows:

	December 31, 2017		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
Current	$ 12,266	($ 481)	$ 11,785
Non-current	$ 18,266	($ 209)	$ 18,057

	December 31, 2016		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
Current	$ 12,000	($ 709)	$ 11,291
Non-current	$ 30,000	($ 689)	$ 29,311

(13) Deferred revenue

	December 31, 2017	December 31, 2016
Current (Shown as "Receipts in advance")	$ 4,057	$ -
Non-current (Shown as "Long-term deferred revenue")	24,898	81,537
	$ 28,955	$ 81,537

Deferred revenue represents the technology transfer and license agreement between the Company and ChipMOS Shanghai and is amortized to other operating income on a systematic basis over 10 years. Information is provided in Note 7(3)I.

(14) Pensions

A. Defined Benefit Plans

The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the pension fund deposited with the Bank of Taiwan, the trustee, under the name of the independent pension fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by March of following year.

(a) The amounts recognized in the balance sheets are as follows:

	December 31, 2017	December 31, 2016
Present value of defined benefit obligations	($ 838,543)	($ 894,163)
Fair value of plan assets	360,017	347,195
Net defined benefit liability	($ 478,526)	($ 546,968)

(b) Movements in net defined benefit liability are as follows:

	2017		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1	($ 894,163)	$ 347,195	($ 546,968)
Current service cost	(386)	-	(386)
Interest (expense) income	(13,236)	5,226	(8,010)
	(907,785)	352,421	(555,364)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,842)	(1,842)
Financial assumption movement effect	28,506	-	28,506
Experience adjustments	24,174	-	24,174
	52,680	(1,842)	50,838
Pension fund contribution	-	26,000	26,000
Paid pension	16,562	(16,562)	-
December 31	($ 838,543)	$ 360,017	($ 478,526)

	2016		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1	($ 844,166)	$ 324,695	($ 519,471)
Current service cost	(321)	-	(321)
Interest (expense) income	(14,644)	5,768	(8,876)
	(859,131)	330,463	(528,668)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(3,413)	(3,413)
Financial assumption movement effect	(31,294)	-	(31,294)
Experience adjustments	(8,676)	-	(8,676)
	(39,970)	(3,413)	(43,383)
Pension fund contribution	-	25,083	25,083
Paid pension	4,938	(4,938)	-
December 31	($ 894,163)	$ 347,195	($ 546,968)

(c) The Bank of Taiwan was commissioned to manage the fund of the Company's defined benefit pension plan in accordance with the fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the authority. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of the fair value of plan asset in accordance with IAS 19 "Employee Benefits" paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(d) The principal actuarial assumptions used were as follows:

	2017	2016
Discount rate	1.75%	1.50%
Future salary increases	3.50%	3.50%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligations is affected. The analysis was as follows:

	Discount rate		Future salary increase	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2017				
Effect on present value of defined benefit obligations	($ 27,192)	$ 28,506	$ 27,955	($ 26,816)
December 31, 2016				
Effect on present value of defined benefit obligations	($ 31,294)	$ 32,893	$ 32,174	($ 30,787)

The sensitivity analysis above is based on a change in an assumption while holding all other assumptions constant. In practice, changes in some of the assumptions may be correlated. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis remain unchanged from previous period.

(e) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2018 amounts to $26,910.

(f) As of December 31, 2017, the weighted average duration of that retirement plan is 13.4 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 28,007
1-2 years	31,702
2-5 years	102,703
Over 5 years	178,720
	$ 341,132

B. Define Contribution Plans

Effective from July 1, 2005, the Company established a defined contribution pension plan (“New Plan”) under the Labor Pension Act, covering all regular employees with Republic of China (“R.O.C.”) nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2017 and 2016 were $190,106 and $174,096, respectively.

(15) Share-based payments

Employee stock option plan / Share appreciation rights plan

A. On October 31, 2016, the Company's former parent company, ChipMOS Bermuda, was merged with and into the Company with the latter being the surviving entity and ChipMOS Bermuda being the dissolved entity.

B. Before the Merger, the Company's share-based payment arrangements acquired from former parent company were as follows:

Types of arrangement	Grant date	Quantity granted (shares/units)	Contract period	Vesting conditions
Employee stock option plan	2006 to 2015	3,952,711	2001 to 2024	As granted or certain %
Share appreciation rights plan	2006 to 2016	1,908,314	2006 to 2022	after first year

All outstanding stock options and share appreciation rights issued by ChipMOS Bermuda and received by the employees of the Company, whether vested or unvested, were settled in cash by ChipMOS Bermuda prior to the Merger in accordance with the terms of the merger agreement.

C. Details of the share-based payment arrangements before the Merger are as follows:

	Ten months ended October 30, 2016	
Employee stock option plan	Number of options	Weighted-average exercise price (in US$)
Outstanding at January 1	1,062,250	13.57
Forfeited	(25,084)	15.35
Exercised	(97,715)	7.21
Expired	(49,500)	20.57
Early settled	(889,951)	13.83
Outstanding at the end of the period	-	-
Exercisable at the end of the period	-	-

	Ten months ended October 30, 2016	
	Number of rights	Weighted-average exercise price (in US$)
Share appreciation rights plan		
Outstanding at January 1	588,596	14,07
Granted	37,500	19.55
Forfeited	(9,785)	15.16
Exercised	(123,033)	11.26
Early settled	(493,278)	15.17
Outstanding at the end of the period	-	-
Exercisable at the end of the period	-	-

D. The weighted-average share price of stock options at exercise dates for the ten months ended October 30, 2016 was US$18.10.

E. There are no outstanding stock options and share appreciation rights as of December 31, 2017 and 2016.

Restricted shares

A. On July 14, 2015, the Company's Board of Directors approved the issuance of restricted shares. The record dates for the shares issuance were July 21, 2015 and May 10, 2016. The relevant information is as follows:

Type of arrangement	Grant date	Share price on grant date (in dollars)	Number of shares (in thousands)	Number of shares returned due to employee resignation (in thousands)		Contract period	Vesting condition
				2017	2016		
Restricted shares award agreement	July 21, 2015	36.1	15,752	(558)	(707)	3 years	Meet service and performance conditions
Restricted shares award agreement	May 10, 2016	30.6	1,548	(137)	(220)	3 years	Meet service and performance conditions

The restricted shares issued by the Company cannot be transferred during the vesting period, but voting right and dividend right are not restricted. Employees are required to return the shares but not required to return the dividends received if they resign during the vesting period. When the employees accomplish the years of service and performance conditions, the received restricted shares will be vested based on the vesting ratio.

B. The expenses incurred on share-based payment transactions for the years ended December 31, 2017 and 2016 were $123,021 and $356,463, respectively.

(16) Capital stock

A. As of December 31, 2017, the Company's authorized capital was $9,700,000, consisting of 970,000 thousand ordinary shares, and the paid-in capital was $8,862,971 with a par value of $10 (in dollars) per share, consisting of 886,297 thousand ordinary shares. All proceeds from shares issued have been collected.

B. On October 31, 2016, the Company's former parent company, ChipMOS Bermuda was merged with and into the Company, with the latter being the surviving company. Please refer to Note 6(29) for details of the capital reorganization. Pursuant to the Merger, the Company issued 25,620,267 units of ADSs, which were listed on the NASDAQ Global Select Market, and each ADS represents 20 ordinary shares of the Company. As of December 31, 2017, the outstanding ADSs were 9,431,486 units representing 188,630 thousand ordinary shares of the Company. The major terms and conditions of the ADSs are summarized as follows:

(a) Voting rights:

ADS holders have no right to directly vote in shareholders' meetings with respect to the deposited shares. The depository bank shall vote on behalf of ADS holders or provide voting instruction to the designated person of the Company. The depository bank shall vote in the manner as instructed by ADS holders.

(b) Distribution of dividends:

ADS holders are deemed to have the same rights as holders of ordinary shares with respect to the distribution of dividends.

C. Movements in the number of the Company's ordinary shares outstanding are as follows:

	Number of shares (in thousands)	
	2017	2016
January 1	856,754	895,893
Restricted shares	-	1,548
Restricted shares – cancelled	(542)	(800)
Restricted shares – uncancelled	(153)	(127)
Repurchase of shares – uncancelled	-	(30,085)
Issuance of new shares for capital reorganization (Note 6(29))	-	512,405
Cancellation of shares for capital reorganization (Note 6(29))	-	(522,080)
December 31	856,059	856,754

D. Treasury stock

(a) The reasons for share repurchases and movements in the number of the Company's treasury stock are as follows:

Name of company holding the shares	Reason for repurchase	December 31, 2017 Number of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	30,000	$ 1,005,011
The Company	Dissenting shareholders	85	2,643
		30,085	$ 1,007,654

Name of company holding the shares	Reason for repurchase	December 31, 2016 Number of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	30,000	$ 1,005,011
The Company	Dissenting shareholders	85	2,643
		30,085	$ 1,007,654

(c) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares repurchased as treasury stock may not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back may not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury stock may not be pledged as collateral and is not entitled to dividends before it is reissued.

