Stock Code:8150
Annual Report Website:
http://mops.twse.com.tw
ChipMOS annual report is available at
https://www.chipmos.com/english/ir/year.aspx

南茂科技股份有限公司
ChipMOS TECHNOLOGIES INC.

2018 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 12, 2019

2018 Annual Report
Printed on April 12, 2019

Company Spokesperson
Name: Jesse Huang
Title: Vice President, Strategy and Investor Relations
Tel:(03)577-0055
E-MAIL: jesse_huang@chipmos.com

Deputy Spokesperson
Name: Silvia Su
Title:Vice President, Finance & Accounting Management Center
Tel: (03)577-0055
E-MAIL: silvia_su@chipmos.com

Headquarter and Fabs
Hsinchu Headquarter (Hsinchu fab.)
Address: No. 1, R&D Rd. 1, Hsinchu Science Park, Hsinchu, Taiwan, R.O.C.
Tel: (03)577-0055
Fax: (03)566-8989

Tainan fab.
Address: No. 3 and No. 5, Nanke 7th Rd., Southern Taiwan Science Park, Tainan City, Taiwan, R.O.C.
Tel: (06)505-2388
Fax: (06)505-2345

Zhubei fab.
Address: No. 37, Xintai Rd., Tai He Vil., Zhubei City, Hsinchu County, Taiwan, R.O.C.
Tel: (03)656-2078
Fax: (03)553-2715

Zhubei fab. 2
Address: No. 112, Zhonghe St., Tai He Vil., Zhubei City, Hsinchu County, Taiwan, R.O.C.
Tel: (03)598-5959
Fax: (03)553-2530

Hukou fab.
Address: No. 4, Rende Rd., Feng Shan Vil., Hukou Township, Hsinchu County, Taiwan, R.O.C.
Tel: (03)598-5959
Fax: (03)598-3012

U.S. subsidiary
Address: 2890 North First Street, San Jose, CA 95134, U.S.A.
Tel: 002-1-408-922-2777
Fax: 002-1-408-922-7275

Stock Transfer Agent
Company: KGI Securities Co., Ltd., Transfer Agency Department
Address: 5F., No. 2, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City, Taiwan, R.O.C.
Website: http://www.kgieworld.com.tw
Tel: (02)2389-2999

The Certified Public Accountants for the Latest Annual Financial Statements
Company: PricewaterhouseCoopers,Taiwan
Auditors: Chun-Yuan Hsiao, Chih-Cheng Hsieh
Address: 27F., No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.
Website: https://www.pwc.tw
Tel: (02)2729-6666

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

Corporate Website
https://www.chipmos.com

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I. Letter to Shareholders

Dear Shareholders,

Keep moving forward to deliver high technology, outstanding quality with reliable packaging and testing solutions are the unwavering principles of ChipMOS since its 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 2018

- Completed the 2nd stage capital injection of Unimos, in Q1 2018. ChipMOS still owns 45.02% shares of Unimos after two stages of capital injections.
- Secured a new syndicated loan, NT$12.0 billion, with a five-year term in May 2018. It allowed ChipMOS to refinance its existing bank debt on favorable financial terms, while maintaining financial flexibility to support the Company's working capital for future growth and expansion.
- Completed 2018 Capital Reduction Plan and separate dividend in October 2018. This resulted in Shareholders receiving a cash dividend of NT$0.3 per common share and a distribution of NT$1.5 per common share. There was around a 15% reduction of the number of common shares and ADSs. Upon completion of the 2018 Capital Reduction Plan, the issued capital of ChipMOS is around NT$7,529 million. We believe the capital reduction will serve to further improve our return on equity, while giving us the proper capital structure to support our customers, and improving the Company's competitiveness, business performance and profit-earning ability. There is also the potential benefit of a Taiwan tax treatment more favorable than other distributions for shareholders.
- Reduced NT$0.83 billion total debt, from NT$10.64 billion at the end of 2017 to NT$9.81 billion at the end of 2018.

Consolidated revenue for the fiscal year ended December 31, 2018 was NT$18.48 billion, which reflects 3.0% growth from 2017. Although the Company's operation was affected by the major memory customer’s order reallocation in the first half of 2018, both revenue and gross margin of the Company increased compared to 2017. Such increase is benefited from the high penetration rate of large-size flat panel display driver ICs in 4KTV and the demand for TDDI products driven by ever-increasing penetration ratio of new smartphone in the second half of the year.

The growing of the demand for TDDI products also contributed to the revenue of flat panel display driver IC (DDIC) related products, including gold bump represented 49.1% of total revenue of 2018 compared to 44.2% of 2017. Driven by automotive and other new applications, Flash product revenue represented 21.5% of 2018 compared to 19.5% of 2017.

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, 2018 was NT$1.1 billion, and the consolidated gross margin for the year remained at the level of 18.6%. The overall capacity utilization was at 74%. Till the end of 2018, the aggregated amount of ChipMOS' consolidated cash and cash equivalents was approximately NT$4.64 billion with the consolidated debt ratio of 45.5% and a net debt to equity ratio of 28.6%. The Return on Equity (ROE) was approximately 6.1% for 2018.

By catching up the industry trend, grasping the opportunity of product growth and continuously consolidating the company's product line, ChipMOS could continue to keep moving forward and growing in the intensified market competition under the influence of down cycle and other external issues. As a result, ChipMOS will continue to focus on the niche market about automotive electronics and industrial electronics, as well as high-growth markets about smart mobile devices such as new smart phones, tablets and wearable devices which are driven by the automation in industrial and intellectualized home environments. Moreover, ChipMOS will actively grasp the growth opportunities of new products such as TDDI and 12" fine pitch COF for new specifications of new smart phone demand from full screen, narrow bezel and 18:9 large screen.

In face of more and more severe industrial environments and challenges, ChipMOS will continuously focus on the core technology development and innovation, to cooperate with customers for reducing operating costs. By offering leading edge and reliable semi-conductor back end turnkey solutions that integrated wafer bumping and assembly, ChipMOS will be able to drive growth in revenue and profitability and be capable of building further Shareholder value in 2019 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

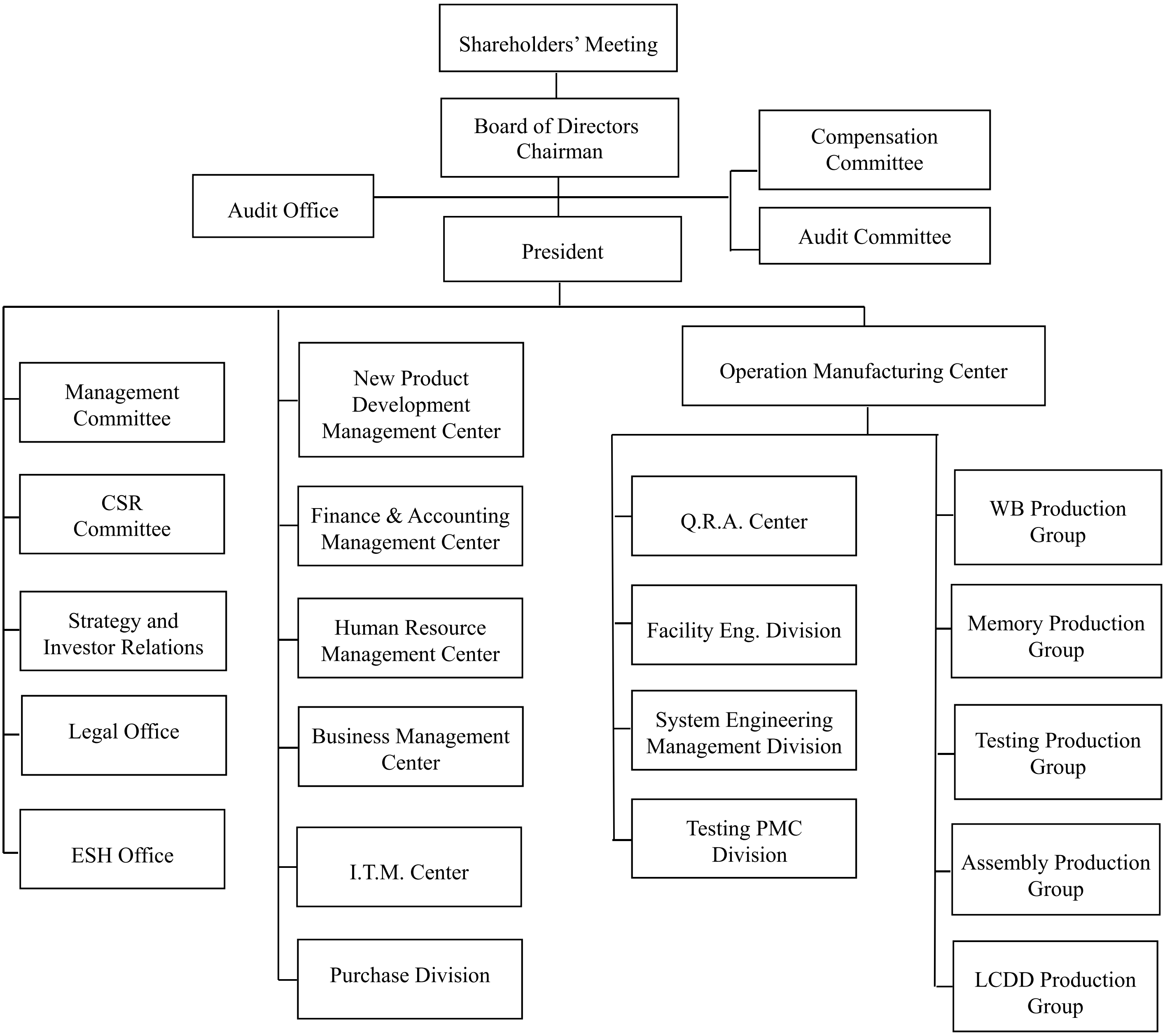
Time	Milestones
July 1997	Incorporated with paid-in capital of NT$5,000,000,000 and with the name "ChipMOS TECHNOLOGIES INC."
September 1997	Acquired ISO 9002 certification. (Hsinchu fab.)
October 1997	Became public company.
November 1997	Acquired ISO 14001 certification. (Hsinchu fab.)
August 1998	Completed construction of Tainan fab.
October 1998	Acquired QS 9000 certification. (Hsinchu fab.)
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 certification. (Tainan fab.)
June 1999	Established Japanese subsidiary.
July 1999	Acquired Kaohsiung fab. 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 fab.) and established U.S. subsidiary of the Company.
April 2000	Started TCP assembly for LCD driver IC 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.
August 2003	Completed the preparation of commercial launch of DDR II SDRAM 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 14th "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.
March 2017	Completed the joint venture with Tsinghua Unigroup in ChipMOS TECHNOLOGIES (Shanghai) LTD. (renamed Unimos Microelectronics (Shanghai) Co., Ltd. in July 2018). The Company sold 54.98% of ChipMOS TECHNOLOGIES (Shanghai) LTD. shares to strategic investors lead by Tsinghua Unigroup.

III. Corporate Governance Report

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 the Company's accounting and financial reports, and audit the 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.

CSR Committee
Implement and promote Corporate Social Responsibility (CSR) and sustainable management of the Company.

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
Plan and implementation 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 WB Production Group, Memory Production Group, Testing Production Group, Assembling Production Group, LCDD Production Group and Testing PMC 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, 2019 (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%	12,150,161	1.61%	—	—	244,777	0.03%	MBA, Saginaw Valley State University President of ChipMOS TECHNOLOGIES INC. Director of Mosel Vitelic Inc.	President of ChipMOS TECHNOLOGIES INC. Director of ChipMOS USA Inc. Vice Chairman of Unimos Microelectronics (Shanghai) Co., Ltd. Hao Hsiang Investment Co., Ltd.	—	—	—
Director	R.O.C. (Taiwan)	Wen-Ching Lin	M	May 31, 2016	3 years	May 31, 2016	4,000,200	0.45%	3,399,862	0.45%	—	—	—	—	Takushoku University Supervisor of Siliconware Precision Industries Co., Ltd.	Chairman of Yang Fong Investment Co., Ltd. Chairman and President of Shi Kai 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.	—	—	—

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)	Chin-Shyh Ou	M	May 31, 2016	3 years	June 28, 2007	–	–	–	–	–	–	–	–	Ph.D., Business Administration (Accounting), University of Minnesota, USA Accounting Professor at National Chung Cheng University	Chair Professor, Department of Accounting and Information Systems, Asia University Honorary Professor, Department of Accounting and Information Technology, National Chung Cheng University Independent Director / Compensation Committee member of Chi Hua Fitness Co.	–	–	–
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 & CEO of Myson Century, Inc. Chairman of ZAVIO Inc. Chairman of Compensation Committee of Carnival Industrial Corp.	Compensation Committee member of OPNET Technologies Co., Ltd. Consultant of Intelligent Silicon Solution Corp.	–	–	–

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)	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.	–	–	–	–
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 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, 2019

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	—
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	—
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 third 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, 2019 (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		
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation
President	R.O.C (Taiwan)	Shih-Jye Cheng	M	July 17, 1998	12,150,161	1.61%	–	–	244,777	0.03%	MBA, 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	101,990	0.01%	–	–	–	–	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	233,728	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, Strategy and Investor Relations & Spokesperson	R.O.C (Taiwan)	Jesse Huang	M	April 17, 2007	293,223	0.04%	–	–	–	–	Bachelor, Physics, Soochow University Vice President, Assembly Production Group, ChipMOS TECHNOLOGIES INC.	Note 3	–	–	–
Vice President, Assembly Production Group	R.O.C (Taiwan)	Jin-Long Fang	M	July 1, 2018	27,197	–	–	–	–	–	Master, Electrical Engineering, National Sun Yat-sen University Bachelor, Department of Electrical Engineering, National Taiwan Ocean University Process Engineer, Philips Electronic Building Elements(Taiwan) Ltd.	None	–	–	–
Vice President, LCDD Production Group	R.O.C (Taiwan)	Yuan-Feng Hsu	M	March 6, 2012	220,130	0.03%	–	–	–	–	Master, Electrical Engineering, National Sun Yat-sen University Assistant, National Cheng Kung University Senior Project Leader Engineer, Philips Electronic Building Elements(Taiwan) Ltd.	Note 3	–	–	–
Vice President, Finance & Accounting Management Center	R.O.C (Taiwan)	Silvia Su	F	October 1, 2017	96,041	0.01%	–	–	–	–	Master, University of Leeds Senior Director, ChipMOS TECHNOLOGIES INC. Director, Thailin Semiconductor Corp.	Note 4	–	–	–
Vice President, Business Management Center	R.O.C (Taiwan)	Ming-Cheng Lin	M	June 1, 2014	84,992	0.01%	–	–	–	–	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	–	–	–

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		
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation
Vice President, Human Resource Management Center	R.O.C (Taiwan)	Yu-Ying Chen	F	June 15, 2012	217,580	0.03%	–	–	–	–	Bachelor, Business Administration, Soochow University Mosel Vitelic Inc.	None	–	–	–
Vice President, Q.R.A. Center	R.O.C (Taiwan)	Teng-Yueh Tsai	M	March 6, 2012	292,572	0.04%	–	–	–	–	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.	None	–	–	–
Vice President, Testing Production Group	R.O.C (Taiwan)	Chen-Fang Huang	M	July 1, 2013	178,483	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	101,990	0.01%	–	–	–	–	Master, Transportation Management Science, National Cheng Kung University Vice President, AVerMedia Technologies, Inc. Vice President, Oracle Vice President, Picoway Technology Inc.	None	–	–	–
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	549	–	–	–	–	–	Master, Finance, National Chiao Tung University CIA (Certified Internal Auditor) Manager, Assurance Department, Ernst & Young LLP Manager, Accounting Department, Amkor Technology Inc.	None	–	–	–

Note 1：Director of ChipMOS U.S.A., Inc.; Deputy Chairman of Unimos Microelectronics (Shanghai) Co., Ltd.

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

Note 3：Director of JMC Electronics Co., Ltd.

Note 4：Director of ChipMOS U.S.A., Inc.; Supervisor of Unimos Microelectronics (Shanghai) Co., Ltd.; Director of ChipMOS TECHNOLOGIES (BVI) 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; %

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Director's Remuneration</th><th colspan="2" rowspan="2">Ratio of the sum of (A), (B), (C), and (D) to net profit after tax (%)</th><th colspan="8">Compensation received as an employee</th><th colspan="2" rowspan="2">Ratio of the sum of (A), (B), (C), (D), (E), (F) and (G) to net profit after tax (%)</th><th rowspan="4">Remuneration received from Investees other than subsidiaries</th></tr>
<tr><th colspan="2">Base compensation (A)</th><th colspan="2">Pension (B)</th><th colspan="2">Director compensation (C)</th><th colspan="2">Business expense (D)</th><th colspan="2">Salary, bonus and special allowance (E)</th><th colspan="2">Pension (F)</th><th colspan="4">Employee compensation (G)</th></tr>
<tr><th rowspan="2">Company</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">Company</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">Company</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">Company</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">Company</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">Company</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">Company</th><th rowspan="2">Consolidated Entities</th><th colspan="2">Company</th><th colspan="2">Consolidated Entities</th><th rowspan="2">Company</th><th rowspan="2">Consolidated Entities</th></tr>
<tr><th>Cash</th><th>Share</th><th>Cash</th><th>Share</th></tr>
<tr><td>Chairman</td><td>Shih-Jye Cheng</td><td rowspan="8">—</td><td rowspan="8">—</td><td rowspan="8">—</td><td rowspan="8">—</td><td rowspan="8">9,951</td><td rowspan="8">9,951</td><td rowspan="8">8,505</td><td rowspan="8">8,505</td><td rowspan="8">1.67%</td><td rowspan="8">1.67%</td><td rowspan="8">39,266</td><td rowspan="8">39,266</td><td rowspan="8">—</td><td rowspan="8">—</td><td rowspan="8">5,980</td><td rowspan="8">—</td><td rowspan="8">5,980</td><td rowspan="8">—</td><td rowspan="8">5.77%</td><td rowspan="8">5.77%</td><td rowspan="8">None</td></tr>
<tr><td>Director</td><td>Wen-Ching Lin</td></tr>
<tr><td>Director</td><td>Yu-Hu Liu</td></tr>
<tr><td>Independent Director</td><td>Chin-Shyh Ou</td></tr>
<tr><td>Independent Director</td><td>Yuh-Fong Tang</td></tr>
<tr><td>Independent Director</td><td>Tai-Haur Kuo</td></tr>
<tr><td>Independent Director</td><td>Cho-Lien Chang</td></tr>
<tr><td>Independent Director</td><td>Kuei-Ann Wen</td></tr>
</table>

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 (H)	The Company	Consolidated Entities (I)
Less than NT$2,000,000	—	—	—	—
NT$2,000,000 (included) ～ NT$5,000,000 (not included)	Shih-Jye Cheng, Chin-Shyh Ou, Yu-Hu Liu, Yuh-Fong Tang, Tai-Haur Kuo, Cho-Lien Chang, Kuei-Ann Wen, Wen-Ching Lin	Shih-Jye Cheng, Chin-Shyh Ou, Yu-Hu Liu, Yuh-Fong Tang, Tai-Haur Kuo, Cho-Lien Chang, Kuei-Ann Wen, Wen-Ching Lin	Chin-Shyh Ou, Yu-Hu Liu, Yuh-Fong Tang, Tai-Haur Kuo, Cho-Lien Chang, Kuei-Ann Wen, Wen-Ching Lin	Chin-Shyh Ou, Yu-Hu Liu, Yuh-Fong Tang, Tai-Haur Kuo, Cho-Lien Chang, Kuei-Ann Wen, Wen-Ching Lin
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 2018 (Unit: NT$ thousands; %)

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													
Senior Executive Vice President & Chief Operating Officer	Lafair Cho													
Vice President	Wu-Hung Hsu													
Vice President	Yuan-Feng Hsu													
Vice President & Spokesperson	Jesse Huang													
Vice President	Jin-Long Fang													
Vice President	Chen-Fang Huang	52,996	52,996	2,067	2,067	58,073	58,073	19,903	—	19,903	—	12.06%	12.06%	None
Vice President	Teng-Yueh Tsai													
Vice President	Ming-Cheng Lin													
Vice President	Chang-Lung Li													
Vice President	Yu-Ying Chen													
Vice President	Silvia Su													
Vice President	Yung-Wen Li													
Vice President	Wei Wang													

*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 Wei Wang resigned on February 28, 2018 and Vice President Yung-Wen Li resigned on April 30, 2018.

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 (E)
Less thanNT$2,000,000	Wei Wang	Wei Wang
NT$2,000,000 (included) ～ NT$5,000,000 (not included)	Jin-Long Fang, Silvia Su	Jin-Long Fang, Silvia Su
NT$5,000,000 (included) ～ NT$10,000,000 (not included)	Wu-Hung Hsu, Yung-Wen Li, Yuan-Feng Hsu, Jesse Huang, Chen-Fang Huang, Teng-Yueh Tsai, Ming-Cheng Lin, Chang-Lung Li, Yu-Ying Chen	Wu-Hung Hsu, Yung-Wen Li, Yuan-Feng Hsu, Jesse Huang, Chen-Fang Huang, Teng-Yueh Tsai, Ming-Cheng Lin, Chang-Lung Li, Yu-Ying Chen
NT$10,000,000 (included) ～ NT$15,000,000 (not included)	Lafair Cho	Lafair Cho
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	14 persons	14 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.

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

Year 2018 (Unit: NT$ thousands; %)

	Title	Name	Share	Cash	Total	Ratio of the total amount to net profit after tax (%)
Manager	President	Shih-Jye Cheng	—	19,903	19,903	1.80%
	Senior Executive Vice President & Chief Operating Officer	Lafair Cho				
	Vice President	Wu-Hung Hsu				
	Vice President	Yuan-Feng Hsu				
	Vice President & Spokesperson	Jesse Huang				
	Vice President	Jin-Long Fang				
	Vice President	Chen-Fang Huang				
	Vice President	Teng-Yueh Tsai				
	Vice President	Ming-Cheng Lin				
	Vice President	Chang-Lung Li				
	Vice President	Yu-Ying Chen				
	Vice President	Silvia Su				
	Vice President	Wei Wang				
	Vice President	Yung-Wen Li				
	Senior Director	Chao-Tung So				
	Senior Manager	Chi-Pei Cho				
	Senior Director	Dong-Bao Lu				
	Special Assistant	Pei-Chuan Ku				

(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			
	2018		2017	
	The Company	Consolidated Entities	The Company	Consolidated Entities
Director(including Independent Directors)	1.67%	1.67%	0.9%	0.9%
Supervisor	—	—	—	—
President and Vice President	12.06%	12.06%	5.11%	5.12%

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$1,103,075 thousand in 2018 and NT$3,026,528 thousand in 2017.

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 7 meetings (A) in the most recent year. The attendance of directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Shih-Jye Cheng	7	—	100.00%	
Director	Wen-Ching Lin	6	1	85.71%	
Director	Yu-Hu Liu	6	1	85.71%	
Independent Director	Chin-Shyh Ou	7	—	100.00%	
Independent Director	Yuh-Fong Tang	6	1	85.71%	
Independent Director	Tai-Haur Kuo	7	—	100.00%	
Independent Director	Cho-Lien Chang	7	—	100.00%	
Independent Director	Kuei-Ann Wen	7	—	100.00%	

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 17^{th} meeting of the 8^{th} Board of Directors (January 26, 2018)

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. Introduction of strategic investors for ChipMOS TECHNOLOGIES (Shanghai) LTD.	NA	Not applicable

2.The resolutions of the 18^{th} meeting of the 8^{th} Board of Directors (March 15, 2018)

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's 2017 Statement of Internal Control.	NA	Not applicable
2. Proposal of Capital Reduction.		
3. Resolution regarding the evaluation of the independence of Company's CPA and the engagement of CPA of 2018.		

3.The resolutions of the 22nd meeting of the 8th Board of Directors (August 9, 2018)

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
2. Determination of the record date and the operations plan for replacement of share certificates for the capital reduction.		

4.The resolutions of the 23th meeting of the 8th Board of Directors (November 8, 2018)

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 amendments to the Company's "Internal Control System" and "Internal Audit Implementation Rules"	NA	Not applicable

(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 19th meeting of the 8th Board of Directors regarding the adjustment of managers' compensation and position in 2018 involves personal interest of Chairman 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 19th meeting of the 8th Board of Directors regarding the discussion of managers' 2017 performance bonus involves personal interest of Chairman 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 19th meeting of the 8th Board of Directors regarding managers' 2018 annual performance bonus plan involves personal interest of Chairman 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 22nd meeting of the 8th Board of Directors regarding distribution of cash employee bonus to managers of 2017 involves personal interest of Chairman 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. 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 (including independent 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.

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

(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 (A) in the most recent year. The attendance of the members was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Independent Director	Chin-Shyh Ou	6	0	100.00%	
Independent Director	Yuh-Fong Tang	5	1	83.33%	
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 18th meeting of the 8th Board of Directors (March 15, 2018)

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 2017 Statement of Internal Control.	all members of audit committee approved the proposals in the meeting	Not applicable
2. The Company's 2017 business report and financial statements.		
3. Proposal of Capital Reduction.		
4. Resolution regarding the evaluation of the independence of Company's CPA and the engagement of CPA of 2018.		

2. The resolutions of the 19th meeting of the 8th Board of Directors (April 19, 2018)

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 2017 Internal Audit Report on Internal Control Over Financial Reporting (ICFR).	all members of audit committee approved the proposals in the meeting	Not applicable
2. Adoption of Company's 2017 Annual Report Form 20-F (including the English consolidated financial statements of 2017 prepared by the Company in accordance with the International Financial Reporting Standards).		

3. The resolutions of the 22nd meeting of the 8th Board of Directors (August 9, 2018)

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 statement of Q2, 2018.	all members of audit committee approved the proposals in the meeting	Not applicable
2. The letter of guarantee made for importing duty.		

4. The resolutions of the 23th meeting of the 8th Board of Directors (November 8, 2018)

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 amendments to the Company's "Internal Control System" and "Internal Audit Implementation Rules".	all members of audit committee approved the proposals in the meeting	Not applicable

(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 2018. The communication between the Audit Committee and the internal auditing supervisors are fine.

(II) The CPAs engaged by the Company shall attend the meeting of Audit Committee, 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 2018. 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 structure of remuneration as well as regularly evaluate the remuneration of the directors.	Under discussion and preparation
(IV) Does the company regularly evaluate the independence of CPAs?	V		(IV) The company regularly evaluate the independence of CPAs. 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. The guidance to evaluate the independence of the CPA as follows: 1. Whether Certified Public Accountant has direct or significant indirect financial interests with the Company. 2. Whether or not Certified Public Accountant has any financing or guarantees of conduct with the Company or the directors of the Company. 3. Whether Certified Public Accountant has a close business relationship and potential employment relationship with the Company.	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
			4. Whether Certified Public Accountant or members of their audit team had any positions in the Company as directors, managers or significant influence on the audit during the audit period. 5. Whether Certified Public Accountant has any non-audit services to the Company which may directly affect the audit work. 6. Whether Certified Public Accountant has an intermediary to issue shares or other securities of the Company. 7. Whether Certified Public Accountant has acted as the Company's defender or on behalf of the Company to coordinate conflicts with other third parties. 8. Whether Certified Public Accountant has a kinship with the directors, managers of the Company or persons who have a significant influence on the audit work. 9. Whether Certified Public Accountant does not assume the Company’s external auditor for 7 consecutive years. 10. Has anyone in the Company worked with the external auditor and within the last year of disassociating from the firm joined pcsc as a director, manager, or officer or another key position that can exert significant influence over the subject matter of the engagement.	

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
			11. Whether Certified Public Accountant violates the regulations of The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 Integrity, Objectivity and Independence.	
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 exclusively (or concurrent) dedicated units or personnel responsible for corporate governance related matters pursuant to the laws in the future	The Company will establish it pursuant to the laws in the future.
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 shareholders, employees, clients, suppliers, government and community. The Company establish a designated section on its website for stakeholders and properly respond to critical corporate social responsibility issues of concern to 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	
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, business and corporate governance, 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 established the Chinese/English website to webcast investor conferences. The Company has one spokesperson and one deputy spokesperson. The Company’s Finance & Accounting Management Center and Strategy 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, 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	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
	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

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
supervisors)?	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 shareholders, employees, clients, suppliers, government and community.	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 possible risks through audit actions conducted by internal audit department.	None
	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	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
	V		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. (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: In the future, we will strengthen the efficiency of corporate governance to provide information to the stakeholders.				