(17) Capital surplus

Pursuant to the R.O.C. Company Act, any capital surplus arising from paid-in capital in excess of par value on issuance of ordinary shares and donations can be used to cover accumulated deficits or to issue new shares or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficits. Furthermore, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above may not exceed 10% of the paid-in capital each year. The capital surplus may not be used to cover accumulated deficits unless the legal reserve is insufficient.

	2017				
	Share premium	Employee restricted shares	Long-term investment	Employee stock options	Total
January 1	$ 6,473,471	$ 408,051	$ 7,304	$ -	$ 6,888,826
Share-based payments	-	(17,650)	-	-	(17,650)
Cash distribution from capital surplus	(599,728)	-	-	-	(599,728)
Changes in shareholding of equity investment	-	-	16,929	-	16,929
December 31	$ 5,873,743	$ 390,401	$ 24,233	$ -	$ 6,288,377

Information relating to capital surplus arising from long-term investment is provided in Note 6(5).

	2016				
	Share premium	Employee restricted shares	Long-term investment	Employee stock options	Total
January 1	$ 2,501,767	$ 397,296	$ 7,304	$849,482	$3,755,849
Share-based payments	-	10,755	-	56,689	67,444
Capital reorganization	3,971,704	-	-	(906,171)	3,065,533
December 31	$ 6,473,471	$ 408,051	$ 7,304	$ -	$6,888,826

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as a legal reserve. The Company may then appropriate or reverse a certain amount as special reserve according to the relevant regulations. After the distribution of earnings, the remaining earnings and prior years' unappropriated retained earnings may be appropriated according to a proposal by the Board of Directors and approved in the shareholders' meeting.

B. The Company's dividend policy is summarized here. As the Company operates in a volatile business environment, the issuance of dividends to be distributed takes into consideration the Company's financial structure, operating results and future expansion plans. The earnings distribution of the Company may be made by way of cash dividends or stock dividends, provided that cash dividends account for at least 10% of the total dividends distributed. The earnings distribution will be proposed by the Board of Directors and approved at the shareholders' meeting.

C. Except for covering accumulated deficits or issuing new shares or cash to shareholders in proportion to their share ownership, the legal reserve may not be used for any other purpose. The use of the legal reserve for the issuance of shares or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. In accordance with the regulations, the Company must set aside a special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When the debit balance on other equity items is reversed subsequently, the reversed amount may be included in the distributable earnings.

E. The appropriations of 2016 and 2015 earnings were resolved in the shareholders' meetings held on May 26, 2017 and May 31, 2016, respectively. The appropriations and dividends per share (including cash distribution from capital surplus) are as follows:

	2016		2015	
	Amount	Cash distribution per share (in dollars)	Amount	Cash distribution per share (in dollars)
Legal reserve	$ 28,680		$ 223,047	
Cash dividend	257,026	$ 0.30	1,792,553	$ 2.09
Cash distribution from capital surplus	599,728	0.70	-	-

F. The information relating to employees' compensation and directors' and supervisors' remuneration is provided in Note 6(26).

(19) Other equity interest

	2017			
	Exchange differences on translation of foreign operations	Unearned employee awards	Unrealized gain on valuation of available-for-sale financial assets	Total
January 1	$ 298,245	($ 200,204)	$ -	$ 98,041
Currency translation differences				
- The Company	(232,652)	-	-	(232,652)
Employee restricted shares				
- The Company	-	145,634	-	145,634
Evaluation adjustment				
- Associate	-	-	678	678
December 31	$ 65,593	($ 54,570)	$ 678	$ 11,701

	2016		
	Exchange differences on translation of foreign operations	Unearned employee awards	Total
January 1	$ 63,668	($ 447,323)	($ 383,655)
Currency translation differences			
- The Company	(200,280)	-	(200,280)
Employee restricted shares			
- The Company	-	247,119	247,119
Capital reorganization	434,857	-	434,857
December 31	$ 298,245	($ 200,204)	$ 98,041

(20) Revenue

	2017	2016
Testing	$ 4,838,245	$ 4,587,054
Assembly	5,259,282	5,881,882
LCDD	4,790,116	4,920,302
Bumping	3,053,459	2,999,967
	$ 17,941,102	$ 18,389,205

(21) Other income (expenses), net

	2017	2016
Gain on disposal of property, plant and equipment	$ 132,777	$ 8,780
Impairment loss on property, plant and equipment (Note 6(6))	(956)	(8,198)
Gain on disposal of scrapped materials	27,940	30,476
Gain on disposal of items purchased on behalf of others	26,417	49,814
Royalty income	15,094	13,443
Insurance compensation income	486,858	7,033
Others	7,799	11,139
	$ 695,929	$ 112,487

(22) Other income

	2017	2016
Interest income	$ 46,846	$ 51,045
Rental income	9,188	8,203
	$ 56,034	$ 59,248

(23) Other gains and losses

	2017	2016
Foreign exchange losses, net	($ 416,954)	($ 194,846)
Reimbursement of ADSs service charge	23,707	-
Gain on disposal of financial assets at fair value through profit or loss	637	621
Others	2,796	-
	($ 389,814)	($ 194,225)

(24) Finance costs

	2017	2016
Interest expense		
Bank loans	$ 208,486	$ 157,254
Lease obligations payable	708	212
Less: Amounts capitalized in qualifying assets	(18,769)	(12,921)
	190,425	144,545
Finance expense	18,300	34,571
	$ 208,725	$ 179,116

(25) Expenses by nature

	2017	2016
Changes in finished goods and work in process of inventories	$ 31,977	($ 19,497)
Raw materials and supplies used	3,036,350	3,346,600
Employee benefit expenses	5,875,561	5,291,792
Depreciation	2,899,085	3,089,825
Others	4,450,945	4,772,681
	$ 16,293,918	$ 16,481,401

(26) Employee benefit expenses

	2017	2016
Salaries	$ 4,859,300	$ 4,105,370
Labor and health insurance	385,980	346,819
Pension	198,502	183,293
Share-based payments	123,021	356,463
Other personnel expenses	308,758	299,847
	$ 5,875,561	$ 5,291,792

Note: The number of employees of the Company as of December 31, 2017 and 2016 were 5,801 and 5,560, respectively.

A. In accordance with the Company's Articles of Incorporation, employees' compensation is based on the current year's earnings, which should first be used to cover accumulated deficits, if any, and then 10% of the remaining balance distributed as employees' compensation, including distributions to certain qualifying employees in affiliate companies, and no more than 0.5% as directors' remuneration. Subject to the Board of Directors' approval, employees' compensation may be made by way of cash or share issuance. Distribution of employees' compensation and directors' remuneration shall be presented and reported in the subsequent shareholders' meeting.

B. Based on profit distributable as of the end of reporting period, for the years ended December 31, 2017 and 2016, the employees' compensation were accrued at $371,912 and $70,553, respectively; the directors' remuneration were accrued at $18,596 and $3,528, respectively. The aforementioned amounts were recognized as salaries.

C. For the year of 2016, employees' compensation and directors' remuneration recognized were consistent with the amounts resolved in the Board of Directors' meetings.

Information about the appropriation of employees' compensation and directors' remuneration by the Company as approved by the Board of Directors is posted in the "Market Observation Post System".

(27) Income tax expense

A. Income tax expense

(a) Components of income tax expense:

	2017	2016
Current income tax:		
Current income tax on profits for the period	$ 123,552	$ 330,146
Income tax on unappropriated retained earnings	109	-
Prior year income tax under estimation	67,885	4,527
Total current income tax	191,546	334,673
Deferred income tax:		
Relating to origination and reversal of temporary differences	110,542	16,379
Total deferred income tax	110,542	16,379
Income tax expense	$ 302,088	$ 351,052

(b) The income tax (charge) / credit relating to components of other comprehensive income is as follows:

	2017	2016
Remeasurement of defined benefit obligations	$ 8,642	($ 7,375)

B. Reconciliation of income tax expense and the accounting profit:

	2017	2016
Tax calculated based on profit before tax and statutory tax rate	$ 565,865	$ 268,271
Expenses disallowed (added) by tax regulation	10,185	(2,190)
Tax exempted (income) expenses by tax regulation	(256,788)	21,801
Temporary difference not recognized as deferred tax assets	(85,168)	1,306
Withholding tax	-	57,337
Prior year income tax under estimation	67,885	4,527
Income tax on unappropriated retained earnings	109	-
Income tax expense	$ 302,088	$ 351,052

Unappropriated retained earnings decreased by $5,052,343 due to the capital reorganization, and accordingly the Company did not recognize an additional 10% tax on respective unappropriated retained earnings for the year 2015. Information about the capital reorganization for the year 2016 is provided in Note 6(29).

C. The amounts of deferred tax assets or liabilities resulting from temporary differences are as follows:

	2017			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets				
Loss on inventories	$ 26,324	($ 17,192)	$ -	$ 9,132
Property, plant and equipment	80,869	(25,375)	-	55,494
Provisions	11,232	10,411	-	21,643
Deferred revenue	41,294	(1,809)	-	39,485
Net defined benefit liability	90,087	(2,994)	(8,642)	78,451
Unrealized exchange losses	-	8,167	-	8,167
Total	$ 249,806	($ 28,792)	($ 8,642)	$ 212,372
Deferred tax liabilities				
Property, plant and equipment	($ 78,388)	($ 95,905)	$ -	($ 174,293)
Unrealized exchange gains	(14,155)	14,155	-	-
Total	($ 92,543)	($ 81,750)	$ -	($ 174,293)
Information presented on balance sheet:				
Deferred tax assets	$ 249,806			$ 212,372
Deferred tax liabilities	($ 92,543)			($ 174,293)

	2016			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets				
Loss on inventories	$ 14,823	$ 11,501	$ -	$ 26,324
Property, plant and equipment	3,672	77,197	-	80,869
Provisions	16,473	(5,241)	-	11,232
Deferred revenue	50,423	(9,129)	-	41,294
Net defined benefit liability	86,719	(4,007)	7,375	90,087
Unrealized exchange losses	(5,843)	5,843	-	-
Total	$ 166,267	$ 76,164	$ 7,375	$ 249,806
Deferred tax liabilities				
Property, plant and equipment	$ -	($ 78,388)	$ -	($ 78,388)
Unrealized exchange gains	-	(14,155)	-	(14,155)
Total	$ -	($ 92,543)	$ -	($ 92,543)
Information presented on balance sheet:				
Deferred tax assets	$ 166,267			$ 249,806
Deferred tax liabilities	$ -			($ 92,543)

D. The Company has not recognized deductible and taxable temporary differences associated with investments as deferred tax assets and liabilities. As of December 31, 2017, the amounts of deductible and taxable temporary differences unrecognized as deferred tax assets and liabilities were $28,584 and $920,943, respectively. As of December 31, 2016, the amount of deductible temporary differences unrecognized as deferred tax assets was $534,568.

E. Please refer to Note 9 for the accrual of additional 10% tax on year 2016 unappropriated retained earnings.

F. The Company's income tax return through 2015 have been assessed and approved by the Tax Authority.

G. The Company's unappropriated retained earnings were all generated in and after 1998.

H. The balance of the imputation tax credit account was $1,192,119 as of December 31, 2016 and the creditable tax rate was 20.48%. With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated in February 2018, the information on the balance of the imputation tax credit account as of December 31, 2017, is no longer disclosed. Please refer to Note 11.

(28) Earnings per share

	2017		
Basic earnings per share	Amount after income tax	Weighted-average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
Profit attributable to:			
Equity holders of the Company	$ 3,026,528	846,686	$ 3.57
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares:			
Employees' bonuses		14,034	
Restricted shares		5,075	
Profit attributable to:			
Equity holders of the Company	$ 3,026,528	865,795	$ 3.50

	2016		
Basic earnings per share	Amount after income tax	Weighted-average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
Profit (loss) attributable to:			
Equity holders of the Company	$ 1,532,292		$ 1.78
Predecessors' interests under common control	(306,012)		(0.35)
	$ 1,226,280	859,644	$ 1.43
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares:			
Employees' bonuses		3,035	
Restricted shares		4,122	
Profit (loss) attributable to:			
Equity holders of the Company	$ 1,532,292		$ 1.76
Predecessors' interests under common control	(306,012)		(0.35)
	$ 1,226,280	866,801	$ 1.41

(29) Capital reorganization

A. To integrate resources, the Company's former parent company, ChipMOS Bermuda, was merged with and into the Company as of October 31, 2016, the record date of the Merger, with the latter being the surviving entity and ChipMOS Bermuda being the dissolved entity. Under the merger agreement, each shareholder of ChipMOS Bermuda is entitled to receive, with respect to each ChipMOS Bermuda share, 0.9355 units of the Company's newly-issued ADSs trading on the NASDAQ Global Select Market (each ADS unit represents 20 ordinary shares of the Company) and US$3.71 in cash. The Company paid US$101,657 thousand in cash (equivalent to $3,208,310) and issued 25,620,267 units of ADSs (representing 512,405 thousand ordinary shares of the Company) as the total consideration. In addition, the Company paid $133,311 in directly attributable transaction cost due to the Merger. As a result, the Company paid $3,341,621 in cash for the capital reorganization.

B. The Company issued 512,405 thousand shares for the capital reorganization, and reduced capital by cancelling 522,080 thousand shares originally held by ChipMOS Bermuda. After the Merger, the Company's shares net decreased by 9,675 thousand shares. When cancelling treasury stock, the Company deducted capital surplus equal to the proportion of cancelled shares. Due to the deficit in capital surplus, the Company deducted unappropriated retained earnings by $5,052,343.

C. As of October 30, 2016, the ending balance of "Predecessors' interests under common control" was $1,692,918, which represents ChipMOS Bermuda's net assets under the assumption it had always been combined. The amount has been eliminated as of the record date of the Merger.

(30) Operating lease commitments

A. The Company has entered into several operating lease contracts for land with Hsinchu and Southern Taiwan Science Park Bureaus. These renewable operating leases will expire by 2032 and 2034. In accordance with the lease contracts, Science Park Bureau reserves the right to adjust annual rents. Currently, the annual rents amount to $32,265.

B. Future aggregate minimum lease obligations payable under the aforementioned leases are as follows:

	December 31, 2017	December 31, 2016
Less than 1 year	$ 33,362	$ 33,821
1 to 5 years	130,032	134,201
More than 5 years	139,899	176,897
	$ 303,293	$ 344,919

(31) Supplemental cash flow information

Partial cash paid for investing activities

A. Property, plant and equipment

	2017	2016
Purchase of property, plant and equipment	$ 4,702,691	$ 3,123,263
Add: Beginning balance of payable on equipment	550,346	517,328
Beginning balance of payable on lease	40,602	-
Less: Ending balance of payable on equipment	(713,313)	(550,346)
Ending balance of payable on lease	(29,842)	(40,602)
Transfer from prepaid equipment (shown as “Other non-current assets”)	(139,304)	-
Cash paid during the year	$ 4,411,180	$ 3,049,643

B. Capital reorganization

	2017	2016
Net assets acquired from ChipMOS Bermuda	$ -	$ 12,987,736
Less: Issuance of new shares	-	(9,779,426)
Cash consideration	-	3,208,310
Directly attributable transaction cost	-	133,311
	$ -	$ 3,341,621

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

On October 31, 2016, the Company’s former parent company, ChipMOS Bermuda, was merged with and into the Company through a share exchange with the latter being the surviving entity and ChipMOS Bermuda being the dissolved entity. After the Merger, the Company has neither a parent company nor an ultimate controlling party.

(2) Names of related parties and relationship

Name	Relationship
ChipMOS USA	Subsidiary
JMC	Associate
ChipMOS Shanghai	Associate

(3) Significant related party transactions

A. Revenue

	2017	2016
ChipMOS Shanghai	$ 4,288	$ 1,613

There is no significant difference on the price and terms between related party transactions and non-related party transactions

B. Subcontracting fee

	2017	2016
ChipMOS Shanghai	$ 41,443	$ -

C. Service expense

	2017	2016
ChipMOS USA	$ 35,892	$ 41,666

D. Other receivables－related parties

	December 31, 2017	December 31, 2016
ChipMOS Shanghai	$ 4,534	$ 82,734

E. Other payables－related parties

	December 31, 2017	December 31, 2016
ChipMOS USA	$ 2,437	$ 3,016
JMC	36	-
	$ 2,473	$ 3,016

F. Disposal of property, plant and equipment

	2017		2016	
	Selling price	Gain on disposal	Selling price	Gain on disposal
ChipMOS Shanghai	$ 105,828	$ 75,571	$ 194,166	$ 106,795

G.Financing provided to related parties

	2017	2016
Interest income		
ChipMOS Shanghai	$ -	$ 13,202

The repayment date of the financing provided to ChipMOS Shanghai is within one year. Interest is calculated quarterly with an annual rate of 2.4%. The amount has been collected in July 2016.

H. Acquisition of financial assets

In June 2017, ChipMOS BVI participated in ChipMOS Shanghai's increase of paid-in capital based on its shareholding amounted to $1,373,486, please refer to Note 6(5).

I. Patent licensing agreement

(a) In May 2016, the Company and ChipMOS Shanghai entered into a patent licensing agreement. Under the agreement, ChipMOS Shanghai paid the Company a licensing fee in the aggregate total of US$2,500 thousand (amended to US$1,000 thousand in January 2017) which was accounted for as receipts in advance and long-term deferred revenue, and recognized royalty income for 10 years from the effective date. In addition, ChipMOS Shanghai shall pay the Company a running royalty for the foregoing license equivalent to 0.5% of the total revenue from the licensed products. Given that the related production lines of ChipMOS Shanghai have begun its operations in April 2017, the Company recognized royalty income henceforth. The Company recognized deferred revenue amounted to $27,916 and $81,537 as of December 31, 2017 and 2016; and royalty income amounted to $2,828 for the nine months then ended.