(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	Remarks
		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	1	
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 5 meetings (A) in 2018. The attendance of the directors was as follows:

Title	Name	Attendance in person(B)	Attendance by proxy	Attendance rate (%) (B/A)	Remarks
Convener	Tai-Haur Kuo	5	0	100%	
Member	Yuh-Fong Tang	4	1	80%	
Member	Chin-Shyh Ou	5	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 pay close attention to the development of external and internal social responsibility related standards and industry trends, and then to review and improve our established corporate social responsibility framework to upgrade the effect of corporate social responsibility.	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 holds for employees every year. In 2018, in response to world trends of sustainable development, the company has organized relevant courses to enhance employee awareness and implement it effectively.	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) 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 specialists who in charge of corporate social responsibility under the "Human Resources Management Center". CSR specialists cooperated with relevant departments, and aggregated aspects of corporate governance, environmental and social participation, and also 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	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	
			implements performance management through an open performance evaluation system, which applies to all the employees and would not vary because of gender.	
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 source management and energy conservation and waste reduction. In the manufacturing process, the requirements for efficiency improvement and specification adjustment of supply facilities are targeted at "energy saving" and "decrease", such as air conditioning energy saving, installation of energy saving lighting (LED), promoting the process of improving energy saving and waste reduction process, solar green power generation, process wastewater and rainwater recovery and through the energy management, material flow cost accounting verification and green building, green factory mark, in order to reduce the load of environmental impact, towards circular economy and zero pollution.	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	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	
			of ISO 140001 environmental management system since 1997,and promoted QC-080000 productshazardous substances process management system certification in 2012. Since 2013, we have comprehensively promoted environmental protection related system verification in environmental friendliness, including ISO14067 carbon footprint, ISO14046 water footprint, ISO50001 energy management system, ISO14051 material flow cost accounting, in line with international trends and customer requirements, derived from the production process. Air pollution, water pollution, and waste, in addition to obtaining relevant licenses to operate according to their requirements, are actively taking many measures to pursue sustainable environmental protection. 1. Promote environmental policy: Continuing to educate employees and communicate through the company's official website, committing to the intention of exhaust, wastewater and waste pollution prevention and water power reduction control. 2. Reduction of air pollution emissions: In terms of air quality, the goal of reducing the air pollution emissions by improving the treatment efficiency of the control equipment, such as the addition of zeolite runners and RTO high-efficiency air	

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed Companies and Reasons
	Yes	No	Abstract Illustration	
			pollution control. 3. Water/wastewater reduction and recovery: Continuously improve the recovery rate of process wastewater in the plant, and recycle condensate and rainwater to the cooling tower and public water. 4. Waste reuse: Promote the process source to optimize the use of raw materials and waste from incineration / landfill to reuse.	
(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 pay attention to the impact of climate change on operational activities. In addition to the implementation of ISO 14064 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 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 "Responsible Business Alliance" (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. In the area of occupational safety and health management, we focus on "workplace safety" and "labor health" and	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	
			actively promote the division of electrical explosion-proof areas and risk reduction, risk assessment and classification management of chemical exposure hazards, human factors engineering, etc. through appropriate design, engineering and administrative control, protective maintenance and safe operating procedures and safety knowledge training to reduce, eliminate and prevent workplace hazards, and implement training drills through emergency procedures to minimize the impact of property and injury, set occupational safety and health plans every year, and implement education and training according to the plan and the monitoring of the working environment, and the free health check of the employees, the health promotion activities, the Ministry of Science and Technology Science Park Administration and the National Health Bereau awarded the "Operational Safety and Health Excellent Unit" and "Healthy Workplace Self-certification" mark And weight loss performance groups and individual awards, successfully creating a safe and healthy professional environment.	

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed Companies and Reasons
	Yes	No	Abstract Illustration	
(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
(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.	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	
			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 them to work fully by using what they learned. The Company rewarded the silver of certification in Taiwan Train Quality System by Workforce Development Agency, Ministry of Labor in 2017. The Company continued 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 cultivate talents in both general knowledge and expertise. Commitment to cultivating its talents and enhancing its expertise.	

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed Companies and Reasons
	Yes	No	Abstract Illustration	
			The company continue to improve the training quality and process. In 2018, passed the iCAP Certificate for Competency-Based Training Program of the Ministry of Labor's Workforce Development Agency. This is the best evidence for the company's active investment in talent development.	
(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 IATF 16949, ISO 9001, QC 080000, ISO 14001, ISO 50001, ISO 17025, 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, corporate social responsibility 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

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>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?</td><td>V</td><td></td><td>(I) The Company has established exclusive area of corporate social responsibility (https://www.chipmos.com/chinese/csr/overview.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.</td><td>None of significant deviation</td></tr>
<tr><td colspan="5">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.</td></tr>
<tr><td colspan="5">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 fire and environmental protection activities organized by the competent authorities, such as assisting 119 to expand fire prevention, public toilets and beach adoption, participate in environmental protection and beach cleansing, encouraging employees to enter the community to clean the street, helping charity clean the environment, Environmental Education to the partial township Elementary School, donation of materials, blood donation, long-term adoption of Tainan Science Park Greenland and Hsinchu Science Park sports park and air quality purification area to demonstrate the determination of working safety and environmental protection, and won the awards from relevant authorities.
1. Five consecutive years from 2014 to 2018 the Company was awarded "Excellent Organization of Adoption of Air Quality Ourification Area" by the Environmental Protection Agency.
2. Three consecutive years from 2016 to 2018 the Company passed the examination of Environmental Protection Administration and was rewarded 25th to 27th Enterprise Environmental Protection Award.</td></tr>
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Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed Companies and Reasons
	Yes	No	Abstract Illustration	
3. In 2016 and 2018, the Company was awarded the "Workplace Safety and Health Excellent Unit Safety Model" by the Southern Tainan Science Park Bereau. 4. In 2017-2018, the Company was awarded the "Environmental Protection Excellence Project" by the Southern Tainan Science Park Bereau. 5. In 2017-2018, the Company was awarded the “Excellent Green Purchasing Enterprise” by Tainan City and Hsinchu County Environmental Protection Bureau. 6. In 2017-2018, the Company was awarded the "High-Quality Unit for Road Recognition" by the Hsinchu County Environmental Protection Bureau.				
VII. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The Company's Corporate Social Responsibility Report followed the quality principles required by GRI Standards. To ensure quality of information disclosure, the report has been verified by the BSI Taiwan and was in accordance with GRI Standards core options and with type 1 moderate level of AA1000AS(2008).				

(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

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
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
(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 Audit Office.	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

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
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 has established the ethical corporate management policies and disclosed relevant information on Market Observation Post System.				

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
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 policies and regularly reviewed it.				

(VII)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.

(VIII)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 7, 2019

In 2018, 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, 2018 (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 7, 2019 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 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, the 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.
2. 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.
3. The major resolutions approved by the 19th meeting of the 8th Board of Directors (April 19, 2018) are as follows:
   (1) The Company's 2017 Annual Report Form 20-F (including the English 2017 consolidated financial statements prepared by the Company in accordance with the International Financial Reporting Standards).
   (2) Mr. Yung-Wen Lee, the Vice President of Testing Production Group of the Company, apply for resignation because of personal career planning.
4. The major resolutions approved by the 20th meeting of the 8th Board of Directors (May 10, 2018) are as follows:
   (1) The Company's consolidated financial statements of Q1, 2018.
   (2) Capital reduction in connection with the cancellation of redeemed issued restricted employee shares.

5. The major resolutions approved by the 22nd meeting of the 8th Board of Directors (August 9, 2018) are as follows:
   (1) The Company's consolidated financial statements of Q2, 2018.
   (2) Capital reduction in connection with the cancellation of redeemed issued restricted employee shares.
   (3) Determination of the record date for ex-dividend.
   (4) Determination of the record date and the operations plan for replacement of share certificates for the capital reduction.
   (5) Approval of release the prohibition on officers from engaging in competitive conduct related to Article 32 of the Company Act.
6. The major resolutions approved by the 23rd meeting of the 8th Board of Directors (November 8, 2018) are as follows:
   (1) The Company's consolidated financial statements of Q3, 2018.
   (2) Capital reduction in connection with the cancellation of redeemed issued restricted employee shares.
   (3) Mr. Jesse Huang, the Vice President of New Product Development Management Center of the Company, be appointed as the Spokesperson.
7. The major resolutions approved by the 24th meeting of the 8th Board of Directors (March 7, 2019) are as follows:
   (1) The Company's business report and financial statements of fiscal year 2018.
   (2) Earnings distribution plan of fiscal year 2018.
   (3) Capital reduction in connection with the cancellation of redeemed issued restricted employee shares.
   (4) Capital reduction in connection with the cancellation of treasury shares.
   (5) Resolution regarding election of the 9th Board of Directors (including independent directors) at the 2019 annual shareholders' meeting.
   (6) Resolution regarding the nomination of independent director candidates for election at the 2019 annual shareholders' meeting.
   (7) Resolution to release the 9th Board of Directors from non-competition restrictions under Article 209 of the Company Act.
   (8) Matters related to the 2019 annual shareholders' meeting.
   (9) The time and place to submit shareholder's proposals and to nominate independent director candidates for the 2019 annual shareholders' meeting.

8. The major resolutions approved by the 25th meeting of the 8th Board of Directors (April 2, 2019) are as follows:
   (1) Matters for Discussion related to the 2019 annual shareholders' meeting. Additional items: (4)Amendments to Company's Operational Procedures for Lending Funds to Other Parties and (5)Amendments to Company's Operational Procedures for Endorsements and Guarantees.
   (2) Announcement of intending of disposal of the common shares of JMC ELECTRONICS CO., LTD.
9. The major resolutions adopted by the 2018 annual shareholders' meeting:
   (I)Matters for Ratification
      (1) Adoption of the financial statements for fiscal year 2017.
      (2) Adoption of the earnings distribution plan for fiscal year 2017.
         The Company has completed the distribution of earnings on October 31, 2018.
   (II)Matters for Discussion
      (1) Proposal of capital reduction.
         The Company has completed the cash refund of capital reduction on October 31, 2018.
   (III)Other Proposals
      (1) Remove restrictions provided in Article 209 of the Company Act prohibiting directors from participation in businesses competing with the Company.

(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: None.

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, 2018 ~ December 31, 2018	

Unit: NT$ thousands

Scale \ Fee category		Audit Fee	Non-audit Fee	Total
1	Under 2,000			
2	2,000(included) ~ 4,000(not included)		V	2,230
3	4,000(included) ~ 6,000(not included)			
4	6,000(included) ~ 8,000(not included)			
5	8,000(included) ~ 10,000(not included)			
6	10,000or above	V		17,550

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		
Pricewaterhouse Coopers, Taiwan	Chun-Yuan Hsiao Chih-Cheng Hsieh	17,550	—	—	—	2,230 (Note 1)	2,230	January 1, 2018 ~ December 31, 2018	

Note 1: 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$430 thousand; and (iii) tax consulting, costed for NT$300 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: None.

VI. Replacement of CPA: Not applicable.

VII. Where the Company's Chairman, President, or any manager in charge of finance or accounting matters has 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

Unit:shares

Title	Name	2018		2019 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.	(7,135,150)	—	—	—
Chairman/President	Shih-Jye Cheng	6,620,161	—	—	—
Director	Wen-Ching Lin	(600,338)	—	—	—
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	29,990	—	—	—
Vice President	Wu-Hung Hsu	(1,272)	—	—	—
Vice President	Yuan-Feng Hsu	9,130	—	—	—
Vice President	Yung-Wen Li (2018/4/30 resignation)	—	—	—	—
Vice President	Jesse Huang	(3,777)	—	—	—
Vice President	Wei Wang (2018/2/28 resignation)	(23,000)	—	—	—
Vice President	Silvia Su	7,041	—	—	—
Vice President	Yu-Ying Chen	9,580	—	—	—
Vice President	Teng-Yueh Tsai	(22,428)	—	(2,000)	—
Vice President	Chen-Fang Huang	8,483	—	—	—
Vice President	Ming -Cheng Lin	24,992	—	—	—
Vice President	Chang-Lung Li	29,990	—	—	—
Senior Director	Chao-Tung So	—	—	—	—
Senior Director	Dong-Bao Lu (2018/5/1 dismissal)	—	—	—	—
Senior Manager	Chi-Pei Cho	(18,451)	—	—	—
Special Assistant	Pei-Chuan Ku (2018/2/28 resignation)	—	—	—	—
Vice President	Jin-Long Fang (2018/7/1 new replacement)	27,197	—	—	—

(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 12, 2019(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	
Siliconware Precision Industries Co., Ltd.	148,910,390	20.12%	—	—	—	—	None	None	—
First Bank in Its Capacity as Master Custodian for Custodial Account of ChipMOS' American Depositary Shares	99,507,534	13.45%	—	—	—	—	None	None	—
Citibank (Taiwan) in its capacity as Master Custodian for Investment Account of GIC Pte Ltd. (Singapore)	22,225,661	3.00%	—	—	—	—	None	None	—
Morgan Stanley & Co. International Plc	17,759,559	2.40%	—	—	—	—	None	None	—
Fubon Life Insurance Co., Ltd.	13,683,762	1.85%	—	—	—	—	None	None	—
Shih-Jye Cheng	12,150,161	1.64%	—	—	244,777	0.03%	None	None	—
Cathay Life Insurance Company, Ltd.	11,277,000	1.52%	—	—	—	—	None	None	—
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	9,594,464	1.30%	—	—	—	—	None	None	—
Norges Bank	9,088,840	1.23%	—	—	—	—	None	None	—
New Labor Retirement Fund	8,518,809	1.15%	—	—	—	—	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 aforesaid, 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, 2018(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.	2,407,742,975	100.00%	-	-	2,407,742,975	100.00%
Unimos Microelectronics (Shanghai) Co., Ltd.	-	-	Note1	46.14%	Note1	46.14%
JMC ELECTRONICS CO., LTD.	19,100,000	19.10%	-	-	19,100,000	19.10%
Shanghai Zuzhu Business Consulting Partnership (Limited Partnership)	-	-	Note2	9.49%	Note2	9.49%
Shanghai Zuzhan Business Consulting Partnership (Limited Partnership)	-	-	Note2	13.42%	Note2	13.42%
Shanghai Zuchen Business Consulting Partnership (Limited Partnership)	-	-	Note2	11.34%	Note2	11.34%
Shanghai Guizao Business Consulting Partnership (Limited Partnership)	-	-	Note2	11.85%	Note2	11.85%

Note 1: Limited company, hence does not issue common stock.
Note 2: Limited partnership, hence does not issue common stock.

IV. Capital Overview

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
March, 2018	10	970,000	9,700,000	886,144	8,861,441	Cancellation of redeemed restricted employee shares	None	Note 1
May, 2018	10	970,000	9,700,000	885,981	8,859,811	Cancellation of redeemed restricted employee shares	None	Note 2
August, 2018	10	970,000	9,700,000	752,899	7,528,985	Cancellation of cash refund of capital reduction and redeemed restricted employee shares	None	Note 3
November, 2018	10	970,000	9,700,000	752,858	7,528,577	Cancellation of redeemed restricted employee shares	None	Note 4
March, 2019	10	970,000	9,700,000	752,835	7,528,347	Cancellation of redeemed restricted employee shares	None	Note 5
April, 2019	10	970,000	9,700,000	740,086	7,400,859	Cancellation of treasury shares	None	Note 6

Note. 1: 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).

Note. 2: On May 18, 2018, after the Company cancelled 162,995 redeemed restricted employee shares and reduced its capital by NT$1,629,950, the paid-in capital was NT$8,859,810,660, approved by the letter issued by the Hsinchu Science Park Bureau, Ministry of Science and Technology (Ref. No. Zhu-Shang-Tzu-1070014554).

Note. 3: On August 20, 2018, after the Company cancelled 132,944,559 shares of capital reduction and 138,000 redeemed restricted employee shares, reduced its capital by NT$1,329,445,590 and NT$1,380,000, the paid-in capital was NT$7,528,985,070, approved by the letter issued by the Hsinchu Science Park Bureau, Ministry of Science and Technology (Ref. No. Zhu-Shang-Tzu-1070024264).

Note. 4: On November 22, 2018, after the Company cancelled 40,825 redeemed restricted employee shares and reduced its capital by NT$408,250, the paid-in capital was NT$7,528,576,820, approved by the letter issued by the Hsinchu Science Park Bureau, Ministry of Science and Technology (Ref. No. Zhu-Shang-Tzu-1070033927).

Note. 5: On March 21, 2019, after the Company cancelled 22,948 redeemed restricted employee shares and reduced its capital by NT$229,480, the paid-in capital was NT$7,528,347,340, approved by the letter issued by the Hsinchu Science Park Bureau, Ministry of Science and Technology (Ref. No. Zhu-Shang-Tzu-1080007952).

Note. 6: On April 3, 2019, the Company cancelled 12,748,847 treasury shares and reduced its capital by NT$127,488,470. After the implementation of capital reduction, Company's paid-in capital was NT$7,400,858,870, approved by the letter issued by the Science Park Bureau (Ref. No. Zhu-Shang-Tzu-1080009251).

2. Type of Stock

April 12, 2019 (Unit: shares)

Share Type	Authorized Capital			Remark
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	740,085,887	229,914,113	970,000,000	

Note: The shares are listed on Taiwan Stock Exchange.

(II)Status of Shareholders

April 12, 2019 (Unit: persons; shares; %)

Composition of Shareholders / Amount	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of shareholders(persons)	—	10	161	41,741	167	42,079
Shareholding(shares)	—	32,159,022	222,116,764	242,651,851	243,158,250	740,085,887
Percentage(%)	—	4.35%	30.02%	32.77%	32.86%	100.00%

(III)Distribution of Shareholding

1. Common Shares

April 12, 2019 (Unit: persons; shares; %)

Class of Shareholding (shares)	Number of Shareholders(persons)	Shareholding (shares)	Percentage (%)
1 ~ 999	14,312	7,424,036	1.00%
1,000 ~ 5,000	18,541	44,105,014	5.96%
5,001 ~ 10,000	4,854	36,432,881	4.92%
10,001 ~ 15,000	1,273	15,649,841	2.11%
15,001 ~ 20,000	1,066	18,750,397	2.53%
20,001 ~ 30,000	752	18,846,158	2.55%
30,001 ~ 40,000	303	10,707,009	1.45%
40,001 ~ 50,000	253	11,247,575	1.52%
50,001 ~ 100,000	390	27,079,570	3.66%
100,001 ~ 200,000	152	21,276,411	2.87%
200,001 ~ 400,000	70	19,874,053	2.69%
400,001 ~ 600,000	31	14,950,622	2.02%
600,001 ~ 800,000	15	10,688,150	1.44%
800,001 ~ 1,000,000	15	13,358,750	1.81%
Above 1,000,001	52	469,695,420	63.47%
Total	42,079	740,085,887	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 12, 2019

Shareholder's Name	Shareholding (shares)	Shareholding Percentage (%)
Siliconware Precision Industries Co., Ltd.	148,910,390	20.12%
First Bank in Its Capacity as Master Custodian for Custodial Account of ChipMOS' American Depositary Shares	99,507,534	13.45%
Citibank (Taiwan) in its capacity as Master Custodian for Investment Account of GIC Pte Ltd. (Singapore)	22,225,661	3.00%
Morgan Stanley & Co. International Plc	17,759,559	2.40%
Fubon Life Insurance Co., Ltd.	13,683,762	1.85%
Shih-Jye Cheng	12,150,161	1.64%
Cathay Life Insurance Company, Ltd.	11,277,000	1.52%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	9,594,464	1.30%
Norges Bank	9,088,840	1.23%
New Labor Retirement Fund	8,518,809	1.15%

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

Unit: NT$; thousand shares

Item	Year	2017	2018	Current Year till March 31, 2019 (Note 6)
Market Price Per Share (Note 1)	Highest	34.15	28.85	27.90
	Lowest	23.45	19.70	23.85
	Average	28.05	23.76	25.40
Net Worth Per Share	Before Distribution	21.49	24.85	—
	After Distribution	21.19	—	—
Earnings Per Share	Weighted Average Shares	846,686	802,725	—
	Earnings Per Share(Equity Holders of the Company)	3.57	1.37	—
	Earnings Per Share(Predecessors' Interests Under Common Control)	—	—	—
Dividends Per Share	Cash Dividends	0.3	Note 5	—
	Share Dividend – Earning Distribution	—	—	—
	Share Dividend – Capital Distribution	—	—	—
	Accumulated Undistributed Dividend	—	—	—
Analysis of Return on Investment	Price/Earnings Ratio (Note 2)	7.86	17.34	—
	Price/Dividend Ratio (Note 3)	93.5	Note 5	—
	Cash Dividend Yield Rate (Note 4)	0.0107	Note 5	—

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: On March 7, 2019, the Board of Directors adopted the 2018 earnings distribution plan, stipulated that each share is distributed NT$1.2 cash dividend to shareholders. This plan has not yet been ratified by the Shareholders' Meeting

Note 6: As of the date of publication of the annual report, the most recent consolidated financial report dated March 31, 2019 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 2018 is NT$1,103,075 thousand. On March 7, 2019, the Board of Directors adopted that, after setting aside NT$110,308 thousand as legal reserve, the accumulated distributable profit of 2018 is NT$3,525,064 thousand; thus, the distribution of NT$1.2 cash dividend per share and NT$872,718 thousand in total is proposed. The proposal will be implemented in accordance with relevant regulations after being ratified by the shareholders' meeting on June 10, 2019.

(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 2019, the 24th meeting of the 8th Board of Directors resolved to distribute NT$199,027 thousand as compensation to employees and NT$9,951 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:

April 12, 2019

Treasury stocks: Batch Order	First	Second (Note)	Third (Note)
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 12, 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	15,000,000 shares	0 share
Accumulated number of company shares held	0 share	0 share	15,000,000 shares
Percentage of total company shares held (%)	0%	0%	1.72%

Note: The quantity of shares bought-back was 15,000,000 shares, due to the cash reduction on August 15, 2018 (the registration of the approved capital reduction of Zhu Shangzi No. 1070024264 on August 20, 2018), the untransferred treasury shares were 12,748,847 shares after the proportion of cash reduction

II. Bonds: None.

III. Preferred Shares: None.

IV.Global Depository Receipts

March 31, 2019

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			21,775,257 units
Source of representing security			Company's common shares
Amount of representing security			435,505,140 shares
Rights and obligations of depositary receipts holders			As the same as common shares
Trustee			None
Depository bank			Citibank
Custodial bank			First Bank
Unredeemed amount			4,995,376 units
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	2018	Highest	US$21.59
		Lowest	US$14.42
		Average	US$17.91
	Current year till March 31, 2019	Highest	US$17.57
		Lowest	US$15.43
		Average	US$16.47

V.Employee Stock 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, 2019

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	13,387,989 shares	1,315,681 shares
Issued Price (NT$)	NT$0	NT$0
Restricted employee shares as a percentage of shares issued	1.7783%	0.1748%
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	1,641,558 shares	405,561 shares
Amount of released restricted employee shares	11,746,431 shares	570,128 shares
Amount of unreleased	0 share	339,992 shares
Ratio of unreleased restricted shares to total issued shares (%)	0%	0.0452%
Impact on possible dilution of shareholdings	No significant impact on common share holders or equity dilution.	

Note: The board of directors of the Company determined the plan to refund the capital by way of cash reduction on August 9, 2018. The capital reduction ratio was 15.00768749%. The number of shares mentioned above was calculated based on the capital reduction ratio.

2. List of Executives Receiving Restricted Employee Shares and the Top 10 Employees with Restricted Employee Shares

Unit: shares; %

	Title	Name	Obtained amount of restricted employee 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	Issued price	Issued amount	Unreleased restricted shares as a percentage of shares issued
Manager	Chairman & President	Shih-Jye Cheng	1,957,373	0.26%	1,923,376	–	–	0.2555%	33,997	–	–	0.0045%
	Senior Executive Vice President & Chief Operating Officer	Lafair Cho										
	Vice President	Wu-Hung Hsu										
	Vice President	Yuan-Feng Hsu										
	Vice President & Spokesperson	Jesse Huang										
	Vice President	Jin-Long Fang										
	Vice President	Chen-Fang Huang										
	Vice President	Teng-Yueh Tsai										
	Vice President	Ming-Cheng Lin										
	Vice President	Chang-Lung Li										
	Vice President	Yu-Ying Chen										
	Vice President	Silvia Su										
	Vice President	Wei Wang										
	Vice President	Yung-Wen Li										
	Senior Director	Chao-Tung So										
	Senior Manager	Chi-Pei Cho										
	Senior Director	Dong-Bao Lu										
	Special Assistant	Pei-Chuan Ku										
Employee	Senior Director	Guo-Shou Yu	640,842	0.0851%	640,842	–	–	0.0851%	–	–	–	–
	Deputy Director	Chi-Zheng Pan										
	Senior Director	Wen-Yong Fu										
	Director	Chun-Tai Chen										
	Deputy Director	Zhong-Guo Chu										
	Technology Senior Manager	Ching-Rui Lin										
	Deputy Director	Yu-Fen Pan										
	Deputy Director	Bi-Lin Gong										
	Senior Director	Jun-Yi Liu										
	Director	Guang-Ting Kuo										

Note 1: Vice President Wei Wang resigned on February 28, 2018. Special Assistant Pei-Chuan Ku resigned on February 28, 2018. Vice President Yung-Wen Li resigned on April 30, 2018. Senior Director Dong-Bao Lu has was dismissed on May 1, 2018.

Note 2: The board of directors of the Company determined the plan to refund the capital by way of cash reduction on August 9, 2018. The capital reduction ratio was 15.00768749%. The number of shares mentioned above was calculated based on the capital reduction ratio.

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. Operational Highlights

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," "WB 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	2016		2017		2018	
	Amount	%	Amount	%	Amount	%
Assembly	6,608,197	35.94	5,425,189	30.24	4,679,676	25.32
Product Testing	3,087,179	16.79	2,896,408	16.15	2,891,281	15.65
Driver IC	4,920,302	26.76	4,792,472	26.71	5,694,720	30.82
Wafer Bumping	2,999,457	16.31	3,055,000	17.03	3,315,534	17.94
Wafer Testing	1,777,624	9.67	1,998,881	11.14	1,898,816	10.27
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	18,480,027	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 ("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 enhance and increase the capability and capacity of the assembly and testing for the products in the following areas depending on the market applications and demands:

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

(2) Develop Wafer Bumping and assembly technologies of Cu Pillar Bump and 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) Bumping, Assembly and testing services of wafer re-distribution layer and multi-chip integration products, i.e., MCP (multi-chip packaging) 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

2017 revenue of Taiwan IC assembly and testing industry is NT$477 billion and the annual growth rate shrank 2.8%. 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 2018 is NT$494 billion, which shows an increase of 3.6% as compared to 2017.

Production Value of Taiwan's Semiconductor Industry in Details

Unit: NT$0.1 billion; %

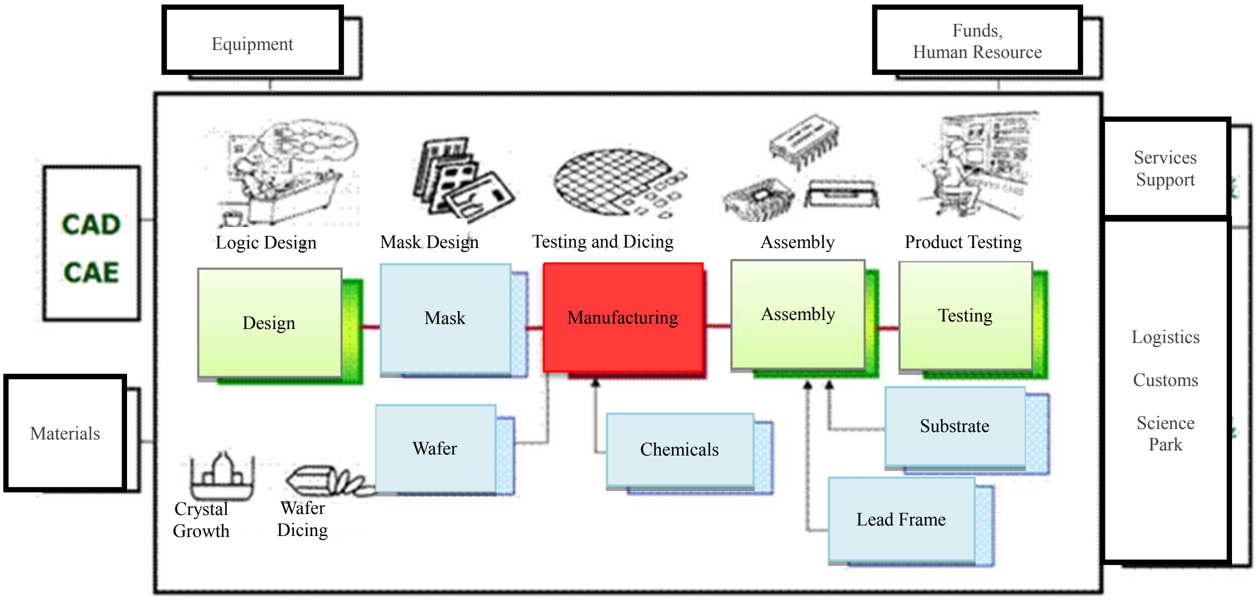
Items	2016	2017			2018(E)		
	Amount	Amount	Proportion (%)	Annual Growth Rate (%)	Amount	Proportion (%)	Annual Growth Rate (%)
IC Design	6,531	6,171	25.06	-5.5	6,403	24.31	3.8
IC Manufacturing	13,324	13,682	55.57	2.7	15,000	56.94	9.6
Wafer Foundry	11,487	12,061	48.98	5.0	12,894	48.95	6.9
Memory and IDM	1,837	1,621	6.58	-11.8	2,106	7.99	29.9
IC Assembly and Testing	4,638	4,770	19.37	2.8	4,940	18.75	3.6
Production Value of IC Industry	24,493	24,623	100.00	0.5	26,343	100.00	7.0

Source：TSIA、IEK of Industrial Technology Research Institute (2018/11).

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 memory IC, LCD driver 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 year by year.

(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 2018 & 2019 had been focused on the capacity of 12-inch Gold Bumping and testing machinery equipment.

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 shall be achieved by selecting various characteristics. Improvement of the main package of each generation solely depends on advanced research and development. 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 2018

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 consumer 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 to the wafers with Cu pillar bumps and solder bumps
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 2019

A. Continua1ly develop Cu Pillar Bump and Flip Chip assembly technologies and implement applications in memory and mixed-signal products.
B. Continua1ly 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 consumer and communication.
E. Continually develop multi-Cu RDL layers (3P2M) bumping capability and Stacked-Die packaging services.
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

Year / Item	2018	Current year till March 31, 2019
A. Research and Development Expenses	939,269	--
B. Revenue	18,480,027	--
A/B	5%	--

Note: As of the publication date of the annual report, the most recent consolidated financial statements dated March 31, 2019 has not yet been approved by the Board of Directors nor reviewed by certified public accountants.