(b) In October 2011, ChipMOS Bermuda and ChipMOS Shanghai entered into a patent licensing agreement which has a term of 10 years starting from August 1, 2012. Under the agreement, ChipMOS Shanghai will pay ChipMOS Bermuda a royalty in the aggregate total of RMB 27,400 thousand, which was accounted as receipts in advance and payable in 40 quarterly installments of RMB 685 thousand. The rights and obligations of this agreement have been transferred to the Company on October 31, 2016. The Company recognized deferred revenue amounted to $1,039 as of December 31, 2017 and royalty income amounted to $12,266 for the year then ended. In year 2016, ChipMOS Bermuda recognized royalty income amounted to $11,334 for the ten-month period ended October 31, 2016, and the Company recognized royalty income amounted to $2,109 for the two-month period ended December 31, 2016.

(4) Key management personnel compensation

	2017	2016
Short-term employee benefits	$ 180,197	$ 139,778
Post-employment compensation	5,622	3,335
Share-based payments	18,736	100,028
	$ 204,555	$ 243,141

8. PLEDGED ASSETS

Pledged assets	Purpose	Carrying amount December 31, 2017	Carrying amount December 31, 2016
Property, plant and equipment			
- Land	Bank loan	$ 452,738	$ 452,738
- Buildings	Bank loan	3,919,086	4,077,755
- Machinery and equipment	Bank loan	2,792,265	3,490,412
Other non-current financial assets	Lease and bank loan	70,241	70,677
		$ 7,234,330	$ 8,091,582

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As described in Note 6(29), as of October 31, 2016, the Company merged with its former parent company, ChipMOS Bermuda and as a result, the Company deducted unappropriated retained earnings by $5,052,343. The Company has filed an application to the National Taxation Bureau of the Northern Area, Ministry of Finance to apply the accumulated deficit amount, resulted from subtracting the aforementioned amount, as a deduction in the calculation of years 2016 and 2015 additional 10% tax on unappropriated retained earnings.

(2) For information relating to operating leases, please refer to Note 6(30).

(3) Information relating to royalty transaction with related parties, please refer to Note 7(3)I.

(4) A letter of guarantee was issued by the Bank of Taiwan to the Tariff Bureau of the Ministry of Finance for making payment of customs-duty deposits when importing. As of December 31, 2017 and 2016, the amount of $97,500 and $131,000, respectively, were guaranteed by the Bank of Taiwan.

(5) Capital expenditures that are contracted for, but not provided for, are as follows:

	December 31, 2017	December 31, 2016
Property, plant and equipment	$ 2,178,262	$ 1,615,460

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(1) The amendment to the Income Tax Act has been approved and promulgated in February 2018 raising the profit-seeking enterprise income tax rate from 17% to 20%, decrease the tax rate on unappropriated retained earnings from 10% to 5%, and abandon the imputation tax credit account effective from fiscal year starting on January 1, 2018.

(2) In January 2018, ChipMOS BVI participated in ChipMOS Shanghai's increase of paid-in capital based on its shareholding amounted to $794,694.

(3) In order to adjust capital structure and increase returns of equity, the Company's Board of Directors adopted a resolution on March 15, 2018 to reduce capital stock and return cash of $1.5 (in dollars) per share to shareholders. The proposal will be further discussed in shareholders' meeting.

12. OTHERS

(1) As resolved during the special shareholders' meeting on January 28, 2016, the Company decided to invite strategic funding and agreed that the investor should be an entity which Tsinghua Unigroup Ltd. has substantial control over. Investment in the Company would be through a private placement in cash involving no more than 299,252 thousand shares of the Company. However, both parties subsequently agreed to terminate the aforementioned transaction after an amicable negotiation. On November 30, 2016, the Board of Directors of the Company approved the termination of the transaction as well as reported the matter to the general shareholders' meeting on May 26, 2017.

(2) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the liabilities to assets ratio. Total capital is shown as "equity" in the parent company only balance sheet, which is also equal to total assets minus total liabilities.

The liabilities to assets ratio at December 31, 2017 and 2016 were as follows:

	December 31, 2017	December 31, 2016
Total liabilities	$ 14,803,859	$ 14,519,098
Total assets	33,197,195	30,792,612
Liabilities to assets ratio	44.59%	47.15%

Compared to December 31, 2016, the liabilities to assets ratio decreased as of December 31, 2017 due to the acquisition of production equipment.

(3) Financial instruments

A. The Company's carrying amount of financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets, guarantee deposits, bank loans, accounts payable and other payables) are approximate to their fair values. The fair value of the financial instruments carried at cost cannot be measured reliably. Information about the financial instruments carried at cost is provided in Note 6(4).

The detailed information of financial instruments is provided in the respective notes to the financial statements.

B. Financial risk management policies

The Company's risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant financial transactions, a due approval process must be carried out by the Board of Directors based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

In order to minimize and manage financial risks, the Company's overall risk management programme focuses on analyzing, identifying, and evaluating financial risk factors that may potentially have adverse effects on the Company's financial position, and provide feasible solutions to avoid those factors.

C. Significant financial risks and degrees of financial risks

(a) Market risk

The Company's market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks comprise foreign currency risk, interest rate risk, and other price risks.

In practice, the risk variable rarely changes individually, and the change of each risk variable is usually correlative. The following sensitivity analysis did not consider the interaction of each risk variable.

<u>Foreign exchange risk</u>

i. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

ii. The Company applies natural hedges by using accounts receivable and accounts payable denominated in the same currency. However, this natural hedge does not concur with the requirement for hedge accounting. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

iii. The Company's foreign currency exposure gives rise to market risks associated with exchange rate movements against the NT dollar for cash and cash equivalents, accounts receivable, other receivables, bank loans, accounts payable and other payables.

iv. The Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2017		
	Foreign currency (in thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 198,178	29.7600	$ 5,897,777
JPY:NTD	798,254	0.2642	210,899
Financial liabilities			
Monetary items			
USD:NTD	$ 16,091	29.7600	$ 478,868
JPY:NTD	1,071,432	0.2642	283,072

	December 31, 2016		
	Foreign currency (in thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 178,396	32.2500	$ 5,753,271
JPY:NTD	517,114	0.2756	142,517
Financial liabilities			
Monetary items			
USD:NTD	$ 7,887	32.2500	$ 254,356
JPY:NTD	550,456	0.2756	151,706

v. The total exchange gain (loss), including realized and unrealized gains (losses) arising from significant foreign exchange variations on monetary items held by the Company for the years ended December 31, 2017 and 2016, amounted to ($416,954) and ($194,846), respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variations:

	2017				
	Change in exchange rate	Effect on profit (loss)		Effect on other comprehensive income	
Financial assets					
Monetary items					
USD:NTD	5%	$	294,889	$	-
JPY:NTD	5%		10,545		-
Financial liabilities					
Monetary items					
USD:NTD	5%	$	23,943	$	-
JPY:NTD	5%		14,154		-

	2016				
	Change in exchange rate	Effect on profit (loss)		Effect on other comprehensive income	
Financial assets					
Monetary items					
USD:NTD	5%	$	287,664	$	-
JPY:NTD	5%		7,126		-
Financial liabilities					
Monetary items					
USD:NTD	5%	$	12,718	$	-
JPY:NTD	5%		7,585		-

Interest rate risk

i. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's bank loans with floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate bank loans. The Company reassesses the hedge management periodically to make sure it complies with the cost effectiveness.

ii. The sensitivity analysis depends on the exposure of interest rate risk at the end of the reporting period.

iii. Analysis of debt with floating interest rates is based on the assumption that the outstanding debt at the end of the reporting period is outstanding throughout the period. The degree of variation the Company used to report to internal management is increase or decrease of 1% in interest rates which is assessed as the reasonable degree of variation by the management.

iv. As of December 31, 2017 and 2016, it is estimated that a general increase or decrease of 1% in interest rates, with all other variables held constant, would decrease or increase the Company's profit approximately by $106,447 and $108,000, respectively, mainly due to the Company's floating rate on bank loans.

(b) Credit risk

i. Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. As of December 31, 2017 and 2016, the Company is exposed to credit risk arises from the carrying amount of the financial assets recognized in the parent company only balance sheet.

ii. The Company is exposed to credit risk from its operating activities (primarily notes and accounts receivable) and from its financing activities (primarily deposits with banks and financial instruments).

iii. Each business unit performs ongoing credit evaluations of its debtors' financial conditions according to the Company's established policies, procedures and controls relating to customer credit risk management. The Company maintains an account for allowance for doubtful receivables based upon the available facts and circumstances, history of collection and write-off experiences of all trade and other receivables which consequently minimize the Company's exposure to bad debts.

iv. Credit risk from balances with banks and financial institutions is managed by the Company's finance unit in accordance with the Company's policies. The counterparty of the Company is determined through its internal controls policy. For banks and financial institutions, only parties rated above BBB+ by Taiwan Ratings are accepted. The probability of counterparty default is remote, so there is no significant credit risk.

(c) Liquidity risk

i. The Company manages and maintains adequate cash and cash equivalents to finance the Company's operations, and minimize the impact from cash flow fluctuations. The Company also monitors its debt financing plans to ensure it is in compliance with the financial covenants required under its loan agreements.

ii. The primary source of liquidity for the Company is from bank loans. See Notes 6(7) and (11) for details of the unused credit lines of the Company as of December 31, 2017 and 2016.

iii. The table below summarizes the maturity profile of the Company's non-derivative financial liabilities based on the earliest repayment dates and contractual undiscounted payments, including principal and interest. The Company does not consider the probability of early repayments requested by the banks.