3. Successfully Developed Technologies or Products during Recent Years

Year	Results of Research and Development	Explanation of Contents
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)
2018	Develop Cu Pillar Bump and Flip Chip Assembly technologies	1.Develop Low temp (<230^{o}C) and high temp (<390^{o}C) PI 2.Develop mutiple RDL options (0P1M and 1P1M) 3.Able to flip chip bond by real and dummy bumps on a same die
	Develop sputter fine line and high aspect ratio bumping process	1.Fine line width and space (5um/5um) 2.Thin to thick Cu RDL line (3-21um)
	Develop Wafer Level CSP	1.Low-temp (<230^{o}C) and high-temp (<390^{o}C) PI 2.Small to great form factor die size (0.8x0.8 mm^2 ~ 5x5 mm^2)
	Develop multiple Cu RDLs (3P2M) to achieve assembly die stacking technology	1.Provide 3P2M RDL solution 2.Can support 8-die assembly stacking 3.Wafer thinning till 50um 4.Gold, silver and copper wires are available

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

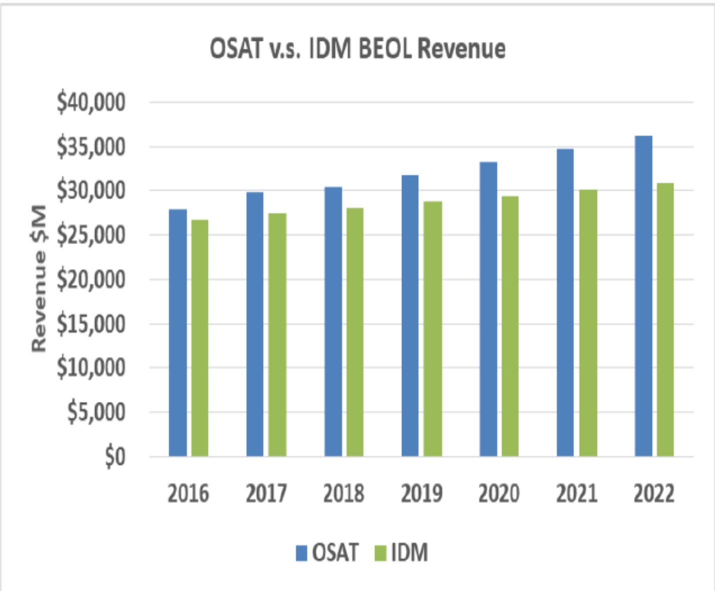
Territory \ Year		2017		2018	
		Amount	Ratio (%)	Amount	Ratio (%)
Domestic Sales		13,360,459	74.47	14,751,766	79.83
Export Sales	Asia	4,468,661	24.91	3,346,664	18.11
	America	253,434	1.41	255,738	1.38
	Others	85,396	0.48	125,859	0.68
	Subtotal	4,807,491	26.80	3,728,261	20.17
Subtract: Amounts from Discontinued Operations		(227,095)	(5.47)	—	—
Total		17,940,855	100.00	18,480,027	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 2018 is NT$494 billion, while the consolidated revenue of Company and its subsidiaries in 2018 is about NT$18.5 billion, accounting for about 3.74% 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

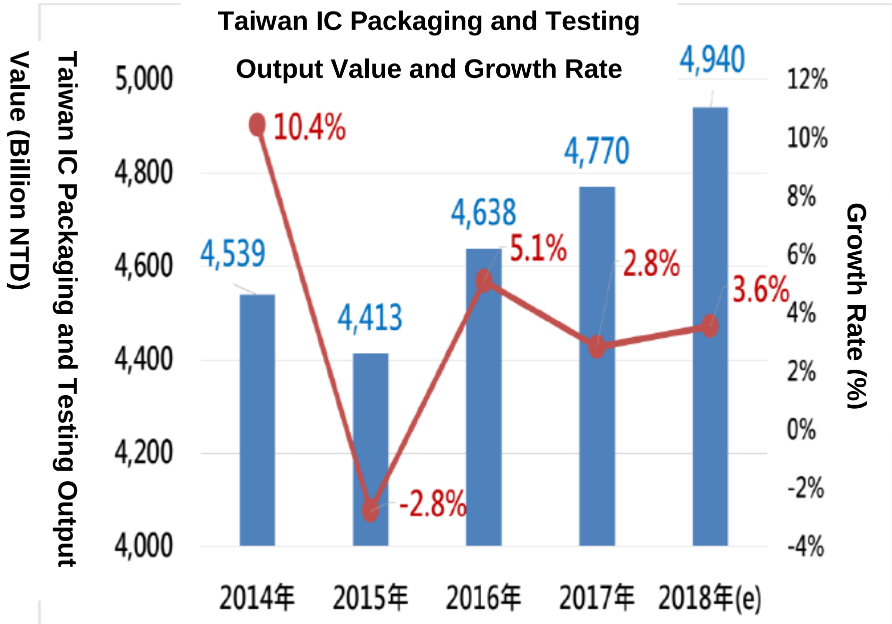
A. The proportion of global packaging and testing OSAT continues to grow, and the proportion of IDM continues to decline.



Source：Yole；IEK Consulting (2018/11)

- ☐ OSAT CAGR 2016~2022 is 4.5%
- ☐ IDM CAGR 2016~2022 is 2.4%
- ☐ Because packaging and testing are not the main source of profit for IDM, overall, IDM and OSAT are more cooperative than competition.

B. In 2018, the overall output value of Taiwan's IC is estimated to grow by 7.0% annually, and the packaging and testing industry will grow by 3.6% annually.



Source：IEK Consulting(2018/11)

- ☐ Taiwan’s overall IC production value is estimated to reach NT$2,634.8 billion in 2018, an annual growth rate of 7.0%.
- ☐ Taiwan's IC packaging and testing output value is estimated to reach NT$494 billion in 2018, an annual growth of 3.6%.

2017~2023 The overall advanced packaging technology has a CAGR of 5.2%, and the output value is up to TSV, Embedded Die and Fan-out, with a double-digit growth rate.

(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 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.

Countermeasures:

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.

<u>Countermeasures:</u>

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.

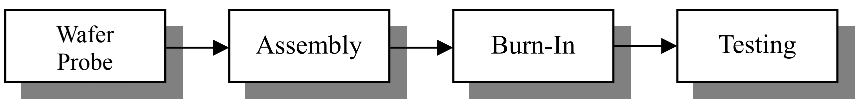
(II) The Important Purposes and Production Process of Our Main Products

1. The Purposes of Main Products

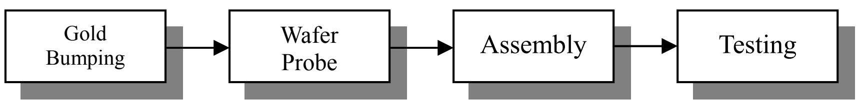
The main products of the Company and its subsidiaries are OEM services for the assembly and testing of products such as TSOP, FBGA, TCP, COF, COG, and wafer bumping. The client's products can be successfully applied to information, communications, office automation, consumer electronics and other related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

2. The Production Process

- Memory IC Products



- LCD Driver IC



(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; %

	2017				2018				2019 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	SOLAR	624,827	14.62	None	SOLAR	1,193,381	26.69	None	–	–	–	–
2	Bank of Taiwan	490,217	11.47	None	RYOWA	451,662	10.10	None	–	–	–	–
3	RYOWA	447,716	10.48	None	Bank of Taiwan	15,802	0.35	None	–	–	–	–
	Others	2,810,278	65.77		Others	2,810,504	62.86		–	–	–	–
	Less: Amount from Discontinued Operations	(100,015)	(2.34)		Less: Amount from Discontinued Operations	–	–		–	–	–	–
	Total	4,273,023	100.00		Total	4,471,349	100.00		–	–	–	–

Note: As of the publication date of the annual report, the most recent consolidated financial statements dated March 31, 2019 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 the Group direct purchases of gold salt used for manufacturing from SOLAR since 2018. Based on the aforementioned reason, there is significant difference in the purchase of SOLAR and Bank of Taiwan between 2018 and 2017.

2. Major Customers of the Most Recent Two Years

Unit: NT$ thousands; %

	2017				2018				2019 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	3,434,873	19.15	None	Client A	3,794,991	20.54	None	–	–	–	–
2	Client K	2,742,882	15.29	None	Client K	2,637,053	14.27	None	–	–	–	–
3	Client I	1,798,111	10.02	None	Client C	1,957,467	10.59	None	–	–	–	–
4	Client C	1,530,209	8.53	None	Client I	1,101,956	5.96	None	–	–	–	–
	Others	8,661,875	48.28		Others	8,988,560	48.64		–	–	–	–
	Less: Amount from Discontinued Operations	(227,095)	(1.27)		Less: Amount from Discontinued Operations	–	–		–	–	–	–
	Total	17,940,855	100.00		Total	18,480,027	100.00		–	–	–	–

Note: As of the publication date of the annual report, the most recent consolidated financial statements dated March 31, 2019 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: thousand wafers/piece；NT$ thousands

Year / Production Value / Major Departments	2017			2018		
	Capacity	Output	Production Value	Capacity	Output	Production Value
Assembly	3,581,640	2,442,313	5,105,794	3,461,467	2,335,324	4,536,008
Product Testing	3,271,152	2,505,668	2,150,313	3,557,981	2,489,778	2,136,623
Driver IC	2,201,821	1,817,561	3,610,773	2,455,423	1,817,088	4,009,820
Wafer Bumping	3,437	1,263	3,075,761	1,836	1,317	3,161,796
Wafer Testing	1,062	668	966,433	881	639	1,038,096
Less: Amounts from Discontinued Operations	(289,878)	(103,722)	(297,968)	–	–	–
Total	8,769,234	6,663,751	14,611,106	9,477,588	6,644,146	14,882,343

(VI) Sales in the Most Recent Two Years

Unit: thousand wafers/piece；NT$ thousands

Year / Major Departments / Sales	2017				2018			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Assembly	760,905	2,709,125	1,673,019	2,716,064	856,050	2,718,005	1,477,424	1,961,671
Product Testing	2,367,344	2,635,586	128,860	260,822	2,377,283	2,681,481	93,747	209,800
Driver IC	1,541,187	4,071,350	163,785	721,122	1,555,670	4,919,732	130,982	774,988
Wafer Bumping	1,098	2,365,486	164	689,514	1,198	2,816,913	118	498,621
Wafer Testing	544	1,578,912	130	419,969	538	1,615,635	80	283,181
Less: Amounts from Discontinued Operations	(46,379)	(208,039)	(56,651)	(19,056)	–	–	–	–
Total	4,624,699	13,152,420	1,909,307	4,788,435	4,790,739	14,751,766	1,702,351	3,728,261

III. Employees Status

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

Year		2017	2018	Current Year as of Mar. 31, 2019
Number of Employees (persons)	Direct Staff	3,355	3,502	3,401
	Engineering	2,088	2,125	2,110
	Management	358	374	374
	Total	5,801	6,001	5,885
Average Age		35.7	35.7	35.9
Average Seniority (years)		7.2	7.6	7.9
Academic Qualifications (%)	Ph.D.	0.1	0.1	0.1
	Master	7.8	7.3	7.3
	Bachelor	65.2	66.7	67.2
	High School	26.5	25.5	25.0
	Degree of Lower Levels	0.4	0.4	0.4

IV. Environmental Expenditure Information

1. The most recent year and the end of the annual report, the total amount of the Company's losses (including compensation) and imposed fines due to our pollution of the environment, and stated that our future countermeasures (including improvement measures) and other possible expenses (including the estimated amount of loss, disposition and compensation that may be incurred without responding to countermeasures), if it cannot be reasonably estimated, should state the fact that it cannot be reasonably estimated: None.

V. Labor Relations

(I) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests :

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
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 2018/07/01 to 2020/06/30	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	Unimos Microelectronics (Shanghai) Co., 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	Unimos Microelectronics (Shanghai) Co., 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	Cooperative Bank; Bank of Taiwan; Land Bank of Taiwan; Taishin International Bank; Hua Nan Bank; Chang Hwa Bank; Yuanta Bank; First Bank; Shin Kong Commercial Bank; Bank of Panshin； Mega Bank.	Effective from 2018/05/15 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$12 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 2008/09/18 to 2027/12/31	To lease lands from the Hsinchu Science Park Bureau.	1.Punitive damage clauses. 2.Rent and joint liability 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 and Amendments	Solar Applied Materials Technology Corporation	From 2016/09/01 to 2021/12/31	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. The last five years and as of the publication data of the annual report, the most recent 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 5 Years (Note 1) 2014 (adjusted)	2015 (adjusted)	2016	2017	2018	Financial information of the current year as of March 31, 2019 (Note 2)
Current assets		20,509,379	18,108,392	16,895,957	14,200,980	11,888,143	–
Property, plant and equipment		13,604,115	14,211,560	13,497,218	15,265,311	16,819,621	–
Intangible assets		–	–	–	–	–	–
Other assets		533,619	697,915	902,785	3,793,651	4,425,954	–
Total assets		34,647,113	33,017,867	31,295,960	33,259,942	33,133,718	–
Current liabilities	Before distribution	8,343,771	6,186,136	4,664,500	6,670,608	5,190,195	–
	After distribution	10,342,996	7,978,689	5,521,254	6,927,414	Note 3	–
Non-current liabilities		5,497,189	5,596,570	10,357,946	8,195,998	9,872,712	–
Total liabilities	Before distribution	13,840,960	11,782,706	15,022,446	14,866,606	15,062,907	–
	After distribution	15,840,185	13,575,259	15,879,200	15,123,412	Note 3	–
Equity attributable to equity holders of the Company		18,184,468	19,107,629	16,273,514	18,393,336	18,070,811	–
Capital Stock		8,646,193	8,962,066	8,869,663	8,862,971	7,528,577	–
Capital surplus		2,272,838	3,755,849	6,888,826	6,288,377	6,280,482	–
Retained earnings	Before distribution	7,229,363	6,773,369	1,424,638	4,237,941	5,104,542	–
	After distribution	5,230,138	4,980,816	1,167,612	3,981,135	Note 3	–
Other equity interest		36,074	(383,655)	98,041	11,701	119,713	–
Treasury stock		–	–	(1,007,654)	(1,007,654)	(962,503)	–
Non-controlling interests		2,621,685	–	–	–	–	–
Equity attributable to predecessors' interests under common control		–	2,127,532	–	–	–	–
Total equity	Before distribution	20,806,153	21,235,161	16,273,514	18,393,336	18,070,811	–
	After distribution	18,806,928	19,442,608	15,416,760	18,136,530	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, 2019 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, 2018 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 5 Years				
		2014 (adjusted)	2015 (adjusted)	2016	2017	2018
Current assets		17,009,945	16,990,860	13,751,990	13,157,373	11,664,359
Property, plant and equipment		11,474,812	13,558,502	13,495,686	15,264,103	16,818,613
Intangible assets		—	—	—	—	—
Other assets		2,768,569	2,230,865	3,544,936	4,775,719	4,653,056
Total assets		31,253,326	32,780,227	30,792,612	33,197,195	33,136,028
Current liabilities	Before distribution	7,668,360	6,037,162	4,079,615	6,607,861	5,192,505
	After distribution	9,667,585	7,829,715	4,936,369	6,864,667	Note 2
Non-current liabilities		5,400,498	5,507,904	10,439,483	8,195,998	9,872,712
Total liabilities	Before distribution	13,068,858	11,545,066	14,519,098	14,803,859	15,065,217
	After distribution	15,068,083	13,337,619	15,375,852	15,060,665	Note 2
Equity attributable to equity holders of the Company		18,184,468	19,107,629	16,273,514	18,393,336	18,070,811
Capital Stock		8,646,193	8,962,066	8,869,663	8,862,971	7,528,577
Capital surplus		2,272,838	3,755,849	6,888,826	6,288,377	6,280,482
Retained earnings	Before distribution	7,229,363	6,773,369	1,424,638	4,237,941	5,104,542
	After distribution	5,230,138	4,980,816	1,167,612	3,981,135	Note 2
Other equity interest		36,074	(383,655)	98,041	11,701	119,713
Treasury stock		—	—	(1,007,654)	(1,007,654)	(962,503)
Predecessors' interests under common control		—	2,127,532	—	—	—
Total equity	Before distribution	18,184,468	21,235,161	16,273,514	18,393,336	18,070,811
	After distribution	16,185,243	19,442,608	15,416,760	18,136,530	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, 2018 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 Statements

Unit: NT$ thousands, except earnings per share

Item / Year	Financial Summary for The Last 5 Years (Note 1)					Financial information of the current year as of March 31, 2019 (Note 2)
	2014 (adjusted)	2015 (adjusted)	2016	2017	2018	
Revenue	22,005,131	18,837,089	18,387,593	17,940,855	18,480,027	—
Gross profit	5,179,320	4,151,575	3,642,121	3,237,126	3,429,995	—
Operating profit	3,777,632	2,648,427	1,998,575	2,239,881	2,099,721	—
Non-operating income (expenses)	1,017,102	197,629	(298,140)	(724,394)	(317,279)	—
Profit before income tax	4,794,734	2,846,056	1,700,435	1,515,487	1,782,442	—
Profit for the year from continuing operations	3,836,037	2,010,346	1,348,385	1,211,575	1,103,075	—
Profit (loss) for the year from discontinued operations	—	(34,233)	(122,105)	1,814,953	—	—
Profit for the year	3,836,037	1,976,113	1,226,280	3,026,528	1,103,075	—
Other comprehensive income (loss), net of income tax	(599,681)	(47,200)	(236,421)	(189,902)	(32,829)	—
Total comprehensive income for the year	3,236,356	1,928,913	989,859	2,836,626	1,070,246	—
Profit attributable to equity holders of the Company	3,326,314	2,230,469	1,532,292	3,026,528	1,103,075	—
Loss attributable to predecessors' interests under common control	—	(291,429)	(306,012)	—	—	—
Profit attributable to non-controlling interests	509,723	37,073	—	—	—	—
Comprehensive income attributable to equity holders of the Company	3,087,848	2,205,275	1,295,871	2,836,626	1,070,246	—
Comprehensive loss attributable to predecessors' interests under common control	—	(291,429)	(306,012)	—	—	—
Comprehensive income attributable to non-controlling interests	148,508	15,067	—	—	—	—
Earnings per share : equity holders of the Company	3.87	2.54	1.78	3.57	1.37	—
Earnings per share : 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, 2019 has not yet been approved by the Board of Directors nor reviewed by certified public accountants.

(2) Parent Company Only Financial Statements

Unit: NT$ thousands, except earnings per share

Year / Item	Financial Summary for The Last 5 Years				
	2014 (adjusted)	2015 (adjusted)	2016	2017	2018
Revenue	19,544,911	18,275,095	18,389,205	17,941,102	18,480,027
Gross profit	4,649,865	3,955,276	3,643,246	3,236,803	3,429,995
Operating income	3,453,376	2,546,351	2,020,291	2,343,113	2,123,300
Non-operating income (expenses)	590,695	206,612	(442,959)	985,503	(342,005)
Profit before income tax	4,044,071	2,752,963	1,577,332	3,328,616	1,781,295
Profit for the year from continuing operations	3,326,314	1,939,040	1,226,280	3,026,528	1,103,075
Profit (loss) for the year from discontinued operations	—	(34,233)	(122,105)	1,814,953	—
Profit for the year	3,326,314	1,939,040	1,226,280	3,026,528	1,103,075
Other comprehensive loss,net of income tax	(238,467)	(25,194)	(236,421)	(189,902)	(32,829)
Total comprehensive income for the year	3,087,847	1,913,846	989,859	2,836,626	1,070,246
Profit attributable to equity holders of the Company	—	2,230,469	1,532,292	3,026,528	1,103,075
Loss attributable to predecessors' interests under common control	—	(291,429)	(306,012)	—	—
Profit attributable to non-controlling interests	509,723	37,073	—	—	—
Comprehensive income attributable to equity holders of the Company	—	2,205,275	1,295,871	2,836,626	1,070,246
Comprehensive loss attributable to predecessors' interests under common control	—	(291,429)	(306,012)	—	—
Comprehensive income attributable to non-controlling interests	148,508	15,067	—	—	—
Earnings per share : equity holders of the Company	3.87	2.54	1.78	3.57	1.37
Earnings per share : 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' Name and Opinions

Year	Accounting firm	CPA	Audit 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
2018	PricewaterhouseCoopers, Taiwan	Chun-Yuan Hsiao, Chih-Cheng Hsieh	Unqualified opinion

II. Financial Analysis for the Most Recent 5 Years

1. Consolidated Financial Statements

Item	Year	2014 (adjusted)	2015 (adjusted)	2016	2017	2018	Financial information of the current year as of March 31, 2019 (Note)
		Financial Summary for The Last 5 Years					
Financial structure	Debt ratio (%)	39.95	38.21	48.00	44.70	45.46	—
	Long-term capital to property, plant and equipment ratio (%)	193.35	175.92	197.31	174.18	166.14	—
Solvency analysis	Current ratio (%)	245.80	270.33	362.22	212.89	229.05	—
	Quick ratio (%)	222.23	238.79	318.91	183.16	193.92	—
	Times interest earned (times)	37.15	23.54	12.76	8.96	12.69	—
Operating performance analysis	Average collection turnover (times)	4.89	4.53	4.58	4.40	4.22	—
	Average collection days	75	81	80	83	86	—
	Average inventory turnover (times)	9.91	8.89	7.77	7.32	7.93	—
	Average payment turnover (times)	16.56	17.70	19.23	19.43	22.70	—
	Average inventory turnover days	37	41	47	50	46	—
	Property, plant and equipment turnover (times)	1.66	1.43	1.33	1.25	1.15	—
	Total assets turnover (times)	0.68	0.61	0.57	0.56	0.56	—
Profitability analysis	Return on total assets (%)	12.20	7.24	4.19	9.87	3.69	—
	Return on equity (%)	19.80	11.36	6.54	17.46	6.05	—
	Profit before income tax to paid-in capital ratio (%)	55.45	31.94	19.17	17.10	23.68	—
	Net profit margin (%)	17.43	11.41	6.67	16.87	5.97	—
	Earnings per share (equity holders of the Company)（NT$）	3.87	2.54	1.78	3.57	1.37	—
	Earnings per share (predecessors' interests under common control)（NT$）	—	(0.33)	(0.35)	—	—	—
Cash flow	Cash flow ratio (%)	72.25	93.94	79.07	71.26	76.30	—
	Cash flow adequacy ratio (%)	157.94	130.13	113.79	101.68	91.84	—
	Cash reinvestment ratio (%)	6.70	4.74	2.58	5.21	4.75	—
Leverage	Operating leverage (times)	1.77	2.17	2.62	2.29	2.61	—
	Financial leverage (times)	1.04	1.05	1.08	1.09	1.08	—

Reasons for variation in financial ratios in the past two years (Analysis for changes exceeding 20%)

(1) Times interest earned: Mainly due to the increase of profit before income tax in 2018.

(2) 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.

Note : As of the publication date of the annual report, the most recent consolidated financial report dated March 31, 2019 has not yet been approved by the Board of Directors nor reviewed by certified public accountants.

2. Parent Company Only Financial Statements

item	Year	2014 (adjusted)	2015 (adjusted)	2016	2017	2018
		Financial Summary for The Last 5 Years				
Financial structure	Debt ratio (%)	41.82	35.22	47.15	44.59	45.46
	Long-term capital to property, plant and equipment ratio(%)	205.54	197.24	197.94	174.20	166.15
Solvency analysis	Current ratio (%)	221.82	281.44	337.09	199.12	224.64
	Quick ratio (%)	200.18	253.34	288.67	169.10	189.52
	Times interest earned	35.01	22.64	11.91	18.48	12.69
Operating performance analysis	Average collection turnover (times)	4.99	5.00	4.72	4.40	4.22
	Average collection days	73	73	77	83	86
	Average inventory turnover (times)	9.90	8.83	8.07	7.32	7.93
	Average payment turnover (times)	16.91	22.52	20.19	19.43	22.70
	Average inventory turnover days	37	41	45	50	46
	Property, plant and equipment turnover (times)	1.75	1.35	1.36	1.25	1.15
	Total assets turnover (times)	0.68	0.58	0.58	0.56	0.56
Profitability analysis	Return on total assets (%)	11.99	6.44	4.24	9.95	3.71
	Return on equity (%)	19.82	9.61	6.54	17.46	6.05
	Profit before income tax to paid-in capital ratio (%)	46.77	30.72	17.78	37.56	23.66
	Net profit margin (%)	17.02	10.61	6.67	16.87	5.97
	Earnings per share (equity holders of the Company)（NT$）	3.87	2.21	1.78	3.57	1.37
	Earnings per share (predecessors' interests under common control)（NT$）	—	(0.33)	(0.35)	—	—
Cash flow	Cash flow ratio (%)	74.74	113.75	101.48	72.81	81.30
	Cash flow adequacy ratio (%)	157.10	161.00	141.40	112.17	97.18
	Cash reinvestment ratio (%)	7.57	6.65	3.19	5.29	5.09
Leverage	Operating leverage (times)	1.75	2.10	2.53	1.90	1.98
	Financial leverage (times)	1.04	1.05	1.08	1.06	1.05

Reasons for variation in financial ratios in the past two years (no analysis is required for variations below 20%)

(1) Times interest earned: Mainly due to the decrease of profit before income tax in 2018.

(2) 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.

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 of the Most Recent Year

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2018 Business Report, Financial Statements, and proposal for allocation of earnings. The audit firm of PricewaterhouseCoopers, Taiwan was retained to audit the Company's Financial Statements and has issued an audit report. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company. According to relevant requirements of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, the Audit Committee hereby submits this report.

ChipMOS TECHNOLOGIES INC.

Convener of the Audit Committee: Chin-Shyh Ou

March 7, 2019

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, 2018 and 2017, 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, 2018 and 2017, 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 (the "Code"), 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, 2018 are stated as follows:

Measuring progress towards complete satisfaction of performance obligation

Description

Please refer to Note 4(26) to the consolidated financial statements for the accounting policies on revenue recognition; Note 5(2) for uncertainty of accounting estimates and assumptions of revenue recognition; Note 6(24) for details of the revenue; and Note 12(5) for effects of initial application of IFRS 15 "Revenue from Contracts with Customers".

The Group's revenue is primarily generated from the assembly and testing services of high-integration and high-precision integrated circuits based on customer's specification, and is recognized based on measuring progress towards complete satisfaction of performance obligation during the service period. For assembly services, services for Liquid Crystal Display and other Flat-Panel Display Driver Semiconductors and Bumping, the Group recognizes revenue on the basis of input costs to the satisfaction of performance obligation relative to the total expected input costs to the satisfaction of that performance obligation. Since the total expected input costs is uncertain and subject to management's significant estimation, measuring progress towards complete satisfaction of performance obligation 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 with management to understand and evaluate the accounting policies on revenue recognition, and validated the design and operating effectiveness of respective internal controls.
2. Reviewed management's assessment on progress completion of performance obligation, and tested the calculation logics applied on calculating the progress completion of performance obligation.

3. Verified the related documents provided by management, validated management reports in relation to the calculation on progress completion of performance obligation, and tested the accuracy of revenue recognition.

Provisions for deficiency compensation

Description

Please refer to Note 4(20) 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(13) 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 provision 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 with 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 equity method. Those financial statements were audited by 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 consolidated financial statements and the information on the investee disclosed in Note

13 was based solely on the reports of the other independent accountants. Investments in this investee company amounted to NT$406,792 thousand and NT$373,276 thousand, both representing 1% of total consolidated assets as of December 31, 2018 and 2017, and total net comprehensive income including the share of profit and other comprehensive income of associate accounted for using equity method amounted to NT$39,245 thousand and NT$1,343 thousand, representing 4% and 0% 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, 2018 and 2017.