	December 31, 2017				
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Short-term bank loans	$ 971,813	$ -	$ -	$ -	$ 971,813
Accounts payable (including related parties)	688,186	-	-	-	688,186
Other payables (including related parties)	2,631,574	-	-	-	2,631,574
Long-term bank loans (including current portion)	2,321,459	5,876,483	1,863,784	-	10,061,726
Lease obligations payable	12,266	18,266	-	-	30,532
Guarantee deposits	-	-	-	1,371	1,371
	$ 6,625,298	$ 5,894,749	$ 1,863,784	$ 1,371	$ 14,385,202

	December 31, 2016				
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Accounts payable	$ 825,062	$ -	$ -	$ -	$ 825,062
Other payables (including related parties)	1,965,388	-	-	-	1,965,388
Long-term bank loans (including current portion)	1,272,266	4,605,936	5,504,353	-	11,382,555
Lease obligations payable	12,000	30,000	-	-	42,000
Guarantee deposits	-	-	-	1,404	1,404
	$ 4,074,716	$ 4,635,936	$ 5,504,353	$ 1,404	$ 14,216,409

The difference between the floating interest rates and estimated interest rates will affect the non-derivative financial assets and liabilities stated above.

(4) Fair value information

There were no financial instruments and non-financial instruments measured at fair value as of December 31, 2017 and 2016.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Financings provided: None.

B. Endorsements and guarantees provided: There were no endorsements and guarantees provided by the Company. For information related to the Company's letter of guarantee for duty, please refer to Note 9(4).

C. Marketable securities held at the end of the period (not including subsidiaries, associates and joint ventures):

Held company name	Marketable securities type and name	Relationship with the company	General ledger account	As of December 31, 2017 Number of shares	Carrying amount	Ownership (%)	Fair value	Note
The Company	RYOWA CO., LTD.	N/A	Non-current financial assets carried at cost	420	$ 9,950	18.12	N/A	
The Company	CONNECTEC JAPAN Corporation	N/A	Non-current financial assets carried at cost	56,497	-	4.28	N/A	
ChipMOS BVI	Shanghai Zuzhu Business Consulting Partnership (Limited Partnership) ("Zuzhu")	N/A	Non-current financial assets carried at cost	-	4,376	5.10	N/A	
ChipMOS BVI	Shanghai Zuzhan Business Consulting Partnership (Limited Partnership) ("Zuzhan")	N/A	Non-current financial assets carried at cost	-	2,188	13.42	N/A	
ChipMOS BVI	Shanghai Zuchen Business Consulting Partnership (Limited Partnership) ("Zuchen")	N/A	Non-current financial assets carried at cost	-	2,188	11.34	N/A	
ChipMOS BVI	Shanghai Guizao Business Consulting Partnership (Limited Partnership) ("Guizao")	N/A	Non-current financial assets carried at cost	-	2,188	11.85	N/A	

D. Marketable securities acquired or disposed of with accumulated amount exceeding the lower of $300 million or 20% of the paid-in capital:

					Balance as of January 1, 2017		Addition		Disposal				Balance as of December 31, 2017	
Investor	Marketable securities type and name	General ledger account	Counterparty	Relationship with the investor	Number of shares/units (in thousands)	Amount	Number of shares/units (in thousands)	Amount	Number of shares/units (in thousands)	Selling price	Book value	Gain (loss) on disposal	Number of shares/units (in thousands)	Amount
The Company	Cathay Taiwan Money Market Fund	Note 1	N/A	N/A	-	$ -	36,372	$ 450,000	36,372	$ 450,136	$ 450,000	$ 136	-	$ -
The Company	UPAMC James Bond Money Market Fund	Note 1	N/A	N/A	-	-	27,126	450,000	27,126	450,226	450,000	226	-	-
ChipMOS BVI	ChipMOS Shanghai's equity	Investments accounted for using equity method	Tibet Unigroup Guowei Investment Co., Ltd. and other strategic investors	N/A	Note 2	2,440,884	Note 2	1,373,486	Note 2	2,166,151	1,166,521	999,630	Note 2	3,066,160

Note 1: Accounted for as "Financial assets at fair value through profit and loss".

Note 2: Limited company, hence does not issue common stock.

E. Acquisition of real estate properties with amount exceeding the lower of $300 million or 20% of the paid-in capital: None.

F. Disposal of real estate properties with amount exceeding the lower of $300 million or 20% of paid-in capital: None.

G. Purchases from or sales to related parties with amount exceeding the lower of $100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties with amount exceeding the lower of $100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods:

				Transaction			
Number	Company name	Counterparty	Relationship	General ledger account	Amount	Transaction terms	Percentage of consolidated total revenues or total assets (%)
0	The Company	ChipMOS USA	Note	Service expense	$ 35,892	-	-
0	The Company	ChipMOS Shanghai	Note	Gain on disposal of property, plant and equipment	55,330	-	-

Note: Represents the transactions from parent company to subsidiary.

(2) Information on investees

Names, locations and related information of investees (excluding information on investments in the P.R.C.):

				Original investment amount		Shares held as of December 31, 2017					
Investor	Investee	Location	Main business activities	Ending balance	Beginning balance	Number of shares	Ownership (%)	Carrying amount	Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognized for the year ended December 31, 2017	Note
The Company	ChipMOS USA	San Jose, USA	Research, development and marketing of semiconductors, circuits, electronic related products	$ 217,918	$ 217,918	3,550,000	100	$ 227,573	$ 2,790	$ 2,790	
The Company	JMC	Kaohsiung, Taiwan	Manufacturing, processing and trading of high-end flexible IC substrates for display driver ICs	315,164	315,164	19,100,000	19.10	373,276	4,413	789	Note
The Company	ChipMOS BVI	British Virgin Islands	Holding company	2,983,432	2,983,432	2,370,242,975	100	3,826,308	1,524,242	1,524,429	

Note: Company's associate accounted for using the equity method.

(3) Information on investments in the P.R.C.

A. Basic information:

Investee in P.R.C.	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to P.R.C.as of January 1, 2017	Amount remitted from Taiwan to P.R.C./ Amount remitted back to Taiwan for the year ended December 31, 2017		Accumulated amount of remittance from Taiwan to P.R.C. as of December 31, 2017	Net income (loss) of investee for the year ended December 31, 2017	Ownership (%) held by the Company (directly or indirectly)	Investment income (loss) recognized for the year ended December 31, 2017	Carrying amount of investments in P.R.C. as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan through December 31, 2017	Note
					Remitted to P.R.C.	Remitted back to Taiwan							
ChipMOS Shanghai	Semiconductor assembling and testing services	$ 9,051,779	Note 1	$ 2,885,586	$ -	$ -	$ 2,885,586	($ 348,472)	45.02	($ 265,859)	$3,066,160	$ -	Notes 2, 3
Zuzhu	Business consulting services	87,139	Note 1	-	-	-	-	12	5.10	-	4,376	-	
Zuzhan	Business consulting services	16,606	Note 1	-	-	-	-	(9)	13.42	-	2,188	-	
Zuchen	Business consulting services	19,673	Note 1	-	-	-	-	10	11.34	-	2,188	-	
Guizao	Business consulting services	18,810	Note 1	-	-	-	-	10	11.85	-	2,188	-	

Note 1: Through investing in an existing company (ChipMOS BVI) in the third area, which then invested in the investee in P.R.C..

Note 2: The financial statements that are audited by the Company's independent accountants.

Note 3: On November 30, 2016, the Company's Board of Directors approved ChipMOS BVI's disposal of 54.98% interests of its subsidiary, ChipMOS Shanghai. The transaction was completed in March 2017. Detailed information is provided in Note 6(5).

Company name	Accumulated amount of remittance from Taiwan to P.R.C. as of December 31, 2017	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs ("MOEA")	Limit on investments in P.R.C. imposed by the Investment Commission of MOEA
The Company	$2,885,586	$2,885,586	$11,036,002

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the P.R.C.: None.

ChipMOS TECHNOLOGIES INC.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand and petty cash		$ 470
Bank savings:		
Checking accounts		1,563
Demand deposits		1,534,060
Demand deposits – foreign currencies	USD 52,442 thousand, exchange rate 29.76	1,782,334
	JPY 796,301 thousand, exchange rate 0.2646	
	RMB 2,467 thousand, exchange rate 4.565	
Time deposits	Interest rates: 0.13%~1.86%.	3,673,680
		$ 6,992,107

ChipMOS TECHNOLOGIES INC.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

Name of the clients	Description	Amount	Note
Non-related parties:			
Company A		$ 893,274	
Company C		481,198	
Company K		442,702	
Company M		432,117	
Company G		259,177	
Company D		219,434	
Others		1,285,803	None of the individual customers' owing balances exceed 5% of the ending balance of this account.
		4,013,705	
Less: Allowance for impairment losses		-	
		$ 4,013,705	

ChipMOS TECHNOLOGIES INC.
STATEMENT OF INVENTORIES
DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Cost	Net realizable value	
Raw material		$ 1,769,917	$ 1,719,661	
Work in progress		180,252	280,887	
Finished goods		32,784	62,492	
		1,982,953	$ 2,063,040	
Less: Allowance for impairment losses		(53,714)		
Inventories, net		$ 1,929,239		

ChipMOS TECHNOLOGIES INC.
STATEMENT OF CHANGES IN FINANCIAL ASSETS CARRIED AT COST - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

	Balance as of January 1, 2017		Increases		Decreases		Balance as of December 31, 2017			
Name	Shares (in thousands)	Book value	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Book value	Collateral or pledge	Note
Tashee Golf & Country Club (Note 1)	-	$ 10	-	$ -	-	($ 10)	-	$ -	None	
CONNECTEC JAPAN Corporation	56	28,584	-	-	-	-	56	28,584	None	
RYOWA CO., LTD.	-	9,950	-	-	-	-	-	9,950	None	
VIGOUR TECHNOLOGY Corporation	2,361	41,336	-	-	(2,361)	(41,336)	-	-	None	
		79,880		-		(41,346)		38,534		
Less: Accumulated impairment		(69,920)		-		41,336		(28,584)		
		$ 9,960		$ -		($ 10)		$ 9,950		

Note 1: Preferred share.

ChipMOS TECHNOLOGIES INC.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

	Balance as of January 1, 2017		Increases (Note 1)		Decreases (Note 2)		Other Adjustments (Note 3 and 4)	Balance as of December 31, 2017			Market price or Equity	
Name	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Amount	Shares (in thousands)	Percentage of ownership	Amount	Unit Price	Total price
JMC	19,100	$ 369,329	-	$ 789	-	($ 14,325)	$ 17,483	19,100	19.10%	$ 373,276	$ 60.50	$ 1,155,550
ChipMOS BVI	2,370,243	2,399,381	-	1,640,706	-	-	(213,779)	2,370,243	100%	3,826,308	1.62	3,826,308
ChipMOS USA	3,550	243,656	-	2,790	-	-	(18,873)	3,550	100%	227,573	64.11	227,573
		3,012,366		1,644,285		(14,325)	(215,169)			4,427,157		
Less: Accumulated impairment		-		-		-	-			-		
		$ 3,012,366		$ 1,644,285		($ 14,325)	($ 215,169)			$ 4,427,157		

Note 1: Includes increase in share of profit of subsidiaries and associate of $1,528,008 and amortization of downstream transactions of $116,277.

Note 2: Includes decrease in cash dividend paid by JMC of $14,325.

Note 3: In January 2017, the company did not participate in the capital increase of JMC, which reduced the Company's shareholding from 21.22% to 19.10%. As a result of the change in holding percentage, the company recognized capital surplus from long-term investment amounted to $16,929. Information is provided in Note 6(5).

Note 4: Includes other adjustments of exchange differences from translation of foreign operations of ($232,652), unrealized gain on valuation of available-for-sale financial assets of $678 and recognition of remeasurements of defined benefit plans of ($124).

ChipMOS TECHNOLOGIES INC.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

Item	Balance as of January 1, 2017	Additions	Disposals	Reclassifications	Balance as of December 31, 2017	Collateral
Cost						
Land	$ 452,738	$ -	$ -	$ -	$ 452,738	See Note 8
Buildings	9,490,601	211,098	(33,129)	141,400	9,809,970	See Note 8
Machinery and equipment	43,676,084	2,007,767	(1,304,241)	1,394,792	45,774,402	See Note 8
Tools	3,531,610	571,601	(53,838)	(44,670)	4,004,703	None
Others	2,376,679	195,957	(206,247)	252,528	2,618,917	None
Construction in progress and equipment to be inspected	996,501	1,716,268	-	(1,744,050)	968,719	None
	60,524,213	$ 4,702,691	($ 1,597,455)	$ -	63,629,449	
Accumulated depreciation						
Buildings	(5,412,846)	($ 511,167)	$ 33,129	$ -	(5,890,884)	
Machinery and equipment	(36,427,234)	(1,837,606)	1,274,174	140,828	(36,849,838)	
Tools	(3,097,627)	(357,695)	51,536	89,552	(3,314,234)	
Others	(1,737,379)	(192,617)	170,441	(230,380)	(1,989,935)	
	(46,675,086)	($ 2,899,085)	$ 1,529,280	$ -	(48,044,891)	
Accumulated impairment						
Machinery and equipment	(111,218)	$ -	$ -	$ -	(111,218)	
Others	(242,223)	-	33,942	(956)	(209,237)	
	(353,441)	$ -	$ 33,942	($ 956)	(320,455)	
Book value	$ 13,495,686				$ 15,264,103	

ChipMOS TECHNOLOGIES INC.
LONG-TERM BANK LOANS
DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

Creditor	Description	Amount	Period	Range of interest rate	Collateral	Note
Land Bank of Taiwan and others	Syndicated bank loans	$ 9,675,301	June 30, 2016 ~ June 30, 2021	1.7895%	See Note 8	
	Less: Fee on syndicated bank loan	(33,280)				
	Current portion	(2,143,168)				
		$ 7,498,853				

ChipMOS TECHNOLOGIES INC.
STATEMENT OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

Item	Quantity (in thousands)	Amount	Note
Testing			
Memory	2,144,232	$ 4,007,079	
Logic/mixed-signal	306,805	859,252	
Total testing		$ 4,866,331	
Assembly			
Memory	1,167,122	$ 4,382,992	
Logic/mixed-signal	1,211,384	907,291	
Total assembly		$ 5,290,283	
LCDD			
Total LCDD	1,703,231	$ 4,828,439	
Bumping			
Total bumping	1,260	$ 3,065,901	
Less: Sales allowance		(109,852)	
Net revenue		$ 17,941,102	

ChipMOS TECHNOLOGIES INC.
STATEMENT OF COST OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

Item	Amount
Raw material at January 1, 2017	$ 1,787,810
Raw material purchased	4,273,023
Less: Raw material at December 31, 2017	(1,769,917)
Raw material sold	(18,032)
Transfer to research and development expenses	(14,302)
Transfer to operating expenses	(1,184,108)
Scrap of raw material	(38,301)
Return of customer borrowings	177
Consumption of raw material for the year	3,036,350
Direct labor	2,533,578
Manufacturing expenses	9,038,243
Manufacturing costs of the year	14,608,171
Add: Work in progress at January 1, 2017	190,823
Less: Work in progress at December 31, 2017	(180,252)
Costs of finished goods for the year	14,618,742
Add: Finished goods at January 1, 2017	54,190
Less: Finished goods at December 31, 2017	(32,784)
Production costs for the year	14,640,148
Deficiency compensation	108,945
Raw material sold	18,032
Scrap of raw material	38,301
Reversal of impairment losses on inventories	(101,127)
Total cost of revenue	$ 14,704,299

ChipMOS TECHNOLOGIES INC.
STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Sales and marketing expenses		
Salaries and wages	$ 36,532	
Services fees	35,892	
Export fees	5,562	
Others	22,304	None of the individual item exceeds 5% of this account
	$ 100,290	
Administrative and general expenses		
Salaries and wages	$ 314,399	
Professional service expenses	64,237	
Insurance fees	26,968	
Others	97,852	None of the individual item exceeds 5% of this account
	$ 503,456	
Research and development expenses		
Salaries and wages	$ 725,035	
Insurance fees	56,419	
Others	204,419	None of the individual item exceeds 5% of this account
	$ 985,873	

VI. Explanations Regarding Impacts on Company's Financial Status in the Event that the Company or its Affiliates Have Financial Difficulties: None.

VII. Review of Financial Status, Financial Performance and Risk Management

I. Analysis of Financial Status: (consolidated financial statements)

Unit: NT$ thousands

Item \ Year	2017	2016	Change	
			Amount	%
Current assets	14,200,980	16,895,957	(2,694,977)	(15.95)
Property, plant and equipment	15,265,311	13,497,218	1,768,093	13.10
Other assets	3,793,651	902,785	2,890,866	320.22
Total assets	33,259,942	31,295,960	1,963,982	6.28
Current liabilities	6,670,608	4,664,500	2,006,108	43.01
Non-current liabilities	8,195,998	10,357,946	(2,161,948)	(20.87)
Total liabilities	14,866,606	15,022,446	(155,840)	(1.04)
Capital stock	8,862,971	8,869,663	(6,692)	(0.08)
Capital surplus	6,288,377	6,888,826	(600,449)	(8.72)
Retained earnings	4,237,941	1,424,638	2,813,303	197.47
Treasury stock	(1,007,654)	(1,007,654)	-	-
Other equity interest	11,701	98,041	(86,340)	(88.07)
Equity attributable to equity holders of the Company	18,393,336	16,273,514	2,119,822	13.03

Analysis for changes exceeding 20%:

1. Other assets increased mainly due to the disposal of a subsidiary and then excluded it from consolidated financial statements and recorded as investment accounted for using equity method in 2017.
2. Current liabilities increased mainly due to the increase of short-term bank loans and current portion long-term bank loan in 2017.
3. Non-current liabilities decreased mainly due to the decrease of long-term bank loans in 2017.
4. Retained earnings increased mainly due to the increase of discontinued operations income from the disposal of a subsidiary in 2017.
5. Other equity decreased mainly due to the decrease of equity directly related to non-current assets held for sale in 2017.