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 controls as management determines are 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 7, 2019

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, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 4,642,522	15	$ 8,035,714	24
1136	Current financial assets at amortized cost	6(2)	169,168	1	-	-
1140	Current contract assets	6(24)	299,835	1	-	-
1150	Notes receivable, net		1,595	-	2,029	-
1170	Accounts receivable, net	6(3)	4,745,693	14	4,013,705	12
1180	Accounts receivable－related parties, net		140	-	11	-
1200	Other receivables		63,037	-	56,716	-
1210	Other receivables－related parties		3,131	-	4,534	-
1220	Current tax assets		139,595	-	104,906	1
130X	Inventories	6(4)	1,778,835	5	1,929,239	6
1410	Prepayments		44,592	-	54,126	-
11XX	**Total current assets**		11,888,143	36	14,200,980	43
	Non-current assets					
1510	Non-current financial assets at fair value through profit or loss	6(5)	11,471	-	-	-
1517	Non-current financial assets at fair value through other comprehensive income	6(6)	174,357	1	-	-
1535	Non-current financial assets at amortized cost	6(2) and 8	99,103	-	-	-
1543	Non-current financial assets carried at cost		-	-	20,890	-
1550	Investments accounted for using equity method	6(7)	3,863,741	11	3,433,332	10
1600	Property, plant and equipment	6(8) and 8	16,819,621	51	15,265,311	46
1840	Deferred tax assets	6(31)	226,716	1	212,372	1
1920	Refundable deposits		22,006	-	21,342	-
1980	Other non-current financial assets	8	-	-	70,241	-
1990	Other non-current assets		28,560	-	35,474	-
15XX	**Total non-current assets**		21,245,575	64	19,058,962	57
1XXX	**Total assets**		$ 33,133,718	100	$ 33,259,942	100

(Continued)

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

	Liabilities and Equity	Notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Liabilities					
	Current liabilities					
2100	Short-term bank loans	6(10)(35)	$ -	-	$ 969,353	3
2130	Current contract liabilities	6(24)	1,432	-	-	-
2170	Accounts payable	6(11)	637,271	2	687,960	2
2180	Accounts payable－related parties		347	-	226	-
2200	Other payables	6(12)	3,195,217	10	2,693,495	8
2220	Other payables－related parties		218	-	36	-
2230	Current tax liabilities		496,704	1	790	-
2250	Current provisions	6(13)	29,352	-	127,311	1
2310	Receipts in advance	6(17) and 7	1,013	-	5,209	-
2320	Long-term bank loans, current portion	6(15)(35) and 8	747,422	2	2,143,168	6
2355	Long-term lease obligations payable, current portion	6(16)	17,792	-	11,785	-
2365	Current refund liabilities	6(14)	32,627	-	-	-
2399	Other current liabilities		30,800	-	31,275	-
21XX	**Total current Liabilities**		5,190,195	15	6,670,608	20
	Non-current liabilities					
2540	Long-term bank loans	6(15)(35) and 8	9,042,096	27	7,498,853	23
2570	Deferred tax liabilities	6(31)	308,759	1	174,293	1
2613	Long-term lease obligations payable	6(16)	-	-	18,057	-
2630	Long-term deferred revenue	6(17) and 7	-	-	24,898	-
2640	Net defined benefit liability, non-current	6(18)	520,765	2	478,526	1
2645	Guarantee deposits	6(35)	1,092	-	1,371	-
25XX	**Total non-current liabilities**		9,872,712	30	8,195,998	25
2XXX	**Total liabilities**		15,062,907	45	14,866,606	45
	Equity					
	Equity attributable to equity holders of the Company					
	Capital stock	6(20)				
3110	Capital stock－common stock		7,528,577	23	8,862,971	27
	Capital surplus	6(21)				
3200	Capital surplus		6,280,482	19	6,288,377	19
	Retained earnings	6(22)				
3310	Legal reserve		1,469,170	5	1,166,517	3
3350	Unappropriated retained earnings		3,635,372	11	3,071,424	9
	Other equity interest	6(23)				
3410	Financial statements translation differences of foreign operations		14,516	-	65,593	-
3420	Unrealized gain on valuation of financial assets at fair value through other comprehensive income		106,898	-	-	-
3425	Unrealized gain on valuation of available-for-sale financial assets		-	-	678	-
3490	Unearned employee awards		(1,701)	-	(54,570)	-
3500	**Treasury stock**	6(20)	(962,503)	(3)	(1,007,654)	(3)
31XX	**Equity attributable to equity holders of the Company**		18,070,811	55	18,393,336	55
3XXX	**Total equity**		18,070,811	55	18,393,336	55
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the reporting period	11				
3X2X	**Total liabilities and equity**		$ 33,133,718	100	$ 33,259,942	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)

	Items	Notes	2018 Amount	2018 %	2017 Amount	2017 %
4000	**Revenue**	6(24)	$ 18,480,027	100	$ 17,940,855	100
5000	**Cost of revenue**	6(4)(29)(30)	(15,050,032)	(81)	(14,703,729)	(82)
5900	**Gross profit**		3,429,995	19	3,237,126	18
	Operating expenses	6(29)(30)				
6100	Sales and marketing expenses		(53,451)	-	(64,397)	-
6200	General and administrative expenses		(485,068)	(3)	(639,809)	(4)
6300	Research and development expenses		(939,269)	(5)	(985,873)	(5)
6000	**Total operating expenses**		(1,477,788)	(8)	(1,690,079)	(9)
6500	**Other income (expenses), net**	6(25)	147,514	1	692,834	4
6900	**Operating profit**		2,099,721	12	2,239,881	13
	Non-operating income (expenses)					
7010	Other income	6(26)	58,361	-	64,198	-
7020	Other gains and losses	6(27)	114,709	1	(391,818)	(2)
7050	Finance costs	6(28)	(190,248)	(1)	(217,283)	(1)
7060	Share of loss of associates and joint ventures accounted for using equity method	6(7)	(300,101)	(2)	(179,491)	(1)
7000	**Total non-operating income (expenses)**		(317,279)	(2)	(724,394)	(4)
7900	**Profit before income tax**		1,782,442	10	1,515,487	9
7950	Income tax expense	6(31)	(679,367)	(4)	(303,912)	(2)
8000	**Profit for the year from continuing operations**		1,103,075	6	1,211,575	7
8100	Profit for the year from discontinued operations	6(9)	-	-	1,814,953	10
8200	**Profit for the year**		$ 1,103,075	6	$ 3,026,528	17

(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,			
			2018		2017	
	Items	Notes	Amount	%	Amount	%
	Other comprehensive income					
8311	Profit (loss) on remeasurements of defined benefit plans	6(18)	($ 59,961)	-	$ 50,838	-
8316	Unrealized gain on valuation of equity instruments at fair value through other comprehensive income	6(6)	85,022	-	-	-
8320	Share of other comprehensive loss of associates and joint ventures accounted for using equity method that will not be reclassified to profit or loss		(2,687)	-	(124)	-
8349	Income tax effect on components that will not be reclassified to profit or loss	6(31)	(4,126)	-	(8,642)	-
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		18,248	-	42,072	-
8361	Exchange differences on translation of foreign operations	6(23)	(51,077)	-	(232,652)	(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		-	-	678	-
8360	**Components of other comprehensive loss that will be reclassified to profit or loss**		(51,077)	-	(231,974)	(1)
8300	**Other comprehensive loss, net of income tax**		($ 32,829)	-	($ 189,902)	(1)
8500	**Total comprehensive income for the year**		$ 1,070,246	6	$ 2,836,626	16
	Profit attributable to:					
	Equity holders of the Company					
8610	- continuing operations		$ 1,103,075	6	$ 1,211,575	7
	- discontinued operations		-	-	1,814,953	10
			$ 1,103,075	6	$ 3,026,528	17
	Comprehensive income attributable to:					
	Equity holders of the Company					
8710	- continuing operations		$ 1,070,246	6	$ 1,309,318	7
	- discontinued operations		-	-	1,527,308	9
			$ 1,070,246	6	$ 2,836,626	16
	Earnings per share - basic	6(32)				
	Equity holders of the Company					
9710	- continuing operations		$	1.37	$	1.43
9720	- discontinued operations			-		2.14
9750	**Earnings per share - basic**		$	1.37	$	3.57
	Earnings per share - diluted	6(32)				
	Equity holders of the Company					
9810	- continuing operations		$	1.36	$	1.40
9820	- discontinued operations			-		2.10
9850	**Earnings per share - diluted**		$	1.36	$	3.50

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 financial assets at fair value through other comprehensive income	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
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
Profit for the year		-	-	-	3,026,528	-	-	-	-	-	-	3,026,528
Other comprehensive income (loss) for the year	6(23)	-	-	-	42,072	(232,652)	-	678	-	-	-	(189,902)
Total comprehensive income (loss)		-	-	-	3,068,600	(232,652)	-	678	-	-	-	2,836,626
Appropriation of prior year's earnings:	6(22)											
Legal reserve		-	-	28,680	(28,680)	-	-	-	-	-	-	-
Cash dividends		-	-	-	(257,026)	-	-	-	-	-	-	(257,026)
Cash distribution from capital surplus	6(22)	-	(599,728)	-	-	-	-	-	-	-	-	(599,728)
Restricted shares	6(19)	(6,692)	(17,650)	-	1,729	-	-	-	-	145,634	-	123,021
Change in shareholding of equity investment	6(21)	-	16,929	-	-	-	-	-	-	-	-	16,929
Effect of disposal of a subsidiary	6(9)	-	-	-	-	287,645	-	-	(287,645)	-	-	-
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
Year 2018												
Balance at January 1, 2018		$ 8,862,971	$ 6,288,377	$ 1,166,517	$ 3,071,424	$ 65,593	$ -	$ 678	$ -	($ 54,570)	($ 1,007,654)	$ 18,393,336
Effects on initial application of IFRS 9 and IFRS 15		-	-	-	65,050	-	42,843	(678)	-	-	-	107,215
Adjusted balance at January 1, 2018		8,862,971	6,288,377	1,166,517	3,136,474	65,593	42,843	-	-	(54,570)	(1,007,654)	18,500,551
Profit for the year		-	-	-	1,103,075	-	-	-	-	-	-	1,103,075
Other comprehensive income (loss) for the year	6(23)	-	-	-	(45,807)	(51,077)	64,055	-	-	-	-	(32,829)
Total comprehensive income (loss)		-	-	-	1,057,268	(51,077)	64,055	-	-	-	-	1,070,246
Appropriation of prior year's earnings:	6(22)											
Legal reserve		-	-	302,653	(302,653)	-	-	-	-	-	-	-
Cash dividends		-	-	-	(256,806)	-	-	-	-	-	-	(256,806)
Restricted shares	6(19)	(4,948)	(7,967)	-	1,089	-	-	-	-	52,869	-	41,043
Capital reduction	6(20)	(1,329,446)	72	-	-	-	-	-	-	-	45,151	(1,284,223)
Balance at December 31, 2018		$ 7,528,577	$ 6,280,482	$ 1,469,170	$ 3,635,372	$ 14,516	$ 106,898	$ -	$ -	($ 1,701)	($ 962,503)	$ 18,070,811

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, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax－continuing operations		$ 1,782,442	$ 1,515,487
Profit before income tax－discontinued operations	6(9)	-	1,814,953
Profit before income tax		1,782,442	3,330,440
Adjustments to reconcile profit (loss)			
Depreciation expense	6(8)(29)	3,376,579	2,899,278
Reversal of allowance for impairment of accounts receivable		-	(87)
Expected credit losses		348	-
Interest expense	6(28)	152,416	190,425
Interest income	6(26)	(49,971)	(53,123)
Dividends income	6(26)	(571)	-
Share-based payments	6(19)(30)	41,043	123,021
Share of loss of associates and joint ventures accounted for using equity method	6(7)	300,101	179,491
Gain on valuation of financial assets at fair value through profit or loss	6(5)(27)	(1,485)	(637)
Gain on disposal of property, plant and equipment	6(25)	(14,274)	(132,777)
Impairment loss on property, plant and equipment	6(8)(25)	-	956
Profit for the year from discontinued operations	6(9)	-	(1,814,953)
Elimination of transactions between discontinued operations and affiliated companies		-	3,076
Deferred income		(42,857)	(11,434)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		434	(276)
Current contract assets		(44,858)	-
Accounts receivable		(734,129)	124,875
Accounts receivable－related parties		(129)	26
Other receivables		5,238	703
Other receivables－related parties		16,317	35,855
Inventories		(58,101)	(51,257)
Prepayments		46,781	104,870
Other current financial assets		-	1,600
Financial assets at fair value through profit or loss		1,447	637
Other non-current assets		6,914	6,914
Changes in operating liabilities			
Current contract liabilities		280	-
Account payables		(50,689)	(137,102)
Accounts payable－related parties		121	226
Other payables		(301,711)	450,625
Other payables－related parties		182	36
Current provisions		(27,803)	46,592
Receipts in advance		-	(172)
Current refund liabilities		(37,529)	-
Other current liabilities		(475)	(12,401)
Net defined benefit liability, non-current		(17,722)	(17,604)
Cash generated from operations		4,348,339	5,267,823
Interest received		48,590	47,299
Dividends received		6,184	14,325
Interest paid		(154,307)	(188,630)
Income tax paid		(119,473)	(387,590)
Net cash generated from operating activities		4,129,333	4,753,227

(Continued)

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

	Notes	Years ended December 31, 2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in financial assets at amortized cost		($ 198,030)	$ -
Acquisition of non-current financial assets carried at cost		-	(10,940)
Acquisition of investments accounted for using equity method	6(7) and 7	(794,694)	(1,373,486)
Acquisition of property, plant and equipment	6(34)	(4,154,198)	(4,411,180)
Proceeds from disposal of property, plant and equipment		18,160	306,634
Increase in refundable deposits		(664)	(11)
Decrease in other financial assets		-	436
Proceeds from disposal of a subsidiary	6(34)	-	2,230,544
Net cash used in investing activities		(5,129,426)	(3,258,003)
CASH FLOWS FROM FINANCING ACTIVITIES	6(35)		
Proceeds from short-term bank loans		1,053,202	5,247,871
Payments on short-term bank loans		(2,022,555)	(4,278,518)
Proceeds from long-term bank loans		12,663,550	-
Payments on long-term bank loans		(12,553,300)	(1,124,699)
Decrease in guarantee deposits		(279)	(33)
Cash dividend paid	6(22)	(256,806)	(257,026)
Cash distribution from capital surplus	6(21)(22)	-	(599,728)
Payments for capital reduction		(1,284,223)	-
Net cash used in financing activities		(2,400,411)	(1,012,133)
Effect of foreign exchange rate changes		7,312	(18,743)
Net (decrease) increase in cash and cash equivalents		(3,393,192)	464,348
Cash and cash equivalents at beginning of year		8,035,714	7,571,366
Cash and cash equivalents at end of year		$ 4,642,522	$ 8,035,714

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, 2018 AND 2017
(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. 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 7, 2019.

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 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date issued by International Accounting Standards Board ("IASB")
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments 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
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendments to International Accounting Standards ("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
International Financial Reporting Interpretations Committee ("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

New Standards, Interpretations and Amendments	Effective date issued by IASB
Annual Improvements to IFRSs 2014－2016 Cycle－ Amendments to IFRS 12 "Disclosure of Interests 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 Group 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" and amendments

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 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.

Accordingly, the Group provides additional disclosure describing the changes in liabilities arising from financing activities in Note 6(35).

C. When applying the new standards, interpretations and amendments endorsed by the FSC effective from 2018, the Group does not intends to restate the financial statements of prior period (collectively referred herein as the “modified retrospective approach”) in transition to IFRS 9 “Financial Instruments” (“IFRS 9”) and IFRS 15. The Group applied IFRS 15 only to incomplete contracts as of January 1, 2018. Please refer to Notes 12(4) and (5) for the details of significant effects as of January 1, 2018 on applying the aforementioned new standards.

(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 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date issued by IASB
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019
IFRS 16 “Leases”	January 1, 2019
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.

The Group has reported its assessment to the Board of Directors in the fourth quarter of 2018 and determined that IFRS 16 will have a significant impact on the Group's financial position. The Group considered to adopt the modified retrospective transitional provisions of IFRS 16, and expected to increase right-of-use assets and lease liabilities by $898,387 and $884,275, respectively; and decrease leased assets and lease obligations payable by $31,904 and $17,792, respectively, on January 1, 2019.

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

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

New Standards, Interpretations and Amendments	Effective date issued by IASB
Amendments to IAS 1 and IAS 8 "Disclosure Initiative－Definition of Material"	January 1, 2020
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
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 17 "Insurance Contracts"	January 1, 2021

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

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, IFRIC interpretations, and SIC interpretations as endorsed by 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) Financial assets at fair value through profit or loss (including derivative instruments).

(b) Financial assets at fair value through other comprehensive income.

(c) 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.

C. The initial adoption of IFRS 9 and IFRS 15 is effective on January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the application was recognized as retained earnings or other equity interest as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with IAS 39 "Financial Instruments", IAS 18 "Revenue" and relating interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies.

(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 all 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 on transactions between companies within 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 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 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, 2018	Percentage of Ownership (%) December 31, 2017
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

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: Not applicable.

E. No significant restrictions on the ability of subsidiaries to transfer funds to parent company.

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 (including time deposits with less than 3 months contract period). 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 are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

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. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Group recognizes the dividend income when the right to receive such payment is confirmed, inflow of the future economic benefits associated with the dividend is probable to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity instruments which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.

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

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
The changes in fair value of equity instruments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as income when the right to receive such payment is confirmed, inflow of the future economic benefits associated with the dividend is probable to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortized cost

A. Financial assets at amortized cost are those that meet all of the following criteria:

(a) The objective of the Group’s business model is achieved by collecting contractual cash flows.

(b) The financial assets’ contractual cash flows represent solely payments of principal and interest.

B. The Group’s bank deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime expected credit losses.

(12) 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.

(13) 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. 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.

(14) 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 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.

(15) 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	5 to 51 years
Machinery and equipment	2 to 8 years
Tools	2 to 4 years
Others	2 to 6 years

(16) 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.

(17) 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.

(18) Loans

Loans comprise long-term and short-term bank 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 as interest expense in profit or loss over the period of the loans using the effective interest method.

(19) Accounts payable

Accounts payable are liabilities for purchases of raw materials, goods or services. The short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Provisions for deficiency compensation

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.

(21) 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' remuneration

Employees' compensation and directors' 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.

(22) Employee share-based payments

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 shares 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.

(23) 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 Group 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 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.

F. If a change in tax rate is enacted or substantively enacted, the Group recognizes the effect of the change immediately in the period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(24) Capital stock

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares 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.

(25) 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.

(26) Revenue recognition

A. The Group is primarily engaged in the customized assembly and testing services of high-integration and high-precision integrated circuits based on customer's specification demand to create or enhance the product. When providing assembly and testing services, the Group considers the following:

(a) The customer controls the provided raw materials and the Group receives the instruction from the customer on providing assembly and testing services and subsequent treatments.

(b) The Group provides assembly and testing services to create or enhance an asset which is solely provided and controlled by the customer. The Group has no right to transfer the asset for another use.

As the asset ownership belongs to the customer, who bears the significant risk and rewards and rights on the use of the asset, the Group recognizes assembly and testing service revenue based on the progress towards completion of performance obligation during the service period.

B. The progress towards completion on assembly services, services for Liquid Crystal Display and other Flat-Panel Display Driver Semiconductors ("LCDD") and Bumping are measured by the actual input costs relative to estimate total expected input costs. The progress towards completion on testing services is measured by the actual incurred testing volume comparing to planned total testing volume. The Group believes that the aforementioned methods are the most appropriate manner to measure the satisfaction of performance obligation to customers because the input costs incurred to assembly and testing volume completed in testing services are based on customer's specification and not linear over the duration of these services. Customer payment on assembly and testing services is based on predetermined payment schedule. A contract asset is recognized when the Group provides services in excess of customer's payment.

(27) 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.

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

Revenue recognition

A. The Group recognizes revenue from services for assembly, LCDD and Bumping based on the progress towards completion of performance obligation during the service period. The Group estimates total expected input costs based on historical experience and measures the progress towards completion by the actual input costs relative to the total expected input costs.

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and petty cash	$ 470	$ 470
Checking accounts and demand deposits	1,396,302	4,151,630
Time deposits	3,245,750	3,883,614
	$ 4,642,522	$ 8,035,714

A. 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.

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

(2) Financial assets at amortized cost

		December 31, 2018
Current:		
Time deposits	$	169,168
Non-current:		
Time deposits	$	30,715
Restricted bank deposits		68,388
	$	99,103

A. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

		2018
Interest income	$	920

B. As of December 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group was $268,271.

C. Information about the financial assets at amortized cost that were pledged to others as collateral is provided in Note 8.

D. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2).

(3) Accounts receivable

		December 31, 2018		December 31, 2017
Accounts receivable	$	4,747,834	$	4,013,705
Less: Loss allowance	(	2,141)		-
	$	4,745,693	$	4,013,705

A. The Group's credit term granted to customers is 30~90 days. Receivables do not bear interest. The loss allowance is determined based on the credit quality of customers. Information relating to credit risk is provided in Note 12(2).

B. The aging analysis of accounts receivable based on past due date is as follows:

		December 31, 2018		December 31, 2017
Current	$	4,595,300	$	3,997,833
Within 1 month		18,807		10,482
1-2 months		131,787		477
2-3 months		1,436		426
3-4 months		180		1,431
Over 4 months		324		3,056
	$	4,747,834	$	4,013,705

C. Without taking into account of any collateral held or other credit enhancements, the amount that best reflects the Group' maximum exposure to credit risk in respect of the accounts receivable is the carrying amount at the end of each reporting period.

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

(4) Inventories

	December 31, 2018		
	Cost	Allowance for impairment losses	Carrying amount
Raw materials	$ 1,814,992	($ 36,157)	$ 1,778,835

	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
	$ 1,982,953	($ 53,714)	$ 1,929,239

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

	2018	2017
Cost of revenue	$ 15,057,605	$ 14,958,886
Loss on abandonment	5,497	38,460
Reversal of inventory valuation and obsolescence loss	(13,070)	(98,539)
	15,050,032	14,898,807
Less: Cost of revenue of discontinued operations	-	(195,078)
	$ 15,050,032	$ 14,703,729

A. Reversal of inventory valuation and obsolescence loss was recognized due to the change in net realizable market value.

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

(5) Non-current financial assets at fair value through profit or loss

	December 31, 2018
Financial assets mandatorily measured at fair value through profit or loss	
Foreign partnership interests	$ 10,940
Valuation adjustment	531
	$ 11,471

A. Amounts recognized in profit or loss in relation to the financial assets at fair value through profit or loss are listed below:

	2018
Financial assets mandatorily measured at fair value through profit or loss	
Foreign partnership interests	$ 38
Beneficiary certificates	1,396
Derivative instruments	51
	$ 1,485

B. No financial assets at fair value through profit or loss were pledged to others.

C. Information about the financial assets at fair value through profit or loss as of December 31, 2017 is provided in Note 12(4).

(6) Non-current financial assets at fair value through other comprehensive income

	December 31, 2018
Designation of equity instruments	
Foreign unlisted stocks	$ 38,534
Valuation adjustment	135,823
	$ 174,357

A. Based on the Group's business model, the foreign unlisted stocks held for strategic investments were elected to classify as "Financial assets at fair value through other comprehensive income". As of December 31, 2018, the fair value of aforementioned investments was $174,357.

B. Amounts recognized in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	2018
Financial assets at fair value through other comprehensive income	
Foreign unlisted stocks	$ 85,022

C. No financial assets at fair value through other comprehensive income were pledged to others.

D. Information about the financial assets at fair value through other comprehensive income as of December 31, 2017 is provided in Note 12(4).

(7) Investments accounted for using equity method

Associates	December 31, 2018	December 31, 2017
JMC ELECTRONICS CO., LTD. ("JMC")	$ 406,792	$ 373,276
Unimos Microelectronics (Shanghai) Co., Ltd. ("Unimos Shanghai")	3,456,949	3,060,056
	$ 3,863,741	$ 3,433,332

Note: Unimos Shanghai, formerly named as ChipMOS TECHNOLOGIES (Shanghai) LTD., was renamed to Unimos Microelectronics (Shanghai) Co., Ltd. in July 2018.

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 Unimos Shanghai's equity. The equity transfer was completed in March 2017, and subsequently, due to the loss of control but retention of significant influence, Unimos Shanghai was excluded from the consolidated financial statements and recorded as "Investments accounted for using equity method". Information is provided in Note 6(9).

B. In January 2018 and June 2017, ChipMOS BVI participated in Unimos Shanghai's increase of paid-in capital based on its shareholding amounted to $794,694 and $1,373,486, respectively.

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, 2018 and 2017, the fair value was $2,081,900 and $1,155,550, 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, 2018 and 2017, the Company recognized its share of profit (loss) of investments accounted for using equity method amounted to ($300,101) and ($179,491), 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 December 31, 2018	Shareholding ratio December 31, 2017	Nature of relationship	Method of measurement
JMC	Kaohsiung, Taiwan	19.10%	19.10%	Associates	Equity method
Unimos Shanghai	Shanghai, People's Republic of China ("P.R.C.")	45.02%	45.02%	Associates	Equity method

(b) Summarized financial information

Balance sheets

	JMC	
	December 31, 2018	December 31, 2017
Current assets	$ 1,106,789	$ 843,636
Non-current assets	1,699,498	1,161,620
Current liabilities	(817,697)	(294,302)
Non-current liabilities	(103,922)	(1,756)
Total net assets	$ 1,884,668	$ 1,709,198
Share in associate's net assets	$ 359,972	$ 326,456
Goodwill	46,820	46,820
Carrying amount of the associate	$ 406,792	$ 373,276

Balance sheets

	Unimos Shanghai	
	December 31, 2018	December 31, 2017
Current assets	$ 3,946,082	$ 3,380,641
Non-current assets	3,254,687	2,766,839
Current liabilities	(554,160)	(460,054)
Non-current liabilities	(442,306)	(489,097)
Total net assets	$ 6,204,303	$ 5,198,329
Share in associate's net assets	$ 2,793,438	$ 2,340,506
Depreciable assets	644,718	703,536
Goodwill	22,118	22,118
Inter-company transactions and amortization	(3,325)	(6,104)
Carrying amount of the associate	$ 3,456,949	$ 3,060,056

Statements of comprehensive income

	JMC	
	2018	2017
Revenue	$ 1,931,008	$ 1,322,928
Profit for the year from continuing operations	$ 219,544	$ 4,414
Other comprehensive income (loss), net of income tax	(14,074)	2,903
Total comprehensive income	$ 205,470	$ 7,317
Dividend received from the associate	$ 5,730	$ 14,325

Statements of comprehensive income

	Unimos Shanghai 2018	Unimos Shanghai 2017
Revenue	$ 1,334,196	$ 1,141,415
Loss for the year from continuing operations	($ 629,303)	($ 348,472)
Other comprehensive loss, net of income tax	-	-
Total comprehensive loss	($ 629,303)	($ 348,472)
Dividend received from the associate	$ -	$ -

According to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", total comprehensive income of Unimos 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(9).

(8) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Tools	Others	Construction in progress and equipment to be inspected	Total
January 1, 2018							
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
2018							
January 1	$ 452,738	$ 3,919,086	$ 8,813,727	$ 690,469	$ 420,572	$ 968,719	$ 15,265,311
Additions	-	247,186	2,445,313	591,229	172,652	1,489,190	4,945,570
Disposals	-	-	(904)	(11,745)	(2,067)	-	(14,716)
Reclassifications	-	199,724	1,154,663	7,604	26,026	(1,388,017)	-
Depreciation expense	-	(457,265)	(2,180,718)	(535,378)	(203,218)	-	(3,376,579)
Exchange adjustment	-	-	12	-	23	-	35
December 31	$ 452,738	$ 3,908,731	$ 10,232,093	$ 742,179	$ 413,988	$ 1,069,892	$ 16,819,621
December 31, 2018							
Cost	$ 452,738	$ 10,254,531	$ 48,274,171	$ 4,402,711	$ 2,610,893	$ 1,069,892	$ 67,064,936
Accumulated depreciation and impairment	-	(6,345,800)	(38,042,078)	(3,660,532)	(2,196,905)	-	(50,245,315)
	$ 452,738	$ 3,908,731	$ 10,232,093	$ 742,179	$ 413,988	$ 1,069,892	$ 16,819,621

	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 expense	-	(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

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:

	2018	2017
Amount of interest capitalized	$ 18,542	$ 18,769
Range of the interest rates for capitalization	1.7582%	1.7624%

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

(9) 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 Unimos 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 Unimos Shanghai have been reclassified as held for sale and presented as discontinued operations after 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, Unimos Shanghai was excluded from the consolidated financial statements and recorded as "Investments accounted for using equity method". As of December 31, 2018 and 2017, there were no related assets, liabilities and equity of disposal group classified as held for sale. Information is provided in Note 6(7).

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

	Three months ended March 31, 2017
Cash flows from operating activities	($ 109,079)
Cash flows from investing activities	(272,925)
Cash flows from financing activities	461,312
Effect of foreign exchange rate changes	(19,874)
Net increase in cash and cash equivalents	$ 59,434

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

	Three months ended March 31, 2017
Financial statements translation differences of foreign operations	($ 287,645)

D. The result of discontinued operations is as follows:

	Three months ended March 31, 2017
Revenue	$ 227,095
Cost of revenue	(195,078)
Operating expenses	(58,840)
Other income, net	1,429
Non-operating expenses, net	(2,887)
Loss from discontinued operations before income tax	(28,281)
Income tax expense	-
Loss from discontinued operations after income tax	(28,281)
Gain on disposal of discontinued operations	1,843,234
Profit from discontinued operations	$ 1,814,953

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

	Three months ended March 31, 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

(10) Short-term bank loans

	December 31, 2018	December 31, 2017
Bank loans		
Unsecured bank loans	$ -	$ 969,353
Interest rate range	-	0.55%~1.71%
Unused credit lines of short-term bank loans		
NT$	$ 3,252,500	$ 3,028,357
US$ (in thousands)	$ 90,000	$ 80,000

(11) Accounts payable

	December 31, 2018	December 31, 2017
Accounts payable	$ 267,368	$ 250,785
Estimated accounts payable	369,903	437,175
	$ 637,271	$ 687,960

(12) Other payables

	December 31, 2018	December 31, 2017
Salaries and bonuses payable	$ 595,575	$ 601,239
Interest payable	963	2,854
Pension payable	32,038	32,402
Employees' compensation payable	212,391	371,912
Directors' remuneration payable	9,951	18,596
Payable to equipment suppliers	1,516,735	713,313
Other expense payable	827,564	953,179
	$ 3,195,217	$ 2,693,495

(13) Current provisions

A. Movements in provisions are as follows:

	2018
	Provisions for deficiency compensation
January 1	$ 57,155
Provision	14,211
Reversal	(24,451)
Payment	(17,563)
December 31	$ 29,352

B. By adopting IFRS 15, the Group's provision for sales allowance is presented as "Current refund liabilities" from January 1, 2018, which was previously presented as "Current provisions". Information is provided in Note 6(14).

C. The detailed explanation of provisions for deficiency compensation is provided in Note 5(1).

(14) Current refund liabilities

A. Movements in refund liabilities are as follows:

	2018
	Provisions for sales allowance
January 1	$ 70,156
Provision	44,950
Reversal	(7,413)
Payment	(75,066)
December 31	$ 32,627

B. The detailed explanation of provisions for sales allowance is provided in Note 5(2).

(15) Long-term bank loans

Type of loans	Period and payment term	December 31, 2018	December 31, 2017
Syndicated bank loan	Borrowing period is from May 30, 2018 to May 30, 2023; interest is repayable monthly; principal is repayable semi-annually from November 30, 2018	$ 9,822,000	$ -
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
Less: Fee on syndicated bank loan		(32,482)	(33,280)
Less: Current portion (fee included)		(747,422)	(2,143,168)
		$ 9,042,096	$ 7,498,853
Interest rate range		1.7895%	1.7895%
Unused credit lines of long-term bank loans			
NT$		$ 1,800,000	$ 2,400,000

A. On May 15, 2018, the Company entered into a syndicated loan with eleven banks in Taiwan, including Taiwan Cooperative Bank, in the amount of NT$12 billion with a term of five years. Funding from this syndicated loan was used to repay the existing debt of financial institutions 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. 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$13.2 billion 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. The syndicated loan was fully repaid in May 2018.

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

(16) 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, 2018 and 2017 are as follows:

	December 31, 2018		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
Current	$ 18,000	($ 208)	$ 17,792

	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

(17) Deferred revenue

	December 31, 2018	December 31, 2017
Current (shown as "Receipts in advance")	$ 1,013	$ 4,057
Non-current (shown as "Long-term deferred revenue")	-	24,898
	$ 1,013	$ 28,955

Deferred revenue represents the technology transfer and license agreement between the Company and Unimos Shanghai. Information is provided in Note 7(3)F.

(18) Pensions

A. Defined Benefit Plans

The Company has a defined benefit pension plan in accordance with the Labor Standards Act, 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 Labor Standards Act. 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, 2018	December 31, 2017
Present value of defined benefit obligations	($ 910,081)	($ 838,543)
Fair value of plan assets	389,316	360,017
Net defined benefit liability	($ 520,765)	($ 478,526)

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

	2018		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1	($ 838,543)	$ 360,017	($ 478,526)
Current services cost	(382)	-	(382)
Interest (expense) income	(14,429)	6,291	(8,138)
	(853,354)	366,308	(487,046)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	8,145	8,145
Financial assumption movement effect	(56,934)	-	(56,934)
Experience adjustments	(11,172)	-	(11,172)
	(68,106)	8,145	(59,961)
Pension fund contribution	-	26,242	26,242
Paid pension	11,379	(11,379)	-
December 31	($ 910,081)	$ 389,316	($ 520,765)

	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)

(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, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	2018	2017
Discount rate	1.25%	1.75%
Future salary increase	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, 2018				
Effect on present value of defined benefit obligations	($ 29,052)	$ 30,430	$ 29,692	($ 28,513)
December 31, 2017				
Effect on present value of defined benefit obligations	($ 27,192)	$ 28,506	$ 27,955	($ 26,816)

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 defined benefit 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, 2019 amounts to $27,160.

(f) As of December 31, 2018, the weighted average duration of that retirement plan is 13.2 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 32,904
1-2 years	35,835
2-5 years	105,665
5-10 years	189,400
	$ 363,804

B. Defined 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, 2018 and 2017 were $193,047 and $190,106, respectively.

(b) Before the equity transfer in March 2017, the Group's subsidiary in the P.R.C., Unimos 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 year ended December 31, 2017 was 21%. Other than the monthly contributions, Unimos Shanghai has no further obligations. The pension costs under defined contribution pension plans of Unimos Shanghai for the year ended December 31, 2017 was $14,743, which is reclassified as "Profit from discontinued operations".

(19) Share-based payments

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) 2018	2017	Contract period	Vesting condition
Restricted shares award agreement	July 21, 2015	36.1	15,752	(256)	(558)	3 years	Meet service and performance conditions
Restricted shares award agreement	May 10, 2016	30.6	1,548	(116)	(137)	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, 2018 and 2017 were $41,043 and $123,021, respectively.

(20) Capital stock

A. As of December 31, 2018, the Company's authorized capital was $9,700,000, consisting of 970,000 thousand ordinary shares, and the paid-in capital was $7,528,577 with a par value of $10 (in dollars) per share, consisting of 752,858 thousand ordinary shares. All proceeds from shares issued have been collected.

B. 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. Pursuant to the Merger, the Company issued 21,775,257 units of ADSs (25,620,267 units of ADSs before capital reduction adjustment), which were listed on the NASDAQ Global Select Market, and each ADS represents 20 ordinary shares of the Company.

As of December 31, 2018, the outstanding ADSs were approximately 5,309,826 units representing 106,197 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)	
	2018	2017
January 1	856,059	856,754
Restricted shares – cancelled	(349)	(542)
Restricted shares – uncancelled	(23)	(153)
Capital reduction	(128,422)	-
December 31	727,265	856,059

D. Treasury stock

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

		December 31, 2018	
Name of company holding the shares	Reason for repurchase	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
The Company	Capital reduction	(4,515)	(45,151)
		25,570	$ 962,503

		December 31, 2017	
Name of company holding the shares	Reason for repurchase	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 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.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury stock should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury stock to enhance the Company's credit rating and the stockholders' equity should be retired within six months from acquisition.

E. In order to adjust capital structure and increase return of equity, the Company's shareholders adopted a resolution on June 26, 2018 to reduce capital stock and return cash to shareholders. Subsequently, the record date of the capital reduction was fixed on August 15, 2018, and capital was reduced by approximately 15% and amounted to $1,329,446, consisting of 132,945 thousand ordinary shares.

(21) 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.

	2018			
	Share premium	Employee restricted shares	Long-term investment	Total
January 1	$ 5,873,743	$ 390,401	$ 24,233	$ 6,288,377
Share-based payments	-	(7,967)	-	(7,967)
Capital reduction	-	72	-	72
December 31	$ 5,873,743	$ 382,506	$ 24,233	$ 6,280,482

	2017			
	Share premium	Employee restricted shares	Long-term investment	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(7).

(22) 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 2017 and 2016 earnings were resolved in the shareholders' meetings held on June 26, 2018 and May 26, 2017, respectively. The appropriations and dividends per share (including cash distribution from capital surplus) are as follows:

	2017		2016	
	Amount	Cash distribution per share (in dollars)	Amount	Cash distribution per share (in dollars)
Legal reserve	$ 302,653		$ 28,680	
Cash dividend	256,806	$ 0.30	257,026	$ 0.30
Cash distribution from capital surplus	-	-	599,728	0.70

F. The information relating to employees' compensation and directors' remuneration is provided in Note 6(30).

(23) Other equity interest

	2018				
	Financial statements translation differences of foreign operations	Unrealized gain on valuation of financial assets at fair value through other comprehensive income	Unrealized gain on valuation of available-for-sale financial assets	Unearned employee awards	Total
January 1	$ 65,593	$ -	$ 678	($ 54,570)	$ 11,701
Effects on initial application of IFRS 9	-	42,843	(678)	-	42,165
Adjusted beginning balance	65,593	42,843	-	(54,570)	53,866
Currency translation differences					
- The Company	(51,077)	-	-	-	(51,077)
Employee restricted shares					
- The Company	-	-	-	52,869	52,869
Evaluation adjustment					
- The Company	-	85,022	-	-	85,022
- Associates	-	(2,438)	-	-	(2,438)
Evaluation adjustment related tax					
- The Company	-	(18,529)	-	-	(18,529)
December 31	$ 14,516	$ 106,898	$ -	($ 1,701)	$ 119,713

	2017				
	Financial statements translation differences of foreign operations	Equity directly related to non-current assets held for sale	Unrealized gain on valuation of available-for-sale financial assets	Unearned employee awards	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	$ -	$ 678	($ 54,570)	$ 11,701

(24) Revenue

	2018
Revenue from contracts with customers	$ 18,480,027

A. The Group is primarily engaged in the assembly and testing services on high-integration and high-precision integrated circuits, and recognized revenue based on the progress towards completion of performance obligation during the service period. Information on revenue disaggregation is provided in Note 14.

B. Contract assets and liabilities

The Group has recognized the following contract assets and liabilities in relation to revenue from contracts with customers:

	December 31, 2018
Contract assets	$ 299,835
Contract liabilities (Advance payments)	$ 1,432

C. Disclosure of revenue for the year ended December 31, 2017 is provided in Note 12(5)B.

(25) Other income (expenses), net

	2018	2017
Gain on disposal of scrapped materials	$ 59,380	$ 28,811
Royalty income	43,224	11,998
Gain on disposal of items purchased on behalf of others	31,268	26,417
Gain on disposal of property, plant and equipment	14,274	132,774
Insurance compensation income	147	486,858
Impairment loss on property, plant and equipment	-	(956)
Others	(779)	8,361
	147,514	694,263
Less: Other income (expenses) of discontinued operations	-	(1,429)
	$ 147,514	$ 692,834

(26) Other income

	2018	2017
Interest income		
Bank deposits	$ 49,051	$ 53,587
Financial assets at amortized cost	920	-
	49,971	53,587
Rental income	7,819	11,075
Dividend income	571	-
	58,361	64,662
Less: Other income of discontinued operations	-	(464)
	$ 58,361	$ 64,198

(27) Other gains and losses

	2018	2017
Foreign exchange gains (losses), net	$ 93,104	($ 420,023)
Reimbursement of ADSs service charge	13,269	23,707
Gain on valuation of financial assets at fair value through profit or loss	1,485	637
Others	6,851	3,713
	114,709	(391,966)
Less: Other gains and losses of discontinued operations	-	148
	$ 114,709	($ 391,818)

(28) Finance costs

	2018	2017
Interest expense		
Bank loans	$ 170,476	$ 211,401
Lease obligations payable	482	708
Less: Amounts capitalized in qualifying assets	(18,542)	(19,270)
	152,416	192,839
Finance expense	37,832	27,647
	190,248	220,486
Less: Finance costs of discontinued operations	-	(3,203)
	$ 190,248	$ 217,283

(29) Expenses by nature

	2018	2017
Changes in finished goods and work in process of inventories	$ -	$ 26,301
Raw materials and supplies used	3,079,909	3,110,602
Employee benefit expenses	5,606,833	5,981,086
Depreciation expense	3,376,579	2,899,278
Others	4,464,499	4,630,459
	16,527,820	16,647,726
Less: Cost of revenue and operating expenses of discontinued operations	-	(253,918)
	$ 16,527,820	$ 16,393,808

(30) Employee benefit expenses

	2018	2017
Salaries	$ 4,628,039	$ 4,911,415
Directors' remuneration	18,456	27,276
Labor and health insurance	406,111	390,788
Pension	201,567	213,245
Share-based payments	41,043	123,021
Other personnel expenses	311,617	315,341
	5,606,833	5,981,086
Less: Employee benefit expenses of discontinued operations	-	(85,308)
	$ 5,606,833	$ 5,895,778

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, 2018 and 2017, the employees' compensation were accrued at $199,027 and $371,912, respectively; the directors' remuneration were accrued at $ 9,951 and $18,596, respectively.

C. For the year of 2017, 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".

(31) Income tax expense

A. Income tax expense

(a) Components of income tax expense:

	2018	2017
Current income tax:		
Current income tax on profits for the period	$ 326,057	$ 125,376
Income tax on unappropriated retained earnings	250,914	109
Prior year income tax under estimation	3,729	67,885
Total current income tax	580,700	193,370
Deferred income tax:		
Relating to origination and reversal of temporary differences	101,441	110,542
Impact of change in tax rate	(2,774)	-
Total deferred income tax	98,667	110,542
Income tax expense	$ 679,367	$ 303,912

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	2018	2017
Unrealized gain on valuation of financial assets at fair value through other comprehensive income	$ 17,005	$ -
Remeasurement of defined benefit obligations	(11,992)	8,642
Impact of change in tax rate	(887)	-
	$ 4,126	$ 8,642

B. Reconciliation of income tax expense and the accounting profit:

	2018	2017
Tax calculated based on profit before tax and statutory tax rate	$ 356,488	$ 566,649
Expenses disallowed by tax regulation	14,689	10,185
Tax exempted (income) expenses by tax regulation	66,353	(256,788)
Temporary difference not recognized as deferred tax assets	(10,951)	(85,168)
Prior year income tax under estimation	3,729	67,885
Income tax on unappropriated retained earnings	250,914	109
Impact of change in tax rate	(2,774)	-
Effect of different tax rates in countries in which the Group operates	919	1,040
Income tax expense	$ 679,367	$ 303,912

C. The amounts of deferred tax assets or liabilities resulting from temporary differences are as follows:

	2018				
	January 1	Effects on initial application of IFRS 9 and IFRS 15	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets					
Loss on inventories	$ 9,132	($ 770)	($ 1,130)	$ -	$ 7,232
Property, plant and equipment	55,494	-	8,689	-	64,183
Provisions	21,643	-	(9,247)	-	12,396
Deferred revenue	39,485	-	(5,329)	-	34,156
Net defined benefit liability	78,451	-	7,889	14,403	100,743
Unrealized exchange losses	8,167	144	(4,736)	-	3,575
Investment tax credit	-	-	4,420	-	4,420
Others	-	-	11	-	11
Total	$ 212,372	($ 626)	$ 567	$ 14,403	$ 226,716
Deferred tax liabilities					
Property, plant and equipment	($ 174,293)	$ -	($ 107,301)	$ -	($ 281,594)
Contract assets	-	(8,067)	8,067	-	-
Financial assets at fair value through other comprehensive income	-	(8,636)	-	(18,529)	(27,165)
Total	($ 174,293)	($ 16,703)	($ 99,234)	($ 18,529)	($ 308,759)
Information presented on balance sheets:					
Deferred tax assets	$ 212,372				$ 226,716
Deferred tax liabilities	($ 174,293)				($ 308,759)

	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 sheets:				
Deferred tax assets	$ 249,806			$ 212,372
Deferred tax liabilities	($ 92,543)			($ 174,293)

D. The Company has not recognized deductible and taxable temporary differences associated with investments as deferred tax assets and liabilities. As of December 31, 2018, the amount of taxable temporary differences not recognized as deferred tax liability was $495,154. As of December 31, 2017, the amounts of deductible and taxable temporary differences not recognized as deferred tax assets and liabilities were $28,584 and $920,943, respectively.

E. The Company's income tax return through 2016 have been assessed and approved by the Tax Authority.

F. The amendment to the Income Tax Act has been approved and promulgated in February 2018 to raise the Company's applicable profit-seeking enterprise income tax rate from 17% to 20%, decrease the tax rate on unappropriated retained earnings from 10% to 5%, and abolish the imputation tax system effective from fiscal year starting January 1, 2018.

(32) Earnings per share

	2018		
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	$ 1,103,075	802,725	$ 1.37
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation		7,626	
Restricted shares		3,356	
Profit attributable to equity holders of the Company	$ 1,103,075	813,707	$ 1.36

	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' compensation		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

(33) 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 $33,142.

B. ChipMOS USA has entered into renewable operating lease contracts for its office. The renewable operating leases will expire by 2019 and 2020.

C. Future aggregate minimum lease obligations payable under the aforementioned leases are as follows:

	December 31, 2018	December 31, 2017
Within 1 year	$ 68,631	$ 39,342
1 to 5 years	140,137	130,182
Over 5 years	111,446	139,899
	$ 320,214	$ 309,423

(34) Supplemental cash flow information

Partial cash paid for investing activities

A. Property, plant and equipment

	2018	2017
Purchase of property, plant and equipment	$ 4,945,570	$ 4,702,691
Add: Beginning balance of payable on equipment	713,313	550,346
Beginning balance of payable on lease	29,842	40,602
Less: Ending balance of payable on equipment	(1,516,735)	(713,313)
Ending balance of payable on lease	(17,792)	(29,842)
Transfer from prepaid equipment (shown as “Other non-current assets”)	-	(139,304)
Cash paid during the year	$ 4,154,198	$ 4,411,180

B. Disposal of a subsidiary

	2018	2017
Disposal of a subsidiary	$ -	$ 2,166,151
Add: Ending balance of other payables	-	64,393
Cash received during the year	$ -	$ 2,230,544

(35) Changes in liabilities from financing activities

	2018			
	Short-term bank loans	Long-term bank loans (including current portion)	Guarantee deposits	Total liabilities from financing activities
January 1	$ 969,353	$ 9,642,021	$ 1,371	$ 10,612,745
Changes in cash flow from financing activities	(969,353)	110,250	(279)	(859,382)
Amortization of loan fees	-	37,247	-	37,247
December 31	$ -	$ 9,789,518	$ 1,092	$ 9,790,610

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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
Unimos Shanghai	Associate
JMC	Associate

(3) Significant related party transactions

A. Purchases of materials

	2018	2017
JMC	$ 132,494	$ 130
Unimos Shanghai	3,775	906
	$ 136,269	$ 1,036

Purchases of materials from associates are based on normal commercial terms and conditions. The payment terms of the purchases from associates are 30 to 90 days, which are the same as third party suppliers.

B. Subcontracting fee

	2018	2017
Unimos Shanghai	$ 17	$ 41,183

C. Acquisition of property, plant and equipment

	2018	2017
Unimos Shanghai	$ 61,904	$ -

D. Disposal of property, plant and equipment

	2018		2017	
	Selling price	Gain on disposal	Selling price	Gain on disposal
Unimos Shanghai	$ -	$ -	$ 21,982	$ 20,240

E. Acquisition of financial assets

In January 2018 and June 2017, ChipMOS BVI participated in Unimos Shanghai's increase of paid-in capital based on its shareholding amounted to $794,694 and $1,373,486, respectively, please refer to Note 6(7).

F. Patent licensing agreement

(a) In May 2016, the Company and Unimos Shanghai entered into a patent licensing agreement. Under the agreement, Unimos 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, Unimos 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 Unimos Shanghai have begun its operations in April 2017, the Company recognized royalty income henceforth. In April 2018, both parties agreed to terminate the agreement after an amicable negotiation, hence all remaining deferred revenue were recognized as royalty income. The Company recognized deferred revenue amounted to $0 and $27,916 as of December 31, 2018 and 2017, respectively, and royalty income amounted to $30,683 and $2,828 for the years ended December 31, 2018 and 2017, respectively.

(b) In October 2011, ChipMOS Bermuda and Unimos Shanghai entered into a patent licensing agreement which has a term of 10 years starting from August 1, 2012. Under the agreement, Unimos 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, Unimos 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 $1,013 and $1,039 as of December 31, 2018 and 2017, respectively, and royalty income amounted to $12,506 and $9,170 for the years ended December 31, 2018 and 2017, respectively.

(4) Key management personnel compensation

	2018	2017
Salaries and other short-term employee benefits	$ 151,095	$ 188,565
Post-employment compensation	2,067	5,622
Share-based payments	6,763	18,736
	159,925	212,923
Less: Key management personnel compensation of discontinued operations	-	(460)
	$ 159,925	$ 212,463

8. PLEDGED ASSETS

Assets	Purpose	Carrying amount December 31, 2018	Carrying amount December 31, 2017
Non-current financial assets at amortized cost	Lease and bank loan	$ 68,388	$ -
Property, plant and equipment			
- Land	Bank loan	452,738	452,738
- Buildings	Bank loan	3,908,731	3,919,086
- Machinery and equipment	Bank loan	5,310,769	2,792,265
Other non-current financial assets	Lease and bank loan	-	70,241
		$ 9,740,626	$ 7,234,330

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) 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, delivered from subtracting the aforementioned amount from unappropriated retained earnings generated prior to year 2015 (not including 2015 unappropriated retained earnings), 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(33).

(3) Information relating to royalty transaction with related parties, please refer to Note 7(3)F.

(4) A letter of guarantee was issued by the Bank of Taiwan to the Customs Administration of the Ministry of Finance for making payment of customs-duty deposits when importing. As of December 31, 2018 and 2017, the amounts of $97,500 and $97,500, respectively, were guaranteed by the Bank of Taiwan.

(5) Capital expenditures that are contracted for, but not provided for, are as follows:

	December 31, 2018	December 31, 2017
Property, plant and equipment	$ 2,508,797	$ 2,178,262

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

None.

12. OTHERS

(1) 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, 2018 and 2017 were as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 15,062,907	$ 14,866,606
Total assets	33,133,718	33,259,942
Liabilities to assets ratio	45.46%	44.70%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 11,471	$ -
Financial assets at fair value through other comprehensive income		
Designation of equity instruments	174,357	-
Available-for-sale financial assets		
Non-current financial assets carried at cost	-	20,890
Financial assets at amortized cost/loans and receivables		
Cash and cash equivalents	4,642,522	8,035,714
Financial assets at amortized cost	268,271	-
Notes receivable	1,595	2,029
Accounts receivable	4,745,693	4,013,705
Accounts receivable－related parties	140	11
Other receivables	63,037	56,716
Other receivables－related parties	3,131	4,534
Refundable deposits	22,006	21,342
Other financial assets	-	70,241
	$ 9,932,223	$ 12,225,182

	December 31, 2018	December 31, 2017
Financial liabilities		
Financial liabilities at amortized cost		
Short-term bank loans	$ -	$ 969,353
Accounts payable	637,271	687,960
Accounts payable－related parties	347	226
Other payables	3,195,217	2,693,495
Other payables－related parties	218	36
Long-term bank loans (including current portion)	9,789,518	9,642,021
Guarantee deposits	1,092	1,371
	$ 13,623,663	$ 13,994,462

B. Risk management policies

(a) The Group's risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities.

(b) 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.

(c) In order to minimize and manage financial risks, the Group's overall risk management program 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 operations.

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 operations 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, 2018		
	Foreign currency (in thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 170,270	30.7150	$ 5,229,843
JPY:NTD	177,557	0.2782	49,396
RMB:NTD	8,850	4.4720	39,577
Financial liabilities			
Monetary items			
USD:NTD	$ 18,230	30.7150	$ 559,934
JPY:NTD	2,436,140	0.2782	677,734

	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

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, 2018 and 2017, amounted to $93,104 and ($420,023), respectively, including foreign exchange losses of discontinued operations which amounted to $0 and ($1,053), respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variations:

	2018		
	Sensitivity analysis		
	Change in exchange rate	Effect on profit (loss)	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	5%	$ 261,492	$ -
JPY:NTD	5%	2,470	-
RMB:NTD	5%	1,979	-
Financial liabilities			
Monetary items			
USD:NTD	5%	$ 27,997	$ -
JPY:NTD	5%	33,887	-

	2017		
	Sensitivity analysis		
	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	-

Price risk

i. The Group's financial instruments, which are exposed to price risk, are the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in financial instruments, the Group diversifies its portfolio. Diversification of the portfolio is in accordance with the limits set by the Group.

ii. The Group's investments in financial instruments comprise foreign unlisted stocks and partnership. The prices of financial instruments would change due to different valuation models and assumptions used. Analysis related to the effect on profit or other comprehensive income if these assumptions change is provided in Note 12(3)G.

<u>Interest rate risk on cash flow and fair value</u>

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. For the years ended December 31, 2018 and 2017, 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 $98,220 and $106,447, 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 mainly resulted from its operating activities (primarily notes and accounts receivable) and from its financing activities (primarily deposits with banks and financial instruments). The Group is exposed to credit risk arising from the carrying amount of the financial assets recognized in the consolidated balance sheet.

ii. 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 loss allowance 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.

iii. Credit risk from balances with banks and financial institutions is managed by the Group's finance unit in accordance with the Group's policies. Transaction 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.

iv. The Group adopts the assumptions under IFRS 9 and the default is deemed to have occurred when the contract payments are past due over 90 days.

v. The Group categorized contract assets, accounts receivable and other receivables by characteristics of credit risk and applied the simplified approach using loss rate methodology to estimate expected credit loss.

vi. The Group referred to the forecastability of business monitoring indicators published by the National Development Council to adjust the loss rate which is based on historical and current information when assessing the future default possibility of contract assets, accounts receivable and other receivables. On December 31, 2018, the loss rate methodology is as follows:

	December 31, 2018		
	Contract assets	Accounts receivable (including related parties)	Other receivables (including related parties)
Expected loss rate	0.045%	0.045%	0.045%
Total carrying amount	$ 299,970	$ 4,747,974	$ 66,181
Loss allowance	($ 135)	($ 2,141)	($ 13)

vii. Under the simplified approach, movements in relation to loss allowance for contract assets, accounts receivable, and other receivables are as follows:

	2018		
	Contract assets	Accounts receivable (including related parties)	Other receivables (including related parties)
January 1_ IAS 39	$ -	$ -	$ -
Adjustments for applying new standards	(115)	(1,819)	(7)
January 1_IFRS 9	(115)	(1,819)	(7)
Provision for impairment loss	(20)	(322)	(7)
Reversal of impairment loss	-	-	1
December 31	($ 135)	($ 2,141)	($ 13)

viii. For investments in financial assets at amortized cost, the credit rating levels are as follows:

	December 31, 2018			
		By lifetime		
	12 months	Increase in credit risk	Impairment of credit	Total
Financial assets at amortized cost				
Bank deposits (Note)	$ 268,271	$ -	$ -	$268,271

Note: Time deposits with contract period over three months and restricted bank deposits.

ix. Information related to credit risk for the year ended December 31, 2017 is provided in Note 12(4).

(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(10) and (15) for details of the unused credit lines of the Group as of December 31, 2018 and 2017.

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, 2018				
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Non-derivative financial liabilities					
Accounts payable (including related parties)	$ 637,618	$ -	$ -	$ -	$ 637,618
Other payables (including related parties)	3,195,435	-	-	-	3,195,435
Long-term bank loans (including current portion)	927,243	1,814,344	7,734,983	-	10,476,570
Lease obligations payable	18,000	-	-	-	18,000
Guarantee deposits	-	-	-	1,092	1,092
	$ 4,778,296	$ 1,814,344	$ 7,734,983	$ 1,092	$ 14,328,715

	December 31, 2017				
	Within 1 year	1 to 3 years	3 to 5 years	Over 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

The difference between the floating interest rates and estimated interest rates will affect the non-derivative financial liabilities stated above.

(3) Fair value information

A. The different levels of inputs used in valuation techniques to measure fair value of financial and non-financial instruments are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date. An active market is a market in which trading for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices from Level 1 that are observable information for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. The carrying amounts of cash and cash equivalents, financial assets at amortized cost, contract assets, notes receivable, accounts receivable, other receivables, refundable deposits, bank loans, contract liabilities, accounts payable, other payables, lease obligations payable and guarantee deposits are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
- Foreign partnership interests	$ -	$ -	$ 11,471	$ 11,471
Financial assets at fair value through other comprehensive income				
- Foreign unlisted stocks	-	-	174,357	174,357
	$ -	$ -	$ 185,828	$ 185,828

There were no financial and non-financial instruments measured at fair value as of December 31, 2017.

(b) The methods and assumptions the Group used to measure fair value are as follows:

i. The fair value of the Group's financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

ii. The Group's financial assets at fair value through profit or loss is measured by using the discounted cash flow method, which derives present value estimates by discounting expected future operating effectiveness and free cash flows projections.

iii. The Group's financial assets at fair value through other comprehensive income is measured by the comparable company valuation (EV/EBITDA ratio and P/B ratio).

iv. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

D. The following table shows the movements of Level 3 for the year ended December 31, 2018:

	2018		
	Debt instruments	Equity instruments	Total
January 1	$ -	$ -	$ -
Effects on initial application of IFRS 9	11,433	89,335	100,768
Gains or losses recognized in profit or loss			
Recorded as non-operating income (expenses)	38	-	38
Gains or losses recognized in other comprehensive income			
Recorded as unrealized gains on valuation of financial assets at fair value through other comprehensive income	-	85,022	85,022
December 31	$ 11,471	$ 174,357	$ 185,828

There were no Level 3 movements for the year ended December 31, 2017.

E. The Group engaged an external appraiser to perform the fair value measurements being categorized within Level 3, and the accounting unit is in charge of valuation procedures to independently verify the fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

F. The following is the qualitative information and sensitivity analysis of changes in significant unobservable inputs under valuation model used in Level 3 fair value measurement:

		Fair value as of December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average method)	Relationship of inputs to fair value
Non-derivative debt instrument:						
Foreign partnership interests	$	11,471	Discounted cash flow	Discount rate	0.35%	The lower the discount rate, the higher the fair value
Non-derivative equity instrument:						
Foreign unlisted stocks		174,357	Comparable companies	Price to book ratio multiple	1.19	The higher the multiple, the higher the fair value
				Enterprise value to EBITDA multiple	7.69	The higher the multiple, the higher the fair value
				Discount for lack of marketability	15.80%	The higher the discount for lack of marketability, the lower the fair value

G. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets categorized within Level 3 if the inputs used to valuation models have changed:

			December 31, 2018			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Foreign partnership interests	Discount rate	Note	$ -	$ -	$ -	$ -
Foreign unlisted stocks	Price to book ratio multiple	± 1%	-	-	69	68
	Enterprise to EBITDA multiple	± 1%	-	-	1,563	1,512
	Discount for lack of marketability	± 1%	-	-	2,093	2,050
			$ -	$ -	$ 3,725	$ 3,630

Note: Based on the Group's assessment, change in input would not have significant impact on profit or loss or other comprehensive income.

(4) Effects on initial application of IFRS 9 and information for the year ended December 31, 2017 in conformity with IAS 39

A. Summaries of adopting significant accounting policies for the year ended December 31, 2017:

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

i. Financial assets at fair value through profit or loss 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 resale in the short-term. The purchase or disposal of financial assets at fair value through profit or loss 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:

(i) Hybrid (combined) contracts; or

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

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

ii. 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.

iii. 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.

(b) Loans and receivables

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.

(c) Impairment of financial assets

i. 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.

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

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

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

(iii) 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;

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

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

(vi) 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;

(vii) 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; or

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

iii. 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:

(i) 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.

(ii) 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.

B. The Group initially applied IFRS 9 on January 1, 2018, and recorded loss allowance based on expected credit loss. As a result, contract assets decreased by $115, accounts receivable decreased by $1,819, other receivables decreased by $5, other receivables－related parties decreased by $2, retained earnings decreased by $1,940 and deferred tax assets increased by $1.