II. Analysis of Financial Performance: (consolidated financial statements)

(I)Operating Results Comparative Analysis:

Unit: NT$ thousands

Item \ Year	2017	2016	Change	
			Amount	%
Revenue	17,940,855	18,387,593	(446,738)	(2.43)
Cost of revenue	(14,703,729)	(14,745,472)	41,743	(0.28)
Gross profit	3,237,126	3,642,121	(404,995)	(11.12)
Operating expenses	(1,690,079)	(1,733,852)	43,773	(2.52)
Other income (expenses), net	692,834	90,306	602,528	667.21
Operating profit	2,239,881	1,998,575	241,306	12.07
Non-operating income (expenses)	(724,394)	(298,140)	(426,254)	142.97
Profit before income tax	1,515,487	1,700,435	(184,948)	(10.88)
Income tax expense	(303,912)	(352,050)	48,138	(13.67)
Profit (loss) for the year from discontinued operations	1,814,953	(122,105)	1,937,058	(1,586.39)
Profit for the year	3,026,528	1,226,280	1,800,248	146.81
Other comprehensive income (loss), net of income tax	(189,902)	(236,421)	46,519	(19.68)
Total comprehensive income for the year	2,836,626	989,859	1,846,767	186.57

Analysis for changes exceeding 20%:

1.Other income (expenses), net increased mainly due to the increase of insurance compensation income and gain on disposal of property, plant and equipment in 2017.

2.Non-operating expenses, net increased mainly due to the increase of foreign exchange loss and share of loss of associates and joint ventures accounted for using equity method in 2017.

3.Profit for the year from discontinued operations, profit for the year and total comprehensive income for the year increased mainly due to the increase of discontinued operations income from the disposal of a subsidiary in 2017.

(II) Sales Volume Forecast and Effect of Changes on the Company's Future Business and Future Response Actions :

Please refer to "I. Letter to Shareholders".

III. Analysis of Cash Flow

(I) Cash Flow Analysis for the Current Year

Item \ Year	2017	2016	Increase (decrease) ratio
Cash flow ratio (%)	71.26%	79.07%	(9.88%)
Cash flow adequacy ratio (%)	101.68%	113.79%	(10.64%)
Cash reinvestment ratio (%)	5.21%	2.58%	101.94%

Analysis and explanation for changes exceeding 20%:

Cash reinvestment ratio: Mainly due to increase in capital expenditures in 2017.

(II) Remedial Plan for Liquidity Shortage: None

(III) Company's Cash Liquidity Analysis for the Coming Year

Unit: NT$ thousands

Opening cash balance	Net cash flow provided by operating activities	Annual cash outflow	Cash balance amount	Remedial actions for cash deficit	
				Investment plan	Financial plan
6,992,107	4,471,526	7,016,664	4,446,969	－	－

1. Analysis on the cash flow changes for the coming year :
 (1) Operating activities $4,471,526: Due to operating profit estimated.
 (2) Investing activities ($4,655,529): Mainly due to the acquisition of operating equipment.
 (3) Financing activities ($2,361,135): Mainly due to the repayment of bank loans and payment of cash dividend.
2. Remedial action for cash deficit and liquidity analysis: Not applicable.

IV. Major Capital Expenditure Items

Major Capital Expenditure Items and Source of Capital:

Unit:NT$ thousands

Project	Actual or expected source of funds	Total actual funding need	Actual or expected status of use	
			2017	2018
Plant and equipment	Own funds or bank loan	9,208,832	4,702,690	4,506,142

V. Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

The Company and its subsidiaries' investments in the most recent year, accounted for using equity method, were all made for long-term strategic purposes and to enhance our international market competitiveness. Each investment was made with prudent evaluation. The Company and its subsidiaries recognized its share of loss of investments accounted for using equity method amount to NT$179,471 thousand for the year of 2017. The loss from the investments accounted for using equity method mainly due to part of them are under the initial stage of development and expansion and the capacity utilization does not achieve economic scale. The Company and its subsidiaries will continue to give guidance in accelerating investees to reach the profit goal.

VI. Analysis of Risk Management

(I) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures of the Most Recent Year and as of the Publication Date of the Annual Report

(1) Interest rate

The borrowings of the Company and its subsidiaries are mainly generated for the purposes of operating activities, and interest rate risks are mainly derived from floating rate borrowings. However, as the Company acquired better rates at the time of such borrowings, and thus rate changes are not expected to produce much impact on the Company's operations. The Company will keep an eye on the interest rate fluctuation, maintain good rapport with correspondent banks, and assess loan interest rate and average market interest rate periodically to lower the impact of interest rate changes on the Company's profit.

(2) Exchange rate

A. Impact of exchange rate on the Company's revenue and profit

The major foreign currency-denominated sales of the Company and its subsidiaries are denominated in US dollars, while the major raw material and machinery equipment are partial denominated in US dollars or Japanese yen. Therefore, accounts receivable charge against accounts payable for foreign currency-denominated will bring part of nature hedge effect. However, exchange gain or loss may arise when exchanging such funds to New Taiwan Dollars. Thus, exchange rate changes may have impacts on the Company's revenue and profit.

B. Countermeasures

The exchange rate fluctuation of foreign currency assets and liabilities of the Company and its subsidiaries is based in nature hedge, supplemented with the related hedge management measures as follows to serve as short-term response:

(A) The finance department will monitor international exchange rate changes from time to time, and gather the related information of exchange rate changes at all times to grasp the trend of international exchange rate changes. The finance department will also conduct timely exchange pursuant to the Company's needs of funds to lower the risk exposure of exchange rate changes.

(B) With the characteristic of nature hedge, the Company will use foreign currency liabilities to balance foreign currency assets. Further, the Company will also use bank loan and other methods to adjust the ratio of foreign currency assets and liabilities. Such actions may help the Company to lower the impact of exchange rate changes.

(3) Inflation

The Company and its subsidiaries will keep constant watch of market price fluctuation of raw material and keep looking for substitutive materials. Also, the Company and its subsidiaries will provide relevant information to Company's management team as a basis for review and decision making. The Company and its subsidiaries will also keep good interactive relationship with suppliers and customers to enhance the response to cost changes, and proceed with further negotiate regarding purchases and prices in order to avoid adverse impact of inflation on the Company.

(II) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions:

The Company and its subsidiaries do not engage in any high-risk, high-leverage investment. The Company's derivatives transactions are strictly for hedging the risk of exchange rate changes of the Company's assets and liabilities denominated in foreign currency and are all under the Company's control. Every banking transaction is handled in accordance with the operation process of derivatives transactions provided in our "Operational Procedures for Acquisition or Disposal of Assets" and "Authority Table of Finance Operation Authorization and Approval."

As of the date of publication of this annual report, the Company and its subsidiaries have not lent loans nor make endorsement/guarantee to others. Only for the Company's operation activities for customs tariff endorsement guarantee amounted to NT$97,500 thousand.

(III) Future Research & Development Projects and Corresponding Budget:

(1) R&D projects in the future

The Company and its subsidiaries have been established in line with "R&D-based" objective, focusing on advanced R&D and production problem solving of assembly and testing business. Every year we will devote in R&D regarding various issues in mechanism, material, electronic and other related domain in order to provide customers with all round information. 3C products have to be possessed of the characters of light, thin, short and small for mobile platform and prevalence stretching over different applicable electronic products, such as touch panel controller IC, power management IC, biometrics authentication (such as fingerprint sensor) etc. Therefore, further advanced multi-chip assembly technologies have become a basic equipment to achieve full-scale integration.

The assembly and testing houses need build up the state of the art capabilities and develop the R&D technologies to provide customers with effective solutions and to maintain the market competitiveness. Thus, the Company and its subsidiaries are keeping enhancing investments in core technologies and working toward R&D in advanced technologies regarding assembly and testing. The Company and its subsidiaries have put a lot of effort on R&D over decades, and the achievement should be attributed to the professional skills of the engineers and their accumulated experiences. Their appropriate control of materials and improvement in equipment also helped in reducing production costs. In addition, the Company and its subsidiaries conducted an industry, research institution and university co-development project to jointly research and develop in next generation advanced assembly and testing technologies. The Company and its subsidiaries will align customer's product development schedule and technology development roadmap by more aggressive R&D development resource. Meanwhile, the involved R&D resource also could enhance the core technology capability and expand the new business opportunity. Based on the foregoing, the Company and its subsidiaries have the self-confidence to be the pioneer in the assembly and testing industry.