C. The carrying amount of financial assets transferred from December 31, 2017 under IAS 39 to January 1, 2018 under IFRS 9 is reconciled as follows:

								Effects	
	Note	Measured at cost	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income	Other financial assets	Measured at amortized cost	Total	Retained earnings	Other equity interest
IAS 39		$ 20,890	$ -	$ -	$ 70,241	$ -	$ 91,131	$ -	$ -
Transferred into and measured at fair value through profit or loss	(c)	(10,940)	10,940	-	-	-	-	-	-
Transferred into and measured at fair value through other comprehensive income	(b)	(9,950)	-	9,950	-	-	-	-	-
Transferred into and measured at amortized cost	(a)	-	-	-	(70,241)	70,241	-	-	-
Fair value adjustment	(b) (c)	-	493	50,801	-	-	51,294	493	79,385
Impairment loss adjustment	(b)	-	-	28,584	-	-	28,584	28,584	(28,584)
Income tax adjustment	(b)	-	-	-	-	-	-	-	(8,636)
IFRS 9		$ -	$ 11,433	$ 89,335	$ -	$ 70,241	$171,009	$ 29,077	$ 42,165

(a) The Group's restricted bank deposits that failed to meet the definition of cash and cash equivalents amounted to $70,241 were classified as "Other financial assets" under IAS 39. Since the assets' cash flows represent solely payments of principal and interest, the restricted bank deposits were reclassified as "Financial assets at amortized cost" amounted to $70,241 on initial application of IFRS 9.

(b) Given the Group's financial assets carried at cost amounted to $9,950 under IAS 39 were not held for the purpose of trading, it was elected to classify as "Financial assets at fair value through other comprehensive income" and increased by $89,335 on initial application of IFRS 9. Accompanying retained earnings, other equity interest and deferred tax liabilities were increased by $28,584, $42,165 and $8,636, respectively.

(c) The Group's financial assets carried at cost amounted to $10,940 under IAS 39 were classified as "Financial assets at fair value through profit or loss" and increased by $11,433 in compliance with IFRS 9. Accompanying retained earnings were increased by $493.

D. The significant accounts as of December 31, 2017 are as follows:

Financial assets carried at cost

	December 31, 2017
Unlisted stocks－foreign	$ 49,474
Less: Allowance for impairment losses	(28,584)
	$ 20,890

(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 were pledged to others.

E. Credit risk information as of December 31, 2017 is as follows:

(a) 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, the Group is exposed to credit risk arises from the carrying amount of the financial assets recognized in the consolidated balance sheet.

(b) 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).

(c) 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 trades and other receivables which consequently minimize the Group's exposure to bad debts. The Group uses certain credit enhance instruments to mitigate risk from certain customer.

(d) 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.

(e) 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.

(f) The aging analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017
Within 1 month	$ 10,482
1-2 months	477
2-3 months	426
3-4 months	1,431
Over 4 months	3,056
	$ 15,872

(g) Movement analysis of financial assets that were impaired is as follows:

i. As of December 31, 2017, the Group's accounts receivable that were impaired amounted to $0.

ii. 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	$ -	$ -	$ -

(h) No accounts receivable of the Group were pledged to others.

(5) Effects of initial application of IFRS 15 and information for the year ended December 31, 2017 in conformity with IAS 18

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

(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:

i. The entity has transferred the significant risks and rewards of ownership of the goods to the buyer;

ii. The entity retains neither continuing managerial involvement nor effective control over the goods sold;

iii. The amount of revenue can be measured reliably;

iv. It is probable that the economic benefits associated with the transaction will flow to the entity;

v. The stage of completion of the transaction can be measured reliably;

vi. 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.

B. The revenue recognized by using above accounting policies for year ended December 31, 2017 were as follows:

		2017
Testing	$	4,895,289
Assembly		5,425,189
LCDD		4,792,472
Bumping		3,055,000
		18,167,950
Less: Revenue from discontinued operations	(	227,095)
	$	17,940,855

C. The impact and description on current consolidated balance sheet and statement of comprehensive income items if the Group continues adopting above accounting policies as of and for year ended December 31, 2018 are as follows:

		December 31, 2018					
Consolidated balance sheet items	Description		Balance under IFRS 15		Balance under previous accounting policies		Impact on accounting policy change
Contract assets	(d)(f)(g)	$	299,835	$	-	$	299,835
Inventories	(e)		1,778,835		2,016,106	(	237,271)
Deferred tax assets	(h)		226,716		226,635		81
Contract liabilities	(i)		1,432		-		1,432
Receipts in advance	(i)		1,013		2,445	(	1,432)
Current provisions	(j)		29,352		61,979	(	32,627)
Current refund liabilities	(j)		32,627		-		32,627
Retained earnings			3,635,372		3,572,727		62,645

Consolidated statement of comprehensive income items	Description	2018 Balance under IFRS 15	2018 Balance under previous accounting policies	2018 Impact on accounting policy change
Revenue	(a)(d)	$ 18,480,027	$ 18,434,763	$ 45,264
Cost of revenue	(a)(e)	(15,050,032)	(15,021,266)	(28,766)
Operating expense	(f)	(1,477,788)	(1,477,653)	(135)
Other gains and losses	(g)	114,709	115,115	(406)
Income tax expense	(c)(h)	(679,367)	(688,141)	8,774
Profit for the year		1,103,075	1,078,344	24,731
Earnings per share (in dollars)				
Basic		$ 1.37	$ 1.34	$ 0.03
Diluted		$ 1.36	$ 1.33	$ 0.03

Explanation on the adjustments:

Impact on January 1, 2018

(a) 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 to customers under previous accounting policies, and the timing of recognition usually occurred upon service completion. Under IFRS 15, 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. As a result, retained earnings increased by $46,607, inventories decreased by $208,505 and contract assets increased by $255,112.

(b) Presentation of refund liabilities

By adopting IFRS 15, the Group's provision for sales allowance amounted to $70,156 is presented as current refund liabilities from January 1, 2018, which was previously presented as current provisions.

(c) Recognition of deferred tax

When initially adopting IFRS 15, the Group recognized adjustments in the balance sheet which resulted to temporary differences. Accordingly, as of January 1, 2018, deferred tax assets decreased by $626, deferred tax liabilities increased by $8,067 and retained earnings decreased by $8,693.

Impact on December 31, 2018

(d) Contract assets and revenue recognition

Under IFRS 15, 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 progress towards completion. As a result, contract assets and revenue increased by $300,376 as of December 31, 2018.

(e) Transfer inventory to cost of revenue

Under IFRS 15, when revenue is recognized based on the progress towards completion, work in process and finished goods in ending inventories should be transferred to cost of revenue at the end of the reporting period. As a result, inventories decreased and cost of revenue increased by $237,271 as of December 31, 2018.

(f) Expected credit loss recognition

Under IFRS 15, when contract assets and revenue are recognized based on the progress towards completion, loss allowance is recognized based on the expected credit loss model. As a result, expected credit loss increased and contract assets decreased by $135 for the year ended December 31, 2018.

(g) Foreign exchange

Under IFRS 15, when contract assets and revenue are recognized based on the progress towards completion, foreign exchange loss is also recognized using the exchange rates prevailing at the balance sheet date. As a result, foreign exchange loss increased and contract assets decreased by $406 for the year ended December 31, 2018.

(h) Recognition of deferred tax

In summary, foreign exchange loss recognized would result to a temporary difference. Accordingly, deferred tax assets increased and income tax expense decreased by $81 for the year ended December 31, 2018.

(i) Presentation of contract liabilities

By adopting IFRS 15, advance payments amounted to $1,432 in certain assembly and testing service contracts were presented as contract liabilities as of December 31, 2018, which were previously presented as receipts in advance.

(j) Presentation of refund liabilities

By adopting IFRS 15, the Group's provision for sales allowance amounted to $32,627 was presented as current refund liabilities as of December 31, 2018, which was previously presented as current provisions.

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 (excluding investments in subsidiaries, associates and joint ventures):

				As of December 31, 2018				
Held company name	Marketable securities type and name	Relationship with the company	General ledger account	Number of shares	Carrying amount	Ownership (%)	Fair value	Note
The Company	RYOWA CO., LTD.	N/A	Financial assets at fair value through other comprehensive income	420	$167,512	18.12	$ 167,512	
The Company	CONNECTEC JAPAN Corporation	N/A	Financial assets at fair value through other comprehensive income	56,497	6,845	2.74	6,845	
ChipMOS BVI	Shanghai Zuzhu Business Consulting Partnership (Limited Partnership) ("Zuzhu")	N/A	Financial assets at fair value through profit or loss	-	4,668	5.10	4,668	
ChipMOS BVI	Shanghai Zuzhan Business Consulting Partnership (Limited Partnership) ("Zuzhan")	N/A	Financial assets at fair value through profit or loss	-	2,306	13.42	2,306	
ChipMOS BVI	Shanghai Zuchen Business Consulting Partnership (Limited Partnership) ("Zuchen")	N/A	Financial assets at fair value through profit or loss	-	2,249	11.34	2,249	
ChipMOS BVI	Shanghai Guizao Business Consulting Partnership (Limited Partnership) ("Guizao")	N/A	Financial assets at fair value through profit or loss	-	2,248	11.85	2,248	

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, 2018		Acquisition		Disposal				Balance as of December 31, 2018	
Investor	Marketable securities type and name	General ledger account	Counterparty	Relationship with the investee	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	Jin Sun Money Market Fund	Note 1	N/A	N/A	-	$ -	23,726	$ 350,000	23,726	$ 350,260	$ 350,000	$ 260	-	$ -
The Company	Taishin 1699 Money Market Fund	Note 1	N/A	N/A	-	-	55,692	750,000	55,692	750,373	750,000	373	-	-
The Company	Cathay Taiwan Money Market Fund	Note 1	N/A	N/A	-	-	28,220	350,000	28,220	350,203	350,000	203	-	-
The Company	FSITC Taiwan Money Market Fund	Note 1	N/A	N/A	-	-	42,694	650,000	42,694	650,364	650,000	364	-	-
ChipMOS BVI	Unimos Shanghai's equity	Investments accounted for using equity method	Unimos Shanghai	N/A	Note 2	3,066,160	Note 2	794,694	Note 2	-	-	-	Note 2	3,460,274

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: Refer to Notes 6(5) and 12(2)(3).

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	$ 35,591	-	0.19

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, 2018					
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, 2018	Investment income (loss) recognized for the year ended December 31, 2018	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	$ 237,282	$ 2,362	$ 2,362	
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	406,792	219,544	41,933	Note
The Company	ChipMOS BVI	British Virgin Islands	Holding company	3,072,712	2,983,432	2,407,742,975	100	3,489,799	(370,639)	(370,515)	

Note: Company’s associate accounted for using 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, 2018	Amount remitted from Taiwan to P.R.C./ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to P.R.C. as of December 31, 2018	Net income (loss) of investee for the year ended December 31, 2018	Ownership (%) held by the Company (directly or indirectly)	Investment income (loss) recognized for the year ended December 31, 2018	Carrying amount of investments in P.R.C. as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan through December 31, 2018	Note
					Remitted to P.R.C.	Remitted back to Taiwan							
Unimos Shanghai	Semiconductor assembling and testing services	$ 10,817,191	Note 1	$ 2,885,586	$ -	$ -	$ 2,885,586	($ 629,303)	45.02	($ 342,157)	$ 3,460,274	$ -	Note 2
Zuzhu	Business consulting services	87,139	Note 1	-	-	-	-	4	5.10	-	4,668	-	
Zuzhan	Business consulting services	16,606	Note 1	-	-	-	-	(1)	13.42	-	2,306	-	
Zuchen	Business consulting services	19,673	Note 1	-	-	-	-	1	11.34	-	2,249	-	
Guizao	Business consulting services	18,810	Note 1	-	-	-	-	1	11.85	-	2,248	-	

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.

Company name	Accumulated amount of remittance from Taiwan to P.R.C. as of December 31, 2018	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	$10,842,487

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:

	2018						
	Testing	Assembly	LCDD	Bumping	Others	Elimination	Total
Revenue:							
External customers	$4,790,097	$ 4,679,676	$ 5,694,720	$ 3,315,534	$ -	$ -	$ 18,480,027
Inter-segment	-	-	-	-	35,738	(35,738)	-
Total revenue	$4,790,097	$ 4,679,676	$ 5,694,720	$ 3,315,534	$ 35,738	($ 35,738)	$ 18,480,027
Operating profit (loss)	$1,306,742	($ 207,700)	$ 1,226,755	($ 202,497)	($ 23,433)	($ 146)	$ 2,099,721
Depreciation expense	($ 769,660)	($ 578,205)	($1,400,784)	($ 627,412)	($ 518)	$ -	($ 3,376,579)
Share of profit of associates	$ -	$ -	$ -	$ -	($ 668,377)	$ 368,276	($ 300,101)
Interest income	$ -	$ -	$ -	$ -	$ 49,971	$ -	$ 49,971
Interest expense	$ -	$ -	$ -	$ -	($ 152,416)	$ -	($ 152,416)
Expenditure for segment assets	$1,563,919	$ 321,976	$ 2,732,141	$ 327,251	$ 283	$ -	$ 4,945,570

	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 expense	($ 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

(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

	2018		2017	
	Revenue	%	Revenue	%
Testing	$ 4,790,097	26	$ 4,895,289	27
Assembly	4,679,676	25	5,425,189	30
LCDD	5,694,720	31	4,792,472	27
Bumping	3,315,534	18	3,055,000	17
	18,480,027	100	18,167,950	101
Less: Revenue of discontinued operations	-	-	(227,095)	(1)
	$ 18,480,027	100	$ 17,940,855	100

(6) Geographical information

	2018		2017	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 14,751,766	$ 16,936,724	$ 13,360,459	$ 15,390,343
Japan	1,825,479	-	2,258,538	-
Singapore	1,143,661	-	1,798,585	-
P.R.C.	163,831	-	173,783	-
Others	595,290	1,851	576,585	2,025
	18,480,027	16,938,575	18,167,950	15,392,368
Less: Discontinued operations	-	-	(227,095)	-
	$ 18,480,027	$ 16,938,575	$ 17,940,855	$ 15,392,368

(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, 2018 and 2017 is as follows:

	2018		2017	
Company name	Amount	%	Amount	%
Customer A	$ 3,794,991	21	$ 3,434,873	19
Customer K	2,637,053	14	2,742,882	15
Customer C	1,957,467	11	1,530,209	9
Customer I	1,101,956	6	1,798,111	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, 2018 and 2017, 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, 2018 and 2017, 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 (the "Code"), 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, 2018 are stated as follows:

Measuring progress towards complete satisfaction of performance obligation

Description

Please refer to Note 4(25) to the parent company only financial statements for the accounting policies on revenue recognition; Note 5(2) for uncertainty of accounting estimate and assumptions of revenue recognition; Note 6(22) for details of the revenue; and Note 12(5) for effects of initial application of IFRS 15 "Revenue from Contract with Customers".

The Company's revenue is primarily generated from the assembly and testing services of high-integration and high-precision integrated circuits based on customer's specification, and is recognized based on measuring progress towards complete satisfaction of performance obligation during the service period. For assembly services, services for Liquid Crystal Display and other Flat-Panel Display Driver Semiconductors and Bumping, the Company recognizes revenue on the basis of input costs to the satisfaction of performance obligation relative to the total expected input costs to the satisfaction of that performance obligation. Since the total expected input costs is uncertain and subject to management's significant estimation, measuring progress towards complete satisfaction of performance obligation 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 with management to understand and evaluate the accounting policies on revenue recognition, and validated the design and operating effectiveness of respective internal controls.
2. Reviewed management's assessment on progress completion of performance obligation and tested the calculation logics applied on calculating the progress completion of performance obligation.
3. Verified the related documents provided by management, validated management report in relation to the calculation on progress completion of performance obligation, and tested the accuracy of revenue recognition.

Provisions for deficiency compensation

Description

Please refer to Note 4(19) 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(11) 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 provision 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 with 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 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 reports of the other independent accountants. Investments in this investee company amounted to NT$406,792 thousand and NT$373,276 thousand, both representing 1% of total assets as of December 31, 2018 and 2017, and total net comprehensive income including the share of profit and other comprehensive income of associate accounted for using equity method amounted to NT$39,245 thousand and NT$1,343 thousand, representing 4% and 0% 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 are 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 7, 2019

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, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 4,589,280	14	$ 6,992,107	21
1140	Current contract assets	6(22)	299,835	1	-	-
1150	Notes receivable, net		1,595	-	2,029	-
1170	Accounts receivable, net	6(2)	4,745,693	14	4,013,705	12
1180	Accounts receivable－related parties, net		140	-	11	-
1200	Other receivables		62,317	-	56,716	-
1210	Other receivables－related parties		3,131	-	4,534	-
1220	Current tax assets		138,941	1	104,906	1
130X	Inventories	6(3)	1,778,835	5	1,929,239	6
1410	Prepayments		44,592	-	54,126	-
11XX	**Total current Assets**		11,664,359	35	13,157,373	40
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(4)	174,357	1	-	-
1535	Non-current financial assets at amortized cost	6(5) and 8	68,388	-	-	-
1543	Non-current financial assets carried at cost		-	-	9,950	-
1550	Investments accounted for using equity method	6(6)	4,133,873	12	4,427,157	13
1600	Property, plant and equipment	6(7) and 8	16,818,613	51	15,264,103	46
1840	Deferred tax assets	6(29)	226,716	1	212,372	1
1920	Refundable deposits		21,162	-	20,525	-
1980	Other non-current financial assets	8	-	-	70,241	-
1990	Other non-current assets		28,560	-	35,474	-
15XX	**Total non-current assets**		21,471,669	65	20,039,822	60
1XXX	**Total assets**		$ 33,136,028	100	$ 33,197,195	100

(Continued)

ChipMOS TECHNOLOGIES INC.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Liabilities					
	Current liabilities					
2100	Short-term bank loans	6(8)(33)	$ -	-	$ 969,353	3
2130	Current contract liabilities	6(22)	1,432	-	-	-
2170	Accounts payable	6(9)	637,271	2	687,960	2
2180	Accounts payable－related parties		347	-	226	-
2200	Other payables	6(10)	3,195,217	10	2,629,101	8
2220	Other payables－related parties		2,528	-	2,473	-
2230	Current tax liabilities		496,704	1	-	-
2250	Current provisions	6(11)	29,352	-	127,311	1
2310	Receipts in advance	6(15) and 7	1,013	-	5,209	-
2320	Long-terms bank loans, current portion	6(13)(33) and 8	747,422	2	2,143,168	6
2355	Long-term lease obligations payable, current portion	6(14)	17,792	-	11,785	-
2365	Current refund liabilities	6(12)	32,627	-	-	-
2399	Other current liabilities		30,800	-	31,275	-
21XX	**Total current liabilities**		5,192,505	15	6,607,861	20
	Non-current liabilities					
2540	Long-terms bank loans	6(13)(33) and 8	9,042,096	27	7,498,853	23
2570	Deferred tax liabilities	6(29)	308,759	1	174,293	1
2613	Long-term lease obligations payable	6(14)	-	-	18,057	-
2630	Long-term deferred revenue	6(15) and 7	-	-	24,898	-
2640	Net defined benefit liability, non-current	6(16)	520,765	2	478,526	1
2645	Guarantee deposits	6(33)	1,092	-	1,371	-
25XX	**Total non-current liabilities**		9,872,712	30	8,195,998	25
2XXX	**Total Liabilities**		15,065,217	45	14,803,859	45
	Equity					
	Capital stock	6(18)				
3110	Capital stock－common stock		7,528,577	23	8,862,971	27
	Capital surplus	6(19)				
3200	Capital surplus		6,280,482	19	6,288,377	19
	Retained earnings	6(20)				
3310	Legal reserve		1,469,170	5	1,166,517	3
3350	Unappropriated retained earnings		3,635,372	11	3,071,424	9
	Other equity interest	6(21)				
3400	Other equity interest		119,713	-	11,701	-
3500	**Treasury stock**	6(18)	(962,503)	(3)	(1,007,654)	(3)
3XXX	**Total equity**		18,070,811	55	18,393,336	55
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the reporting period	11				
3X2X	**Total liabilities and equity**		$ 33,136,028	100	$ 33,197,195	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, 2018 Amount	%	2017 Amount	%
4000	**Revenue**	6(22)	$ 18,480,027	100	$ 17,941,102	100
5000	**Cost of revenue**	6(4)(27)(28)	(15,050,032)	(81)	(14,704,299)	(82)
5900	**Gross profit**		3,429,995	19	3,236,803	18
	Operating expenses	6(27)(28)				
6100	Sales and marketing expenses		(89,043)	(1)	(100,290)	(1)
6200	General and administrative expenses		(425,897)	(2)	(503,456)	(3)
6300	Research and development expenses		(939,269)	(5)	(985,873)	(5)
6000	**Total operating expenses**		(1,454,209)	(8)	(1,589,619)	(9)
6500	**Other income (expenses), net**	6(23)	147,514	1	695,929	4
6900	**Operating profit**		2,123,300	12	2,343,113	13
	Non-operating income (expenses)					
7010	Other income	6(24)	56,481	-	56,034	-
7020	Other gains and losses	6(25)	117,982	1	(389,814)	(2)
7050	Finance costs	6(26)	(190,248)	(1)	(208,725)	(1)
7070	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	6(6)	(326,220)	(2)	1,528,008	9
7000	**Total non-operating income (expenses)**		(342,005)	(2)	985,503	6
7900	**Profit before income tax**		1,781,295	10	3,328,616	19
7950	Income tax expense	6(29)	(678,220)	(4)	(302,088)	(2)
8000	**Profit for the year from continuing operations**		1,103,075	6	3,026,528	17
8200	**Profit for the year**		$ 1,103,075	6	$ 3,026,528	17

(Continued)

ChipMOS TECHNOLOGIES INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	2018 Amount	2018 %	2017 Amount	2017 %
	Other comprehensive income (loss)					
8311	Profit (loss) on remeasurements of defined benefit plans	6(16)	($ 59,961)	-	$ 50,838	-
8316	Unrealized gain on valuation of equity instruments at fair value through other comprehensive income	6(4)	85,022	-	-	-
8330	Share of other comprehensive loss of associates and joint ventures accounted for usinge quity method that will not be reclassified to profit or loss	6(6)	(2,687)	-	(124)	-
8349	Income tax effect on components that will not be reclassified to profit or loss	6(29)	(4,126)	-	(8,642)	-
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		18,248	-	42,072	-
8361	Exchange differences on translation of foreign operations	6(21)	(51,077)	-	(232,652)	(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(6)	-	-	678	-
8360	**Components of other comprehensive loss that will be reclassified to profit or loss**		(51,077)	-	(231,974)	(1)
8300	**Other comprehensive loss, net of income tax**		($ 32,829)	-	($ 189,902)	(1)
8500	**Total comprehensive income for the year**		$ 1,070,246	6	$ 2,836,626	16
9750	**Earnings per share-basic**	6(30)	$ 1.37		$ 3.57	
9850	**Earnings per share-diluted**	6(30)	$ 1.36		$ 3.50	

Years ended December 31.

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)

				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 financial assets at fair value through other comprehensive income	Unrealized gain on valuation of available-for-sale financial assets	Unearned employee awards	Treasury stock	Total equity
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
Profit for the year		-	-	-	3,026,528	-	-	-	-	-	3,026,528
Other comprehensive income (loss) for the year	6(21)	-	-	-	42,072	(232,652)	-	678	-	-	(189,902)
Total comprehensive income (loss)		-	-	-	3,068,600	(232,652)	-	678	-	-	2,836,626
Appropriation of prior year's earnings	6(20)										
Legal reserve		-	-	28,680	(28,680)	-	-	-	-	-	-
Cash dividends		-	-	-	(257,026)	-	-	-	-	-	(257,026)
Cash distribution from capital surplus	6(19)(20)	-	(599,728)	-	-	-	-	-	-	-	(599,728)
Restricted shares	6(17)	(6,692)	(17,650)	-	1,729	-	-	-	145,634	-	123,021
Change in shareholding of equity investment	6(19)	-	16,929	-	-	-	-	-	-	-	16,929
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
Year 2018											
Balance at January 1, 2018		$ 8,862,971	$ 6,288,377	$ 1,166,517	$ 3,071,424	$ 65,593	$ -	$ 678	($ 54,570)	($ 1,007,654)	$ 18,393,336
Effects on initial application of IFRS 9 and IFRS 15		-	-	-	65,050	-	42,843	(678)	-	-	107,215
Adjusted balance at January 1, 2018		8,862,971	6,288,377	1,166,517	3,136,474	65,593	42,843	-	(54,570)	(1,007,654)	18,500,551
Profit for the year		-	-	-	1,103,075	-	-	-	-	-	1,103,075
Other comprehensive income (loss) for the year	6(21)	-	-	-	(45,807)	(51,077)	64,055	-	(-)	-	(32,829)
Total comprehensive income (loss)		-	-	-	1,057,268	(51,077)	64,055	-	(-)	-	1,070,246
Appropriation of prior year's earnings	6(20)										
Legal reserve		-	-	302,653	(302,653)	-	-	-	-	-	-
Cash dividends		-	-	-	(256,806)	-	-	-	-	-	(256,806)
Restricted shares	6(17)	(4,948)	(7,967)	-	1,089	-	-	-	52,869	-	41,043
Capital reduction	6(18)	(1,329,446)	72	-	-	-	-	-	-	45,151	(1,284,223)
Balance at December 31, 2018		$ 7,528,577	$ 6,280,482	$ 1,469,170	$ 3,635,372	$ 14,516	$ 106,898	$ -	($ 1,701)	($ 962,503)	$ 18,070,811

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, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		$ 1,781,295	$ 3,328,616
Adjustments to reconcile profit (loss)			
Depreciation expenses	6(7)(27)	3,376,061	2,899,085
Reversal of allowance for impairment of accounts receivable	6(2)	-	(87)
Expected credit losses		348	-
Interest expense	6(26)	152,416	190,425
Interest income	6(24)	(48,091)	(46,846)
Dividends income	6(24)	(571)	-
Share-based payments	6(17)(28)	41,043	123,021
Share of (profit) loss of subsidiaries and associates accounted for using equity method	6(6)	326,220	(1,528,008)
Gain on valuation of financial assets at fair value through profit or loss	6(25)	(1,447)	(637)
Gain on disposal of property, plant and equipment	6(23)	(14,274)	(132,777)
Impairment of property, plant and equipment	6(7)(23)	-	956
Deferred income		(42,857)	(22,792)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		434	(276)
Current contract assets		(44,858)	-
Accounts receivable		(734,129)	124,873
Accounts receivable－related parties		(129)	46
Other receivables		3,337	7,751
Other receivables－related parties		16,317	40,147
Inventories		(58,101)	(51,257)
Prepayments		46,781	59,850
Other current financial assets		-	1,600
Financial assets at fair value through profit or loss		1,447	637
Other non-current assets		6,914	6,914
Changes in operating liabilities			
Current contract liabilities		280	-
Accounts payable		(50,689)	(137,102)
Accounts payable－related parties		121	226
Other payables		(235,417)	450,652
Other payables－related parties		55	(543)
Current provisions		(27,803)	(46,592)
Receipts in advance		-	(172)
Current refund liabilities		(37,529)	-
Other current liabilities		(475)	(12,401)
Net defined benefit liability, non-current		(17,722)	(17,604)
Cash generated from operations		4,438,977	5,330,889
Interest received		47,430	41,022
Dividend received		6,184	14,325
Interest paid		(154,307)	(188,630)
Income tax paid		(116,881)	(386,322)
Net cash generated from operating activities		4,221,403	4,811,284

(Continued)

ChipMOS TECHNOLOGIES INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in financial assets at amortized cost		$ 1,853	$ -
Acquisition of investments accounted for using equity method	6(6) and 7	(89,280)	-
Acquisition of property, plant and equipment	6(32)	(4,153,915)	(4,411,180)
Proceeds from disposal of property, plant and equipment		18,160	306,634
Increase in refundable deposits		(637)	(80)
Decrease in other financial assets		-	436
Net cash used in investing activities		(4,223,819)	(4,104,190)
CASH FLOWS FROM FINANCING ACTIVITIES	6(33)		
Proceeds from short-term bank loans		1,053,202	5,247,871
Payments on short-term bank loans		(2,022,555)	(4,278,518)
Proceeds from long-term bank loans		12,663,550	-
Payments on long-term bank loans		(12,553,300)	(1,124,699)
Decrease in guarantee deposits		(279)	(33)
Cash dividend paid	6(20)	(256,806)	(257,026)
Cash distribution from capital surplus	6(19)(20)	-	(599,728)
Capital reduction		(1,284,223)	-
Net cash used in financing activities		(2,400,411)	(1,012,133)
Net decrease in cash and cash equivalents		(2,402,827)	(305,039)
Cash and cash equivalents at beginning of year		6,992,107	7,297,146
Cash and cash equivalents at end of year		$ 4,589,280	$ 6,992,107

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, 2018 AND 2017

(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. 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 7, 2019.

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 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date issued by International Accounting Standards Board ("IASB")
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments 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
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendments to International Accounting Standards ("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
International Financial Reporting Interpretations Committee ("IFRIC") 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

New Standards, Interpretations and Amendments	Effective date issued by IASB
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 Interests 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" and amendments

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 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.

Accordingly, the Company provides additional disclosure describing the changes in liabilities arising from financing activities in Note 6(32).

C. When applying the new standards, interpretations and amendments endorsed by the FSC effective from 2018, the Company intends not to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach") in transition to IFRS 9 "Financial Instruments" ("IFRS 9") and IFRS 15. The Company applied IFRS 15 only to incomplete contracts as of January 1, 2018. Please refer to Notes 12(4)(5) for the details of significant effects as of January 1, 2018 on applying the aforementioned new standards.

(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 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date issued by IASB
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019
IFRS 16 "Leases"	January 1, 2019
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.

The Company has reported its assessment to the Board of Directors in the fourth quarter of 2018 and determined IFRS 16 will have significant impact on the Company's financial position. The Company considered to adopt the modified retrospective transitional provisions of IFRS 16, and expected to increase right-of-use assets and lease liabilities by $887,325 and 873,213, respectively; and decrease leased assets and lease obligations payable by $31,904 and $17,792, respectively, at the date of January 1, 2019.

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

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

New Standards, Interpretations and Amendments	Effective date issued by IASB
Amendments to IAS 1 and IAS 8 "Disclosure Initiative－Definition of Material"	January 1, 2020
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
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 17 "Insurance Contracts"	January 1, 2021

B. Based on the Company's assessment, the above standards and interpretations have no significant impact on the Company's financial position and financial performance.

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) Financial assets at fair value through profit or loss (including derivative instruments).

(b) Financial assets at fair value through other comprehensive income.

(c) 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, IFRIC interpretations and SIC interpretations as endorsed by the FSC ("IFRSs") 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.

C. The initial adoption of IFRS 9 and IFRS 15 is effective on January 1, 2018, the Company has elected to apply modified retrospective approach whereby the cumulative impact of the application was recognized as retained earnings or other equity interest as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with IAS 39 "Financial Instruments", IAS 18 "Revenue" and relating interpretations. Please refer to Notes 12(4)(5) for details of significant accounting policies.

(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) <u>Classification of current and non-current assets and liabilities</u>

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) <u>Cash equivalents</u>

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 (including time deposits with less than three months contract period). 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) <u>Financial assets at fair value through profit or loss</u>

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

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. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gains or losses in profit or loss.

D. The Company recognizes the dividend income when the right to receive such payment is confirmed, inflow of the future economic benefits associated with the dividend is probable to the Company and the amount of the dividend can be measured reliably.

E. As of December 31, 2018 and 2017, there were no financial assets at fair value through profit or loss.

(7) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity instruments which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.

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

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

The changes in fair value of equity instruments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as income when the right to receive such payment is confirmed, inflow of the future economic benefits associated with the dividend is probable to the Company and the amount of the dividend can be measured reliably.

(8) Financial assets at amortized cost

A. Financial assets at amortized cost are those that meet all of the following criteria:

(a) The objective of the Company's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. The Company's bank deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime expected credit losses.

(11) Derecognition of financial assets

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

(12) 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. 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.

(13) <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 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.

(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 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	5 to 51 years
Machinery and equipment	2 to 8 years
Tools	2 to 4 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 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.

(16) 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.

(17) Loans

Loans comprise long-term and short-term bank 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 as interest expense in profit or loss over the period of the loans using the effective interest method.

(18) Accounts payable

Accounts payable are liabilities for purchases of raw materials, goods or services. The short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Provisions for deficiency compensation

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.

(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 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' remuneration

Employees' compensation and directors' 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

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 shares 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.

(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 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.

F. If a change in tax rate is enacted or substantively enacted, the Company recognizes the effect of the change immediately in the period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(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 Company is primarily engaged in the customized assembly and testing services of high-integration and high-precision integrated circuits based on customer's specification demand to create or enhance the product. When providing assembly and testing services, the Company considers:

(a) Customer controls the provided raw materials and the Company receives the instruction from the customer on providing assembly and testing services and subsequent treatments.

(b) The Company provides assembly and testing services to create or enhance an asset which solely provided and controlled by the customer. The Company has no right to transfer the asset for another use.

As the asset ownership belongs to the customer, who bears the significant risk and rewards and rights on the use of the asset, the Company recognizes assembly and testing service revenue based on the progress towards completion of performance obligation during the service period.

B. The progress towards completion on assembly services, services for Liquid Crystal Display and other Flat-Panel Display Driver Semiconductors ("LCDD") and Bumping are measured by the actual input costs relative to estimate total expected input costs. The progress towards completion on testing services is measured by the actual incurred testing volume comparing to planned total testing volume. The Company believes that aforementioned methods are the most appropriate manner to measure the satisfaction of performance obligation to customers because the input costs incurred to assembly and testing volume completed in testing services are based on customer's specification and not linear over the duration of these services. Customer payment on assembly and testing services is based on predetermined payment schedule. A contract asset is recognized when the Company provides services in excess of customer's payment.

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

Revenue recognition

A The Company recognizes revenue from services for assembly, LCDD and Bumping based on the progress towards completion of performance obligation during the service period. The Company estimates total expected input costs based on historical experience and measures the progress towards completion by the actual input costs relative to the total expected input costs.

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and petty cash	$ 470	$ 470
Checking accounts and demand deposits	1,343,060	3,317,957
Time deposits	3,245,750	3,673,680
	$ 4,589,280	$ 6,992,107

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, 2018	December 31, 2017
Accounts receivable	$ 4,747,834	$ 4,013,705
Less: Loss allowance	(2,141)	-
	$ 4,745,693	$ 4,013,705

A. The Company's credit term granted to customers is 30~90 days. Receivables do not bear interest. The loss allowance is determined based on the credit quality of customers. Information relating to credit risk is provided in Note 12(2).

B. The aging analysis of accounts receivable based on past due date is as follows:

	December 31, 2018	December 31, 2017
Current	$ 4,595,300	$ 3,997,833
Within 1 month	18,807	10,482
1-2 months	131,787	477
2-3 months	1,436	426
3-4 months	180	1,431
Over 4 months	324	3,056
	$ 4,747,834	$ 4,013,705

C. Without taking into account of any collateral held or other credit enhancements, the amount that best reflects the Company maximum exposure to credit risk in respect of the accounts receivable is the carrying amount at the end of each reporting period.

D. No accounts receivable of the Company were pledged to others.

(3) Inventories

	December 31, 2018		
	Cost	Allowance for impairment losses	Carrying amount
Raw materials	$ 1,814,992	($ 36,157)	$ 1,778,835

	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
	$ 1,982,953	($ 53,714)	$ 1,929,239

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

	2018	2017
Cost of revenue	$ 15,057,605	$ 14,767,125
Loss on abandonment	5,497	38,301
Reversal of allowance for inventory valuation and obsolescence loss	(13,070)	(101,127)
	$ 15,050,032	$ 14,704,299

A. Reversal of allowance for inventory valuation and obsolescence loss was recognized due to the change in net realizable market value.
B. No inventories of the Company were pledged to others.

(4) Non-current financial assets at fair value through other comprehensive income

	December 31, 2018
Designation of equity instruments	
Foreign unlisted stocks	$ 38,534
Valuation adjustment	135,823
	$ 174,357

A. Based on the Company's business model, the foreign unlisted stocks held for strategic investments were elected to classify as "Financial assets at fair value through other comprehensive income". As of December 31, 2018, the fair value of aforementioned investments was $174,357.
B. Amounts recognized in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	2018
Financial assets at fair value through other comprehensive income	
Foreign unlisted stocks	$ 85,022

C. No financial assets at fair value through other comprehensive income were pledged to others.
D. Information about the financial assets at fair value through other comprehensive income as of December 31, 2017 is provided in Note 12(4).

(5) Financial assets at amortized cost

	December 31, 2018
Non-current:	
Restricted bank deposits	$ 68,388

A. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

	2018
Interest income	$ 80

B. As of December 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Company was $68,388.

C. Details of the financial assets at amortized cost pledged to others as collateral are provided in Note 8.

D. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2).

(6) Investments accounted for using equity method

	2018	2017
January 1	$ 4,427,157	$ 3,012,366
Acquisition	89,280	-
Share of profit or loss	(326,220)	1,528,008
Earnings distribution	(5,730)	(14,325)
Elimination of intercompany transactions	2,657	116,277
Changes in capital surplus	-	16,929
Effects on initial application of IFRS 9 from subsidiaries	493	-
Change in other equity interest - exchange differences from translation of foreign operations	(51,077)	(232,652)
Share of other comprehensive income	(2,687)	554
December 31	$ 4,133,873	$ 4,427,157

Subsidiaries	December 31, 2018	December 31, 2017
ChipMOS TECHNOLOGIES (BVI) LTD. (“ChipMOS BVI”)	$ 3,489,799	$ 3,826,308
ChipMOS U.S.A., Inc. (“ChipMOS USA”)	237,282	227,573
	3,727,081	4,053,881
Associate		
JMC ELECTRONICS CO., LTD. (“JMC”)	406,792	373,276
	$ 4,133,873	$ 4,427,157

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, 2018.

(b) In January 2018, the Company participated in ChipMOS BVI's increase of paid-in capital based on its shareholding amounted to $89,280.

(c) To reflect effects on initial application of IFRS 9 from ChipMOS BVI, the Company recognized investment through equity method and retained earnings of $493. Please refer to Note 12(4)C for more information.

(d) 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, Unimos Microelectronics (Shanghai) Co., Ltd. ("Unimos 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(9) of the consolidated financial statements for the year ended December 31, 2018. Unimos Shanghai, formerly known as ChipMOS TECHNOLOGIES (Shanghai) LTD., was renamed in July 2018.

(e) In January 2018 and June 2017, ChipMOS BVI participated in Unimos Shanghai's increase of paid-in capital based on its shareholding amounted to $794,694 and $1,373,486, respectively.

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, 2018 and 2017, the fair value was $2,081,900 and $1,155,550, respectively.

(c) For the years ended December 31, 2018 and 2017, the Company recognized its share of profit of investments accounted for using equity method amounted to $41,933 and $789, 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, 2018	December 31, 2017		
JMC	Kaohsiung Taiwan	19.10%	19.10%	Associate	Equity method

(b) Summarized financial information

Balance Sheet

	JMC	
	December 31, 2018	December 31, 2017
Current assets	$ 1,106,789	$ 843,636
Non-current assets	1,699,498	1,161,620
Current liabilities	(817,697)	(294,302)
Non-current liabilities	(103,922)	(1,756)
Total net assets	$ 1,884,668	$ 1,709,198
Share in associate's net assets	$ 359,972	$ 326,456
Goodwill	46,820	46,820
Carrying amount of the associate	$ 406,792	$ 373,276

Statements of comprehensive income

	JMC	
	2018	2017
Revenue	$ 1,931,008	$ 1,322,928
Profit for the year from continuing operations	$ 219,544	$ 4,414
Other comprehensive income (loss), net of income tax	(14,074)	2,903
Total comprehensive income	$ 205,470	$ 7,317
Dividend received from the associate	$ 5,730	$ 14,325

(7) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Tools	Others	Construction in progress and equipment to be inspected	Total
January 1, 2018							
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
2018							
January 1	$ 452,738	$ 3,919,086	$ 8,813,346	$ 690,469	$ 419,745	$ 968,719	$ 15,264,103
Additions	-	247,186	2,445,095	591,229	172,587	1,489,190	4,945,287
Disposals	-	-	(904)	(11,745)	(2,067)	-	(14,716)
Reclassifications	-	199,724	1,154,663	7,604	26,026	(1,388,017)	-
Depreciation expenses	-	(457,265)	(2,180,518)	(535,378)	(202,900)	-	(3,376,061)
December 31	$ 452,738	$ 3,908,731	$10,231,682	$ 742,179	$ 413,391	$ 1,069,892	$ 16,818,613
December 31, 2018							
Cost	$ 452,738	$ 10,254,531	$48,270,023	$4,402,711	$ 2,605,494	$ 1,069,892	$ 67,055,389
Accumulated depreciation and impairment	-	(6,345,800)	(38,038,341)	(3,660,532)	(2,192,103)	-	(50,236,776)
	$ 452,738	$ 3,908,731	$10,231,682	$ 742,179	$ 413,391	$ 1,069,892	$ 16,818,613

	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

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:

	2018	2017
Amount of interest capitalized	$ 18,542	$ 18,769
Range of interest rates for capitalization	1.7582%	1.7624%

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

(8) Short-term bank loans

	December 31, 2018	December 31, 2017
Bank loans		
Unsecured bank loans	$ -	$ 969,353
Interest rate range	-	0.55%~1.71%
Unused credit lines of short-term bank loans		
NT$	$ 3,252,500	$ 3,028,357
US$ (in thousands)	$ 90,000	$ 80,000

(9) Accounts payable

	December 31, 2018	December 31, 2017
Accounts payable	$ 267,368	$ 250,785
Estimated accounts payable	369,903	437,175
	$ 637,271	$ 687,960

(10) Other payables

	December 31, 2018	December 31, 2017
Salaries and bonuses payable	$ 595,575	$ 601,239
Interest payable	963	2,854
Pension payable	32,038	32,402
Employees' compensation payable	212,391	371,912
Directors' remuneration payable	9,951	18,596
Payable to equipment suppliers	1,516,735	713,313
Other expense payable	827,564	888,785
	$ 3,195,217	$ 2,629,101

(11) Current provisions

A. Movements in provisions are as follows:

	2018
	Provisions for deficiency compensation
January 1	$ 57,155
Provision	14,211
Reversal	(24,451)
Payment	(17,563)
December 31	$ 29,352

B By adopting IFRS 15, the Company's provision for sales allowance is presented as "Current refund liabilities" from January 1, 2018, which was previously presented as "Current provisions". Information is provided in Note 6(12).

C. The detailed explanation of provisions for deficiency compensation is provided in Note 5(1).

(12) Current refund liabilities

A. Movements in refund liabilities are as follows:

	2018
	Provisions for sales allowance
January 1	$ 70,156
Provision	44,950
Reversal	(7,413)
Payment	(75,066)
December 31	$ 32,627

B. The detailed explanation of provisions for sales allowance is provided in Note 5(2).

(13) Long-term bank loans

Type of loans	Period and payment term	December 31, 2018	December 31, 2017
Syndicated bank loan	Borrowing period is from May 30, 2018 to May 30, 2023; interest is repayable monthly; principal is repayable semi-annually from November 30, 2018.	$ 9,822,000	$ -
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
Less: Fee on syndicated bank loan		(32,482)	(33,280)
Less: Current portion (fee included)		(747,422)	(2,143,168)
		$ 9,042,096	$ 7,498,853
Interest rate range		1.7895%	1.7895%
Unused credit lines of long-term bank loans			
NT$		$ 1,800,000	$ 2,400,000

A. On May 15, 2018, the Company entered into a syndicated loan with eleven banks in Taiwan, including Taiwan Cooperative Bank, in the amount of NT$12 billion with a term of five years. Funding from this syndicated loan was used to repay the existing debt of financial institutions and broaden the Company's working capital. Pursuant to the syndicated loan agreement, the Company is required to maintain certain financial ratios including current ratio, interest protection multiples and debt to equity ratio during the loan periods.

B. 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$13.2 billion 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. The syndicated loan was fully repaid in May 2018.

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

(14) 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, 2018 and 2017 are as follows:

	December 31, 2018		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
Current	$ 18,000	($ 208)	$ 17,792

	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

(15) Deferred revenue

	December 31, 2018	December 31, 2017
Current (shown as “Receipts in advance”)	$ 1,013	$ 4,057
Non-current (shown as “Long-term deferred revenue”)	-	24,898
	$ 1,013	$ 28,955

Deferred revenue represents the technology transfer and license agreement between the Company and Unimos Shanghai. Information is provided in Note 7(2)G.

(16) Pensions

A. Defined Benefit Plans

The Company has a defined benefit pension plan in accordance with the Labor Standards Act, 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 Labor Standards Act. 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, 2018	December 31, 2017
Present value of defined benefit obligations	($ 910,081)	($ 838,543)
Fair value of plan assets	389,316	360,017
Net defined benefit liability	($ 520,765)	($ 478,526)

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

	2018		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1	($ 838,543)	$ 360,017	($ 478,526)
Current service cost	(382)	-	(382)
Interest (expense) income	(14,429)	6,291	(8,138)
	(853,354)	366,308	(487,046)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	8,145	8,145
Financial assumption movement effect	(56,934)	-	(56,934)
Experience adjustments	(11,172)	-	(11,172)
	(68,106)	8,145	(59,961)
Pension fund contribution	-	26,242	26,242
Paid pension	11,379	(11,379)	-
December 31	($ 910,081)	$ 389,316	($ 520,765)

	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)

(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, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	2018	2017
Discount rate	1.25%	1.75%
Future salary increase	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, 2018				
Effect on present value of defined benefit obligations	($ 29,052)	$ 30,430	$ 29,692	($ 28,513)
December 31, 2017				
Effect on present value of defined benefit obligations	($ 27,192)	$ 28,506	$ 27,955	($ 26,816)

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, 2019 amounts to $27,160.

(f) As of December 31, 2018, the weighted average duration of that retirement plan is 13.2 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 32,904
1-2 years	35,835
2-5 years	105,665
5-10 years	189,400
	$ 363,804

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, 2018 and 2017 were $193,047 and $190,106, respectively.

(17) Share-based payments

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
				2018	2017		
Restricted shares award agreement	July 21, 2015	36.1	15,752	(256)	(558)	3 years	Meet service and performance conditions
Restricted shares award agreement	May 10, 2016	30.6	1,548	(116)	(137)	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, 2018 and 2017 were $41,043 and $123,021, respectively.

(18) Capital stock

A. As of December 31, 2018, the Company's authorized capital was $9,700,000, consisting of 970,000 thousand ordinary shares, and the paid-in capital was $7,528,577 with a par value of $10 (in dollars) per share, consisting of 752,858 thousand ordinary shares. All proceeds from shares issued have been collected.

B. 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. Pursuant to the Merger, the Company issued 21,775,257 units of ADSs (25,620,267 units of ADSs before capital reduction adjustment), which were listed on the NASDAQ Global Select Market, and each ADS represents 20 ordinary shares of the Company. As of December 31, 2018, the outstanding ADSs were 5,309,826 units representing 106,197 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) 2018	2017
January 1	856,059	856,754
Restricted shares – cancelled	(349)	(542)
Restricted shares – uncancelled	(23)	(153)
Capital reduction	(128,422)	-
December 31	727,265	856,059

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, 2018 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
The Company	Capital reduction	(4,515)	(45,151)
		25,570	$ 962,503

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

(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 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.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury stocks to enhance the Company's credit rating and the stockholders' equity should be retired within six months from acquisition.

E. In order to adjust capital structure and increase return of equity, the Company's shareholders adopted a resolution on June 26, 2018 to reduce capital stock and return cash to shareholders. Subsequently, the record date of the capital reduction was fixed on August 15, 2018, and capital was reduced approximately 15% amounted to $1,329,446, consisting of 132,945 thousand ordinary shares.

(19) 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.

	2018			
	Share premium	Employee restricted shares	Long-term investment	Total
January 1	$ 5,873,743	$ 390,401	$ 24,233	$ 6,288,377
Share-based payments	-	(7,967)	-	(7,967)
Capital reduction	-	72	-	72
December 31	$ 5,873,743	$ 382,506	$ 24,233	$ 6,280,482

	2017			
	Share premium	Employee restricted shares	Long-term investment	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(6).

(20) 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 2017 and 2016 earnings were resolved in the shareholders' meetings held on June 26, 2018 and May 26, 2017, respectively. The appropriations and dividends per share (including cash distribution from capital surplus) are as follows:

	2017		2016	
	Amount	Cash distribution per share (in dollars)	Amount	Cash distribution per share (in dollars)
Legal reserve	$ 302,653		$ 28,680	
Cash dividend	256,806	$ 0.30	257,026	$ 0.30
Cash distribution from capital surplus	-	-	599,728	0.70

F. The information relating to employees' compensation and directors' remuneration is provided in Note 6(28).

(21) Other equity interest

	2018				
	Financial statements translation differences of foreign operations	Unrealized gain on valuation of financial assets at fair value through other comprehensive income	Unrealized gain on valuation of available-for-sale financial assets	Unearned employee awards	Total
January 1	$ 65,593	$ -	$ 678	($ 54,570)	$ 11,701
Effects on initial application of IFRS 9	-	42,843	(678)	-	42,165
Adjusted beginning balance	65,593	42,843	-	(54,570)	53,866
Currency translation differences					
- The Company	(51,077)	-	-	-	(51,077)
Employee restricted shares					
- The Company	-	-	-	52,869	52,869
Evaluation adjustment					
- The Company	-	85,022	-	-	85,022
- Associates	-	(2,438)	-	-	(2,438)
Evaluation adjustment related tax					
- The Company	-	(18,529)	-	-	(18,529)
December 31	$ 14,516	$ 106,898	$ -	($ 1,701)	$ 119,713

	2017			
	Financial statements translation differences of foreign operations	Unrealized gain on valuation of available-for-sale financial assets	Unearned employee awards	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				
- Associates	-	678	-	678
December 31	$ 65,593	$ 678	($ 54,570)	$ 11,701

(22) Revenue

		2018
Testing	$	4,790,097
Assembly		4,679,676
LCDD		5,694,720
Bumping		3,315,534
	$	18,480,027

A. The Company is primarily engaged in the assembly and testing services on high-integration and high-precision integrated circuits, and recognized revenue based on the progress towards completion of performance obligation during the service period.

B. Contract assets and liabilities

The Company has recognized the following contract assets and liabilities in relation to revenue from contracts with customers:

		December 31, 2018
Contract assets	$	299,835
Contract liabilities (Advance payments)	$	1,432

C. Disclosure of revenue for the year ended December 31, 2017 is provided in Note 12(5)B.

(23) Other income (expenses), net

		2018		2017
Gain on disposal of scrapped materials	$	59,380	$	27,940
Royalty income		43,224		15,094
Gain on disposal of items purchased on behalf of others		31,268		26,417
Gain on disposal of property, plant and equipment		14,274		132,777
Insurance compensation income		147		486,858
Impairment loss on property, plant and equipment		-	(	956)
Others	(	779)		7,799
	$	147,514	$	695,929

(24) Other income

		2018		2017
Interest income				
Bank deposits	$	48,011	$	46,846
Financial assets at amortized cost		80		-
		48,091		46,846
Rental income		7,819		9,188
Dividend income		571		-
	$	56,481	$	56,034

(25) Other gains and losses

	2018	2017
Foreign exchange gains (losses), net	$ 96,415	($ 416,954)
Reimbursement of ADSs service charge	13,269	23,707
Gain on valuation of financial assets at fair value through profit or loss	1,447	637
Others	6,851	2,796
	$ 117,982	($ 389,814)

(26) Finance costs

	2018	2017
Interest expense		
Bank loans	$ 170,476	$ 208,486
Lease obligations payable	482	708
Less: Amounts capitalized in qualifying assets	(18,542)	(18,769)
	152,416	190,425
Finance expense	37,832	18,300
	$ 190,248	$ 208,725

(27) Expenses by nature

	2018	2017
Changes in finished goods and work in process of inventories	$ -	$ 31,977
Raw materials and supplies used	3,079,910	3,036,350
Employee benefit expenses	5,587,031	5,875,561
Depreciation expenses	3,376,061	2,899,085
Others	4,461,239	4,450,945
	$ 16,504,241	$ 16,293,918

(28) Employee benefit expenses

	2018	2017
Salaries	$ 4,611,770	$ 4,832,024
Directors' remuneration	18,456	27,276
Labor and health insurance	402,578	385,980
Pension	201,567	198,502
Share-based payments	41,043	123,021
Other personnel expenses	311,617	308,758
	$ 5,587,031	$ 5,875,561

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, 2018 and 2017, the employees' compensation were accrued at $199,027 and $371,912, respectively; the directors' remuneration were accrued at $9,951 and $18,596, respectively.

C. For the year of 2017, 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".

(29) Income tax expense

A. Income tax expense

(a) Components of income tax expense:

	2018	2017
Current income tax:		
Current income tax on profits for the period	$ 324,910	$ 123,552
Income tax on unappropriated retained earnings	250,914	109
Prior year income tax under estimation	3,729	67,885
Total current income tax	579,553	191,546
Deferred income tax:		
Relating to origination and reversal of temporary differences	101,441	110,542
Impact of change in tax rate	(2,774)	-
Total deferred income tax	98,667	110,542
Income tax expense	$ 678,220	$ 302,088

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	2018	2017
Unrealized gain on valuation of financial assets at fair value through other comprehensive income	$ 17,005	$ -
Remeasurement of defined benefit obligations	(11,992)	8,642
Impact of change in tax rate	(887)	-
	$ 4,126	$ 8,642

B. Reconciliation of income tax expense and the accounting profit:

	2018	2017
Tax calculated based on profit before tax and statutory tax rate	$ 356,260	$ 565,865
Expenses disallowed by tax regulation	14,689	10,185
Tax exempted (income) expenses by tax regulation	66,353	(256,788)
Temporary difference not recognized as deferred tax assets	(10,951)	(85,168)
Prior year income tax under estimation	3,729	67,885
Income tax on unappropriated retained earnings	250,914	109
Impact of change in tax rate	(2,774)	-
Income tax expense	$ 678,220	$ 302,088

C. The amounts of deferred tax assets or liabilities resulting from temporary differences are as follows:

	2018				
	January 1	Effects on initial application of IFRS 9 and IFRS 15	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets					
Loss on inventories	$ 9,132	($ 770)	($ 1,130)	$ -	$ 7,232
Property, plant and equipment	55,494	-	8,689	-	64,183
Provisions	21,643	-	(9,247)	-	12,396
Deferred revenue	39,485	-	(5,329)	-	34,156
Net defined benefit liability	78,451	-	7,889	14,403	100,743
Unrealized exchange losses	8,167	144	(4,736)	-	3,575
Investment tax credits	-	-	4,420	-	4,420
Others	-	-	11	-	11
Total	$ 212,372	($ 626)	$ 567	$ 14,403	$ 226,716
Deferred tax liabilities					
Property, plant and equipment	($ 174,293)	$ -	($ 107,301)	$ -	($ 281,594)
Contract assets	-	(8,067)	8,067	-	-
Financial assets at fair value through other comprehensive income	-	(8,636)	-	(18,529)	(27,165)
Total	($ 174,293)	($ 16,703)	($ 99,234)	($ 18,529)	($ 308,759)
Information presented on balance sheets:					
Deferred tax assets	$ 212,372				$ 226,716
Deferred tax liabilities	($ 174,293)				($ 308,759)

	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 sheets:				
Deferred tax assets	$ 249,806			$ 212,372
Deferred tax liabilities	($ 92,543)			($ 174,293)

D. The Company has not recognized deductible and taxable temporary differences associated with investments as deferred tax assets and liabilities. As of December 31, 2018, the amounts of deductible temporary differences not recognized as deferred tax liabilities was $495,154. As of December 31, 2017, the amount of deductible and taxable temporary differences not recognized as deferred tax assets and liabilities were $28,584 and $920,943, respectively.

E. The Company’s income tax return through 2016 have been assessed and approved by the Tax Authority.

F. The amendment to the Income Tax Act has been approved and promulgated in February 2018 to raise 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.

(30) Earnings per share

	2018		
	Amount after income tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to common shareholders of the Company	$ 1,103,075	802,725	$ 1.37
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation		7,626	
Restricted shares		3,356	
Profit attributable to common shareholders of the Company	$ 1,103,075	813,707	$ 1.36

	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 common shareholders of the Company	$ 3,026,528	846,686	$ 3.57
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation		14,034	
Restricted shares		5,075	
Profit attributable to common shareholders of the Company	$ 3,026,528	865,795	$ 3.50

(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 $33,142.

B. Future aggregate minimum lease obligations payable under the aforementioned leases are as follows:

	December 31, 2018	December 31, 2017
Within 1 year	$ 62,691	$ 33,362
1 to 5 years	134,670	130,032
Over 5 years	111,446	139,899
	$ 308,807	$ 303,293

(32) Supplemental cash flow information

Partial cash paid for investing activities

Property, plant and equipment

	2018	2017
Purchase of property, plant and equipment	$ 4,945,287	$ 4,702,691
Add: Beginning balance of payable on equipment	713,313	550,346
Beginning balance of payable on lease	29,842	40,602
Less: Ending balance of payable on equipment	(1,516,735)	(713,313)
Ending balance of payable on lease	(17,792)	(29,842)
Transfer from prepaid equipment (shown as “Other non-current assets”)	-	(139,304)
Cash paid during the year	$ 4,153,915	$ 4,411,180

(33) Changes in liabilities from financing activities

	2018			
	Short-term bank loans	Long-term bank loans (including current portion)	Guarantee deposits	Total liabilities from financing activities
January 1	$ 969,353	$ 9,642,021	$ 1,371	$ 10,612,745
Changes in cash flow from financing activities	(969,353)	110,250	(279)	(859,382)
Amortization of loan fees	-	37,247	-	37,247
December 31	$ -	$ 9,789,518	$ 1,092	$ 9,790,610

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Name	Relationship
ChipMOS BVI	Subsidiary
ChipMOS USA	Subsidiary
JMC	Associate
Unimos Shanghai	Associate

(2) Significant related party transactions

A. Purchase of materials

	2018	2017
JMC	$ 132,494	$ 130
Unimos Shanghai	3,775	906
	$ 136,269	$ 1,036

Purchases of materials from associates are based on normal commercial terms and conditions. The payment terms of the purchase from associates are 30 to 90 days, which are the same as third party suppliers.

B. Subcontracting fee

	2018	2017
Unimos Shanghai	$ 17	$ 41,443

C. Service expense

	2018	2017
ChipMOS USA	$ 35,591	$ 35,892

D. Acquisition of property, plant and equipment

	2018	2017
Unimos Shanghai	$ 61,904	$ -

E. Disposal of property, plant and equipment

	2018		2017	
	Selling price	Gain on disposal	Selling price	Gain on disposal
Unimos Shanghai	$ -	$ -	$ 105,828	$ 75,571

F. Acquisition of financial assets

(a) In January 2018, the Company participated in ChipMOS BVI's increase of paid-in capital amounted to $89,280, please refer to Note 6(6).

(b) In January 2018 and June 2017, ChipMOS BVI participated in Unimos Shanghai's increase of paid-in capital based on its shareholding amounted to $794,694 and $1,373,486, please refer to Note 6(6).

G. Patent licensing agreement

(a) In May 2016, the Company and Unimos Shanghai entered into a patent licensing agreement. Under the agreement, Unimos 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, Unimos 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 Unimos Shanghai have begun its operations in April 2017, the Company recognized royalty income henceforth. In April 2018, both parties agreed to terminate the agreement after an amicable negotiation, hence all remaining deferred revenue were recognized as royalty income. The Company recognized deferred revenue amounted to $0 and $27,916 as of December 31, 2018 and 2017, respectively, and royalty income amounted to $30,683 and $2,828 for the years ended December 31, 2018 and 2017, respectively.