(2) New products (services) planned to be developed

The Group not only plans to keep increasing capacity of assembly and testing services for high-end memory, but also plans to expand capability regarding the assembly and testing services for the following products:

A. Develop assembly technologies regarding 5S molded WLCSP;

B. Develop assembly technologies regarding Flip Chip to flexible substrate and implement applications in memory and mixed-signal products:

C. Continuously develop assembly technologies regarding next-generation products of biometrics authentication and implement fingerprint sensor products;

D. Continuously provide the assembly and testing services of multi-chip integration product, i.e., MCP(multi-chip package) for high density flash memory and integrated multi-chip product;

E. Stacked-Die packing services for high density flash memory products;

F. Wafer Level CSP (Wafer Level Chip-Scale Package) packaging services for consuming and communication;

G. Develop multi-Cu RDL layers (3P2M) bumping capability and Stacked-Die packaging services regarding Cu RDL chips;

H. Wafer probing services regarding Cu pillar bumping wafers and solder ball bumping wafers;

I. Continue to develop COF SMT capability to meet the requirement of sub-system module.

(3) Estimated R&D expenditure

The estimated R&D expenditure of the Company and its subsidiaries are gradually recognized in accordance with the developing progress of new products and technologies, and will maintain a certain rate of growth based on future operating conditions to ensure the competitiveness of the Company and its subsidiaries.

(IV) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales:

The Company and its subsidiaries' financial status are not affected by major changes in domestic and foreign government policies and laws in recent years. Nevertheless, since the rules and regulations of the Company and its subsidiaries are stipulated and enforced with the relative laws and regulations, if there is any amendment, the Company and its subsidiaries will amend and renew their rules and regulations in accordance with such amendment.

(V) Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales:

The industry, products and technologies which the Company and its subsidiaries now engaged are changing rapidly, requiring the Company to not only introduce advanced process technologies but also enhance the partnership of the strategic alliance with upstream and downstream vendors of the supply chain. The Company and its subsidiaries shall devote to acquiring and developing advanced process technologies, obtain strategic cooperative alliance with major material suppliers and customers, and enhance marketing channel to make a diverse development in products and customers. As for financial operation, the Company and its subsidiaries shall aim at the characteristic of business to strengthen the management of cash flow and to maintain adequate financial structure to disperse operating risks.

(VI) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company’s Response Measures:

The Company and its subsidiaries maintained an excellent corporate image by operating with integrity and complying with the relevant laws and regulations. Up to date, there has been no event that adversely impact in the corporate image of the Company and its subsidiaries.

(VII) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.

(VIII) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans:

The layout of plant of the Company and its subsidiaries is according to fill up current capacity first and consider the necessary to satisfy the future needs of customers and market development trend. Expansion of the plant of the Company and its subsidiaries has been completely and prudently evaluated by responsible departments. Investment recovery and possible risks have also been taken into consideration.

(IX) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:

(1) Purchases

The Company and its subsidiaries duly evaluate the financial and operating status of our major suppliers. Purchases of major raw materials are generally purchased from two or more suppliers except in the event that such materials shall be purchased from suppliers certified or designated by customers. Our suppliers are all well-known manufacturers from home or abroad. We keep long-term partnership with all the suppliers in order to assure a steady purchase. We also develop substitute materials and suppliers to increase the flexibility of supply sources. In view of the impact of the serious earthquake in northeast Japan on the material supply, we take the location of suppliers' manufacturing facilities into account in order to disperse risks of purchase concentration and to enhance the integrity and reliability of supply chain.

(2) Sales

The Company and its subsidiaries are the second largest assembly and testing house for LCD display driver IC in Taiwan and have deeply ploughed the assembly and testing services in semiconductor back-end processes industry. The major business lies in providing assembly and testing services for MF/HF memory, high density memory, LCD display driver IC, communication IC, and logic/mixed-signal IC etc. The major customers include semiconductor design companies, integrated device manufacturers and semiconductor IC Fabs at home and abroad. Sales made to the top 10 customers of the Company and its subsidiaries respectively accounted for 81.6%, 83.4% and 85.2% of the net revenue for each year from 2015 to 2017. Sales made to the top 10 customers in each season were very stable and no sales made to any singular customer or group accounted for over 30% of all sales. Therefore, the Company and its subsidiaries do not run the risk of over-concentration in sales. Further, the Company and its subsidiaries will not only keep providing fine services for solutions and technical support to customers, but will also maintain a well and long-term relationship with existing customers. We will also further devote to win new customers that engage in logic/mixed-signal IC and consumer IC products in order to reduce risks associated with sales concentration.

(X) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: None.

(XI) Effects of, Risks Relating to and Response to the Changes in Management Rights:

In the most recent year and as of the publication date of this annual report, there was no such situation. This section is thus not applicable.

(XII) Litigation or Non-litigation Matters:

1. Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.
2. Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.

(XIII) Other Major Risks: None.

VII. Special Disclosure: None.

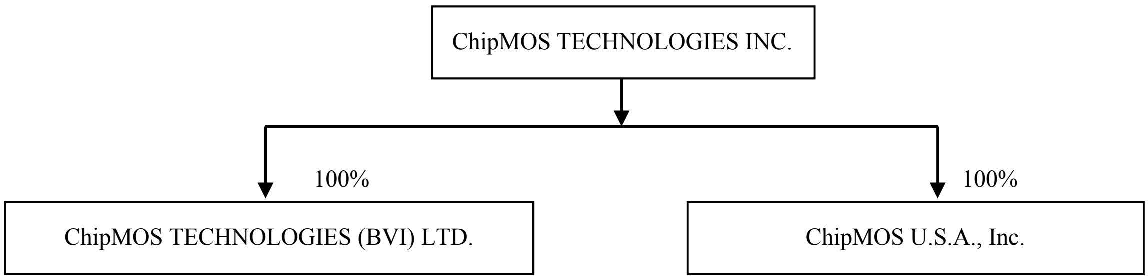
VIII. Other Special Disclosure

I Summary of Affiliated Companies

(I)Consolidated Business Report of Affiliated Enterprises:

1. Affiliated Companies Chart

December 31, 2017



2. Affiliated Companies Profile

December 31, 2017

Company Name	Date of Incorporation	Location	Paid-in Capital	Major Business Activities
ChipMOS U.S.A., Inc.	October 25, 1999	San Jose, USA	US$7,100 thousand (NT$217,918 thousand)	Research, development and marketing of semiconductor, circuits, electronic related products
ChipMOS TECHNOLOGIES (BVI) LTD.	January 29, 2002	British Virgin Islands	NT$5,868,930 thousand	Holding Company

3. Shareholders in Common of the Company and Its Subsidiaries with Deemed Control and Subordination: None.

4. Business Scope of the Company and Its Affiliated Companies :

Business scope of the Company and its affiliates include the research, development, manufacturing and sale of high-integration and high-precision integrated circuits and related assembly and testing services. A few affiliates engage in investment business only in order to create a greatest benefit for the Company and its affiliated companies through mutual support of technologies, production, marketing and services.

5. Roster of Directors, Supervisors and Presidents of Affiliated Enterprises:

December 31, 2017
Unit: shares / %

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
ChipMOS U.S.A., Inc.	Chairman/Director	Representative of ChipMOS TECHNOLOGIES INC.: Lafair Cho	3,550,000	100%
	President/Director	Representative of ChipMOS TECHNOLOGIES INC.: Shih-Fan Cheng		
	Director	Representative of ChipMOS TECHNOLOGIES INC.: Shih-Jye Cheng		
	Director	Representative of ChipMOS TECHNOLOGIES INC.: Yung-Wen Li		
	Director	Representative of ChipMOS TECHNOLOGIES INC.: Shou-Kang Chen		
	Director	Representative of ChipMOS TECHNOLOGIES INC.: Silvia Su		
ChipMOS TECHNOLOGIES (BVI) LTD.	Chairman	Representative of ChipMOS TECHNOLOGIES INC.: Lafair Cho	2,370,242,975	100%
	Director	Representative of ChipMOS TECHNOLOGIES INC.: Pei-Chuan Ku		

6. Business Overview of Affiliated Companies

December 31, 2017
Unit: NT$ thousands

Company Name	Paid-in Capital	Total Assets	Total Liabilities	Net worth	Revenue	Operating profit (loss)	Profit for the year	Earnings per share (NT$)
ChipMOS U.S.A., Inc.	217,918	228,363	790	227,573	35,808	2,027	2,790	0.79
ChipMOS TECHNOLOGIES (BVI) LTD.	5,868,930	3,896,806	64,393	3,832,413	Note1	(102,572)	1,524,242	0.64

Note 1: No operating activities as a holding company.

(II) Consolidated Financial Statements of Affiliated Companies:

For the year ended December 31, 2017, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements under International Financial Reporting Standards No.10. And if relevant information that should be disclosed in the consolidated financial statements of affiliated enterprises has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare consolidated financial statements of affiliated enterprises.

(III) Affiliation Report: Not applicable.

II Status of Company's Private Placement in the Most Recent Year and Up to the Date of Publication of the Annual Report: None.

III Holding or Disposal of Shares of the Company by Subsidiaries in the Most Recent Year and Up to the Date of Publication of the Annual Report: None.

IV Other Necessary Supplement: None.

IX. Any Event that Have Significant Impacts on Shareholders' Rights or Security Prices as Stated in Item 2 of Paragraph 3 of Article 36 of Securities and Exchange Law in the Most Recent Year and Up to the Date of Publication of the Annual Report: None.

ChipMOS TECHNOLOGIES INC.

Chairman: Shih-Jye Cheng

2017

ANNUAL REPORT

ChipMOS

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