(b) In October 2011, ChipMOS Bermuda and Unimos Shanghai entered into a patent licensing agreement which has a term of 10 years starting from August 1, 2012. Under the agreement, Unimos 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 $1,013 and $1,039 as of December 31, 2018, and 2017, respectively, and royalty income amounted to $12,506 and $12,266 for the years ended December 31, 2018 and 2017, respectively.

(3) Key management personnel compensation

	2018	2017
Short-term employee benefits	$ 142,666	$ 180,197
Post-employment compensation	2,067	5,622
Share-based payments	6,763	18,736
	$ 151,496	$ 204,555

8. PLEDGED ASSETS

		Carrying amount	
Assets	Purpose	December 31, 2018	December 31, 2017
Non-current financial assets at amortized cost	Lease and bank loan	$ 68,388	$ -
Property, plant and equipment			
- Land	Bank loan	452,738	452,738
- Buildings	Bank loan	3,908,731	3,919,086
- Machinery and equipment	Bank loan	5,310,769	2,792,265
Other non-current financial assets	Lease and bank loan	-	70,241
		$ 9,740,626	$ 7,234,330

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) 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, derived from subtracting the aforementioned amount from unappropriated retained earnings generated prior to year 2015 (not including 2015 unappropriated retained earnings), 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(2)G.

(4) A letter of guarantee was issued by the Bank of Taiwan to the Customs Administration of the Ministry of Finance for making payment of customs-duty deposits when importing. As of December 31, 2018 and 2017, the amount of $97,500 and $97,500, respectively, were guaranteed by the Bank of Taiwan.

(5) Capital expenditures that are contracted for, but not provided for, are as follows:

	December 31, 2018	December 31, 2017
Property, plant and equipment	$ 2,508,797	$ 2,178,262

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

None.

12. OTHERS

(1) 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, 2018 and 2017 were as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 15,065,217	$ 14,803,859
Total assets	33,136,028	33,197,195
Liabilities to assets ratio	45.46%	44.59%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets at fair value through other comprehensive income		
Designation of equity instruments	$ 174,357	$ -
Available-for-sale financial assets		
Non-current financial assets carried at cost	-	9,950
Financial assets at amortized cost/loans and receivables		
Cash and cash equivalents	4,589,280	6,992,107
Financial assets at amortized cost	68,388	-
Notes receivable	1,595	2,029
Accounts receivable	4,745,693	4,013,705
Accounts receivable－related parties	140	11
Other receivables	62,317	56,716
Other receivables－related parties	3,131	4,534
Refundable deposits	21,162	20,525
Other financial assets	-	70,241
	$ 9,666,063	$ 11,169,818

	December 31, 2018	December 31, 2017
Financial liabilities		
Financial liabilities at amortized cost		
Short-term bank loans	$ -	$ 969,353
Accounts payable	637,271	687,960
Accounts payable－related parties	347	226
Other payables	3,195,217	2,629,101
Other payables－related parties	2,528	2,473
Long-term bank loans (including current portion)	9,789,518	9,642,021
Guarantee deposits	1,092	1,371
	$ 13,625,973	$ 13,932,505

B. Risk management policies

(a) The Company's risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities.

(b) 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.

(c) In order to minimize and manage financial risks, the Company's overall risk management program 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.

Foreign exchange risk

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 operations.

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 operations 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, 2018		
	Foreign currency (in thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 162,426	30.7150	$ 4,988,915
JPY:NTD	177,557	0.2782	49,396
RMB:NTD	5,630	4.4720	25,177
Financial liabilities			
Monetary items			
USD:NTD	$ 18,305	30.7150	$ 562,238
JPY:NTD	2,436,140	0.2782	677,734

	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

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, 2018 and 2017, amounted to $96,415 and ($416,954), respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variations:

	2018		
	Sensitivity analysis		
	Change in exchange rate	Effect on profit (loss)	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	5%	$ 249,446	$ -
JPY:NTD	5%	2,470	-
RMB:NTD	5%	1,259	
Financial liabilities			
Monetary items			
USD:NTD	5%	$ 28,112	$ -
JPY:NTD	5%	33,887	-

	2017		
	Sensitivity analysis		
	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	-

Price risk

i. The Company's financial instruments, which are exposed to price risk, are the financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in financial instruments, the Company diversifies its portfolio. Diversification of the portfolio is in accordance with the limits set by the Company.

ii. The Company's investments in financial instruments comprise foreign unlisted stocks. The prices of financial instruments would change due to different valuation models and assumptions used. Analysis related to the effect on profit or other comprehensive income if these assumptions change is provided in Note 12(3)G.

Interest rate risk on cash flow and fair value

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. For the years ended December 31, 2018 and 2017, 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 before tax approximately by $98,220 and $106,447, 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, mainly resulted from its operating activities (primarily notes and accounts receivable) and from its financing activities (primarily deposits with bank and financial instruments). The Company is exposed to credit risk arising from the carrying amount of the financial assets recognized in the parent company only balance sheet.

ii. 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 uncollectible 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.

iii. Credit risk from balances with banks and financial institutions is managed by the Company's finance unit in accordance with the Company's policies. Transaction 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.

iv. The Company adopts the assumptions under IFRS 9 and the default is deemed to have occurred when the contract payments are past due over 90 days.

v. The Company categorized contract assets, accounts receivable and other receivables by characteristics of credit risk and applied the simplified approach using loss rate methodology to estimate expected credit loss.

vi. The Company referred to the forecastability of business monitoring indicators published by the National Development Council to adjust the loss rate which is based on historical and current information when assessing the future default possibility of contract assets, accounts receivable and other receivables. On December 31, 2018, the loss rate methodology is as follows:

	December 31, 2018		
	Contract assets	Accounts receivable (including related parties)	Other receivables (including related parties)
Expected loss rate	0.045%	0.045%	0.045%
Total carrying amount	$ 299,970	$ 4,747,974	$ 65,461
Loss allowance	($ 135)	($ 2,141)	($ 13)

vii. Under the simplified approach, movements in relation to loss allowance for contract assets, accounts receivable, and other receivables are as follows:

	2018		
	Contract assets	Accounts receivable (including related parties)	Other receivables (including related parties)
January 1_ IAS 39	$ -	$ -	$ -
Adjustments for applying new standards	(115)	(1,819)	(7)
January 1_IFRS 9	(115)	(1,819)	(7)
Provision for impairment loss	(20)	(322)	(7)
Reversal of impairment loss	-	-	1
December 31	($ 135)	($ 2,141)	($ 13)

viii. For investments in financial instruments at amortized cost, the credit rating levels are presented below:

	December 31, 2018			
		By lifetime		
	12 months	Increase in credit risk	Impairment of credit	Total
Financial assets at amortized cost				
Bank deposits (Note)	$ 68,388	$ -	$ -	$ 68,388

Note: Time deposits with contract period over three months and restricted bank deposits.

ix. Information related to credit risk for the year ended December 31, 2017 is provided in Note 12(4).

(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(8) and (13) for details of the unused credit lines of the Company as of December 31, 2018 and 2017.

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, 2018				
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Non-derivative financial liabilities					
Accounts payable (including related parties)	$ 637,618	$ -	$ -	$ -	$ 637,618
Other payables (including related parties)	3,197,745	-	-	-	3,197,745
Long-term bank loans (including current portion)	927,243	1,814,344	7,734,983	-	10,476,570
Lease obligations payable	18,000	-	-	-	18,000
Guarantee deposits	-	-	-	1,092	1,092
	$ 4,780,606	$ 1,814,344	$ 7,734,983	$ 1,092	$ 14,331,025

	December 31, 2017				
	Within 1 year	1 to 3 years	3 to 5 years	Over 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

The difference between the floating interest rates and estimated interest rates will affect the non-derivative financial liabilities stated above.

(3) Fair value information

A. The different levels of inputs used in valuation techniques to measure fair value of financial and non-financial instruments are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date. An active market is a market in which trading for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices from Level 1 that are observable information for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

B. The carrying amounts of cash and cash equivalents, contract assets, notes receivable, accounts receivable, other receivables, other financial assets, refundable deposits, bank loans, contract liabilities, accounts payable, other payables, lease obligations payable and guarantee deposits are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
- Foreign unlisted stocks	$ -	$ -	$ 174,357	$ 174,357

There were no financial and non-financial instruments measured at fair value as of December 31, 2017.

(b) The methods and assumptions the Company used to measure fair value are as follows:

i. The fair value of the Company's financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

ii. The Company's financial assets at fair value through other comprehensive income is measured by the comparable company valuation (EV/EBITDA ratio and P/B ratio).

iii. The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

D. The following table shows the movements of Level 3 for the year ended December 31, 2018:

	2018
	Equity instruments
January 1	$ -
Effects on initial application of IFRS 9	89,335
Gains or losses recognized in other comprehensive income	
Recorded as unrealized gains on valuation of financial assets at fair value through other comprehensive income	85,022
December 31	$ 174,357

There were no Level 3 movements for the year ended December 31, 2017.

E. The Company engaged an external appraiser to perform the fair value measurements being categorized within Level 3, and the accounting unit is in charge of valuation procedures to independently verify the fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

F. The following is the qualitative information and sensitivity analysis of changes in significant unobservable inputs under valuation model used in Level 3 fair value measurement:

	Fair value as of December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average method)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Foreign unlisted stocks	$ 174,357	Comparable companies	Price to book ratio multiple	1.19	The higher the multiple, the higher the fair value
			Enterprise value to EBITDA multiple	7.69	The higher the multiple, the higher the fair value
			Discount for lack of marketability	15.80%	The higher the discount for lack of marketability, the lower the fair value

G. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets categorized within Level 3 if the inputs used to valuation models have changed:

			December 31, 2018			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Foreign unlisted stocks	Price to book ratio multiple	± 1%	$ -	$ -	$ 69	$ 68
	Enterprise to EBITDA multiple	± 1%	-	-	1,563	1,512
	Discount for lack of marketability	± 1%	-	-	2,093	2,050
			$ -	$ -	$ 3,725	$ 3,630

Note: Based on the Company's assessment, change in input would not have significant impact on profit or loss or other comprehensive income.

(4) Effects on initial application of IFRS 9 and information for the year ended December 31, 2017 in conformity with IAS 39

A. Summaries of adopting significant accounting policies for the year ended December 31, 2017:

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

i. Financial assets at fair value through profit or loss 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 resale in the short-term. The purchase or disposal of financial assets at fair value through profit or loss 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:

(i) Hybrid (combined) contracts; or

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

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

ii. 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.

iii. 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.

(b) Loans and receivables

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.

(c) Impairment of financial assets

i. 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.

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

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

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

(iii) 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;

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

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

(vi) 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;

(vii) 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; or

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

iii. 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:

(i) 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.

(ii) 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.

B. The Company initially applied IFRS 9 on January 1, 2018, and recorded loss allowance based on expected credit loss. The impact was contract assets decreased by $115, accounts receivable decreased by $1,819, other receivables decreased by $5, other receivables－related parties decreased by $2, retained earnings decreased by $1,940 and deferred tax assets increased by $1.

C. The carrying amount of financial assets transferred from December 31, 2017 under IAS 39 to January 1, 2018 under IFRS 9 is reconciled as follows:

	Measured at cost	Measured at fair value through other comprehensive income	Other financial assets	Measured at amortized cost	Total	Effects: Retained earnings	Effects: Other equity interest
IAS 39	$ 9,950	$ -	$ 70,241	$ -	$ 80,191	$ -	$ -
Transferred into and measured at fair value through other comprehensive income	(9,950)	9,950	-	-	-	-	-
Transfer into and measured at amortized cost	-	-	(70,241)	70,241	-	-	-
Fair value adjustment	-	50,801	-	-	50,801	-	79,385
Impairment loss adjustment	-	28,584	-	-	28,584	28,584	(28,584)
Income tax adjustment	-	-	-	-	-	-	(8,636)
IFRS 9	$ -	$ 89,335	$ -	$ 70,241	$ 159,576	$ 28,584	$ 42,165

(a) The Company’s restricted bank deposits that failed to meet the definition of cash and cash equivalents amounted to $70,241 were classified as other financial assets under IAS 39. Since the assets' cash flows represent solely payments of principal and interest, the restricted bank deposits were reclassified as financial assets at amortized cost amounted to $70,241 on initial application of IFRS 9.

(b) Given the Company’s financial assets carried at cost amounted to $9,950 under IAS 39 were not held for the purpose of trading, it was elected to classify as financial assets at fair value through other comprehensive income and increased by $89,335 on initial application of IFRS 9. Accompanying retained earnings, other equity interest and deferred tax liabilities were increased by $28,584, $42,165 and $8,636, respectively.

(c) In compliance with IFRS 9, the Company’s subsidiary, ChipMOS BVI, reclassified its financial assets carried at cost in the amount of $10,940 to financial assets at fair value through profit or loss and retained earnings in the amounts of $11,433 and $493, respectively. Accordingly, the Company recognized investments accounted for using equity method and credited retained earnings in the amounts of $493, respectively.

D. The significant accounts as of December 31, 2017 are as follows:

Financial assets carried at cost

	December 31, 2017
Unlisted stocks－foreign	38,534
Less: Allowance for impairment losses	(28,584)
	$ 9,950

(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 were pledged to others.

E. Credit risk information as of December 31, 2017 is as follows:

(a) 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, the Company is exposed to credit risk arises from the carrying amount of the financial assets recognized in the parent company only balance sheet.

(b) 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).

(c) 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 trades and other receivables which consequently minimize the Company's exposure to bad debts. The Company uses certain credit enhance instruments to mitigate risk from certain customer.

(d) 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.

(e) 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.

(f) The aging analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017
Within 1 month	$ 10,482
1-2 months	477
2-3 months	426
3-4 months	1,431
Over 4 months	3,056
	$ 15,872

(g) Movement analysis of financial assets that were impaired is as follows:

i. As of December 31, 2017, the Company's accounts receivable that were impaired amounted to $0.

ii. 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	$ -	$ -	$ -

(h) No accounts receivable of the Company were pledged to others.

(5) Effects of initial application of IFRS 15 and information for the year ended December 31, 2017 in conformity with IAS 18

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

(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:

i. The entity has transferred the significant risks and rewards of ownership of the goods to the buyer;

ii. The entity retains neither continuing managerial involvement nor effective control over the goods sold;

iii. The amount of revenue can be measured reliably;

iv. It is probable that the economic benefits associated with the transaction will flow to the entity;

v. The stage of completion of the transaction can be measured reliably;

vi. 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.

B. The revenue recognized by using above accounting policies for the year ended December 31, 2017 were as follows:

		2017
Testing	$	4,838,245
Assembly		5,259,282
LCDD		4,790,116
Bumping		3,053,459
	$	17,941,102

C. The impact and description on current parent company only balance sheet and statement of comprehensive income if the Company continues adopting above accounting policies as of and for the year ended December 31, 2018 are as follows:

		December 31, 2018		
Parent company only balance sheet items	Description	Balance under IFRS 15	Balance under previous accounting policies	Impact on accounting policy change
Contract assets	(d)(f)(g)	$ 299,835	$ -	$ 299,835
Inventories	(e)	1,778,835	2,016,106	(237,271)
Deferred tax assets	(h)	226,716	226,635	81
Contract liabilities	(i)	1,432	-	1,432
Receipts in advance	(i)	1,013	2,445	(1,432)
Current provisions	(j)	29,352	61,979	(32,627)
Current refund liabilities	(j)	32,627	-	32,627
Retained earnings		3,635,372	3,572,727	62,645

Parent company only statement of comprehensive income items	Description	2018 Balance under IFRS 15	2018 Balance under previous accounting policies	2018 Impact on accounting policy change
Revenue	(a)(d)	$ 18,480,027	$ 18,434,763	$ 45,264
Cost of revenue	(a)(e)	(15,050,032)	(15,021,266)	(28,766)
Operating expenses	(f)	(1,454,209)	(1,454,074)	(135)
Other gains and losses	(g)	117,982	118,388	(406)
Income tax expense	(c)(h)	(678,220)	(686,994)	8,774
Profit for the year		1,103,075	1,078,344	24,731
Earnings per share (in dollars)				
Basic		$ 1.37	$ 1.34	$ 0.03
Diluted		$ 1.36	$ 1.33	$ 0.03

Explanation on the adjustments:

Impact on January 1, 2018

(a) 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 to customers under previous accounting policies, and the timing of recognition usually occurred upon service completion. Under IFRS 15, considering that the Company 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 progress towards completion. As a result, retained earnings increased by $46,607, inventories decreased by $208,505 and contract assets increased by $255,112.

(b) Presentation of refund liabilities

By adopting IFRS 15, the Company's provision for sales allowance amounted to $70,156 is presented as current refund liabilities from January 1, 2018, which was previously presented as current provisions.

(c) Recognition of deferred tax

When initially adopting IFRS 15, the Company recognized adjustments in the balance sheet which resulted to temporary differences. Accordingly, as of January 1, 2018, deferred tax assets decreased by $626, deferred tax liabilities increased by $8,067 and retained earnings decreased by $8,693.

Impact on December 31, 2018

(d) Contract assets and revenue recognition

Under IFRS 15, the Company 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 progress towards completion. As a result, contract assets and revenue increased by $300,376 as of December 31, 2018.

(e) Transfer inventory to cost of revenue

Under IFRS 15, when revenue is recognized based on the progress towards completion, work in process and finished goods in ending inventories should be transferred to cost of revenue at the end of the reporting period. As a result, inventories decreased and cost of revenue increased by $237,271 as of December 31, 2018.

(f) Expected credit loss recognition

Under IFRS 15, when contract assets and revenue are recognized based on the progress towards completion, loss allowance is recognized based on the expected credit loss model. As a result, expected credit loss increased and contract assets decreased by $135 for the year ended December 31, 2018.

(g) Foreign exchange

Under IFRS 15, when contract assets and revenue are recognized based on the progress towards completion, foreign exchange loss is also recognized using the exchange rates prevailing at the balance sheet date. As a result, foreign exchange loss increased and contract assets decreased by $406 for the year ended December 31, 2018.

(h) Recognition of deferred tax

In summary, foreign exchange loss recognized would result to a temporary difference. Accordingly, deferred tax assets increased and income tax expense decreased by $81 for the year ended December 31, 2018.

(i) Presentation of contract liabilities

By adopting IFRS 15, advance payments amounted to $1,432 in certain assembly and testing service contracts were presented as contract liabilities as of December 31, 2018, which were previously presented as receipts in advance.

(j) Presentation of refund liabilities

By adopting IFRS 15, the Company's provision for sales allowance amounted to $32,627 was presented as current refund liabilities as of December 31, 2018, which was previously presented as current provisions.

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 (excluding investments in subsidiaries, associates and joint ventures):

				As of December 31, 2018				
Held company name	Marketable securities type and name	Relationship with the company	General ledger account	Number of shares	Carrying amount	Ownership (%)	Fair value	Note
The Company	RYOWA CO., LTD.	N/A	Financial assets at fair value through other comprehensive income	420	$167,512	18.12	$ 167,512	
The Company	CONNECTEC JAPAN Corporation	N/A	Financial assets at fair value through other comprehensive income	56,497	6,845	2.74	6,845	
ChipMOS BVI	Shanghai Zuzhu Business Consulting Partnership (Limited Partnership) ("Zuzhu")	N/A	Financial assets at fair value through profit or loss	-	4,668	5.10	4,668	
ChipMOS BVI	Shanghai Zuzhan Business Consulting Partnership (Limited Partnership) ("Zuzhan")	N/A	Financial assets at fair value through profit or loss	-	2,306	13.42	2,306	
ChipMOS BVI	Shanghai Zuchen Business Consulting Partnership (Limited Partnership) ("Zuchen")	N/A	Financial assets at fair value through profit or loss	-	2,249	11.34	2,249	
ChipMOS BVI	Shanghai Guizao Business Consulting Partnership (Limited Partnership) ("Guizao")	N/A	Financial assets at fair value through profit or loss	-	2,248	11.85	2,248	

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, 2018		Acquisition		Disposal				Balance as of December 31, 2018	
Investor	Marketable securities type and name	General ledger account	Counterparty	Relationship with the investee	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	Jih Sun Money Market Fund	Note 1	N/A	N/A	-	$ -	23,726	$350,000	23,726	$350,260	$ 350,000	$ 260	-	$ -
The Company	Taishin 1699 Money Market Fund	Note 1	N/A	N/A	-	-	55,692	750,000	55,692	750,373	750,000	373	-	-
The Company	Cathay Taiwan Money Market Fund	Note 1	N/A	N/A	-	-	28,220	350,000	28,220	350,203	350,000	203	-	-
The Company	FSITC Taiwan Money Market Fund	Note 1	N/A	N/A	-	-	42,694	650,000	42,694	650,364	650,000	364	-	-
ChipMOS BVI	Unimos Shanghai's equity	Investments accounted for using equity method	Unimos Shanghai	N/A	Note 2	3,066,160	Note 2	794,694	Note 2	-	-	-	Note 2	3,460,274

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: Refer to Notes 12(2)(3).

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	$ 35,591	-	0.19%

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, 2018					
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, 2018	Investment income (loss) recognized for the year ended December 31, 2018	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	$ 237,282	$ 2,362	$ 2,362	
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	406,792	219,544	41,933	Note
The Company	ChipMOS BVI	British Virgin Islands	Holding company	3,072,712	2,983,432	2,407,742,975	100	3,489,799	(370,639)	(370,515)	

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, 2018	Amount remitted from Taiwan to P.R.C./ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to P.R.C. as of December 31, 2018	Net income (loss) of investee for the year ended December 31, 2018	Ownership (%) held by the Company (directly or indirectly)	Investment income (loss) recognized for the year ended December 31, 2018	Carrying amount of investments in P.R.C. as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan through December 31, 2018	Note
					Remitted to P.R.C.	Remitted back to Taiwan							
Unimos Shanghai	Semiconductor assembling and testing services	$ 10,817,191	Note 1	$ 2,885,586	$ -	$ -	$ 2,885,586	($ 629,303)	45.02	($ 342,157)	$3,460,274	$ -	Notes 2
Zuzhu	Business consulting services	87,139	Note 1	-	-	-	-	4	5.10	-	4,668	-	
Zuzhan	Business consulting services	16,606	Note 1	-	-	-	-	(1)	13.42	-	2,306	-	
Zuchen	Business consulting services	19,673	Note 1	-	-	-	-	1	11.34	-	2,249	-	
Guizao	Business consulting services	18,810	Note 1	-	-	-	-	1	11.85	-	2,248	-	

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.

Company name	Accumulated amount of remittance from Taiwan to P.R.C. as of December 31, 2018	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	$10,842,487

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, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand and petty cash		$ 470
Bank savings:		
Checking accounts		1,015
Demand deposits		952,585
Demand deposits – foreign currencies	USD 10,429 thousand, exchange rate 30.715	389,460
	JPY 168,993 thousand, exchange rate 0.2782	
	RMB 4,945 thousand, exchange rate 4.472	
Time deposits	Interest rates: 0.09%~3.15%	3,245,750
		$ 4,589,280

ChipMOS TECHNOLOGIES INC.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Name of the clients	Description	Amount	Note
Related parties:			
Others		$ 140	Note
Non-related parties:			
Company A		$ 1,092,731	
Company C		594,021	
Company W		438,678	
Company M		409,165	
Company K		396,759	
Company G		287,008	
Company B		258,503	
Others		1,270,969	Note
		4,747,834	
Less: Loss allowance		(2,141)	
		$ 4,745,693	

Note: None of the individual customers' owing balances exceed 5% of the ending balance of this account.

ChipMOS TECHNOLOGIES INC.
STATEMENT OF INVENTORIES
DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount - Cost	Amount - Net realizable value	Note
Raw material		$ 1,814,992	$ 1,778,851	
Less: Allowance for impairment losses		(36,157)		
Inventories, net		$ 1,778,835		

ChipMOS TECHNOLOGIES INC.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

	Balance as of January 1, 2018		Increases (Note 1)		Decreases (Note 2)		Other adjustments (Note 3)	Balance as of December 31, 2018			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	Collateral or pledge	Note
JMC	19,100	$ 373,276	-	$ 41,933	-	($ 5,730)	($ 2,687)	19,100	19.10%	$ 406,792	$ 109.00	$ 2,081,900	None	
ChipMOS BVI	2,370,243	3,826,308	37,500	91,937	-	(370,515)	(57,931)	2,407,743	100%	3,489,799	1.45	3,489,799	None	
ChipMOS USA	3,550	227,573	-	2,362	-	-	7,347	3,550	100%	237,282	66.84	237,282	None	
		$ 4,427,157		$ 136,232		($ 376,245)	($ 53,271)			$ 4,133,873				

Note 1: Includes participation in ChipMOS BVI’s increase of paid-in capital amounted to $89,280, increase in share of profit of subsidiaries and associates of $44,295 and amortization of downstream transactions of $2,657.

Note 2: Includes decrease in share of loss of subsidiaries and associates of $370,515 and cash dividend paid by JMC of $5,730.

Note 3: Includes unrealized gains (losses) on financial assets at fair value through other comprehensive income of ($2,458), adjustments of exchange differences from translation of foreign operations of ($51,077), effects on initial application of IFRS 9 from subsidiaries of $493, and recognition of remeasurements of defined benefit plans of ($229).

ChipMOS TECHNOLOGIES INC.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Balance as of January 1, 2018	Additions	Disposals	Reclassifications	Balance as of December 31, 2018	Collateral
Cost						
Land	$ 452,738	$ -	$ -	$ -	$ 452,738	See Note 8
Buildings	9,809,970	247,186	(2,349)	199,724	10,254,531	See Note 8
Machinery and equipment	45,774,402	2,445,095	(1,103,947)	1,154,473	48,270,023	See Note 8
Tools	4,004,703	591,229	(200,825)	7,604	4,402,711	None
Others	2,618,917	172,587	(212,226)	26,216	2,605,494	None
Construction in progress and equipment to be inspected	968,719	1,489,190	-	(1,388,017)	1,069,892	None
	63,629,449	$ 4,945,287	($ 1,519,347)	$ -	67,055,389	
Accumulated depreciation						
Buildings	(5,890,884)	($ 457,265)	$ 2,349	$ -	(6,345,800)	
Machinery and equipment	(36,849,838)	(2,180,518)	1,101,210	190	(37,928,956)	
Tools	(3,314,234)	(535,378)	189,080	-	(3,660,532)	
Others	(1,989,935)	(202,900)	209,130	(190)	(1,983,895)	
	(48,044,891)	($ 3,376,061)	$ 1,501,769	$ -	(49,919,183)	
Accumulated impairment						
Machinery and equipment	(111,218)	$ -	$ 1,833	$ -	(109,385)	
Others	(209,237)	-	1,029	-	(208,208)	
	(320,455)	$ -	$ 2,862	$ -	(317,593)	
Carrying amount	$ 15,264,103				$ 16,818,613	

ChipMOS TECHNOLOGIES INC.
LONG-TERM BANK LOANS
DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Creditor	Description	Amount	Period	Range of interest rate	Collateral	Note
Taiwan Cooperative Bank and others	Syndicated bank loans	$ 9,822,000	May 30, 2018 ~ May 30, 2023	1.7895%	See Note 8	
	Less: Fee on syndicated bank loan	(32,482)				
	Current portion (fee included)	(747,422)				
		$ 9,042,096				

ChipMOS TECHNOLOGIES INC.
STATEMENT OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Quantity (in thousands)	Amount	Note
Testing			
Memory	2,122,398	$ 4,019,846	
Logic/mixed-signal	349,250	788,493	
Total testing		$ 4,808,339	
Assembly			
Memory	1,165,965	3,930,057	
Logic/mixed-signal	1,167,509	782,863	
Total assembly		$ 4,712,920	
LCDD			
Total LCDD	1,686,652	$ 5,698,122	
Bumping			
Total bumping	1,316	$ 3,324,749	
Less: Sales allowance		(64,103)	
Net revenue		$ 18,480,027	

ChipMOS TECHNOLOGIES INC.
STATEMENT OF COST OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount
Raw material at January 1, 2018	$ 1,769,917
Raw material purchased	4,471,349
Less: Raw material at December 31, 2018	(1,814,992)
Raw material sold	(151,103)
Transfer to research and development expenses	(13,022)
Transfer to operating expenses	(1,176,742)
Scrap of raw material	(5,497)
Consumption of raw material for the year	3,079,910
Direct labor	2,444,689
Manufacturing expenses	9,388,732
Manufacturing costs of the year	14,913,331
Deficiency compensation	(6,829)
Raw material sold	151,103
Scrap of raw material	5,497
Reversal of impairment losses on inventories	(13,070)
Total cost of revenue	$ 15,050,032

ChipMOS TECHNOLOGIES INC.
STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Sales and marketing expenses		
Salaries and wages	$ 30,602	
Services fees	35,591	
Export fees	4,028	
Others	18,822	None of the individual item exceeds 5% of this account
	$ 89,043	
General and administrative expenses		
Salaries and wages	$ 250,920	
Professional service expenses	46,977	
Insurance fees	25,658	
Others	102,342	None of the individual item exceeds 5% of this account
	$ 425,897	
Research and development expenses		
Salaries and wages	$ 685,829	
Insurance fees	59,043	
Others	194,397	None of the individual item exceeds 5% of this account
	$ 939,269	

ChipMOS TECHNOLOGIES INC.
LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

By function / By nature	2018			2017		
	Classified as costs of revenue	Classified as operating expenses	Total	Classified as costs of revenue	Classified as operating expenses	Total
Employee benefit expense	$ 4,482,306	$ 1,104,725	$ 5,587,031	$ 4,667,061	$ 1,208,500	$ 5,875,561
Salaries	3,684,278	927,492	4,611,770	3,849,283	982,741	4,832,024
Directors' remuneration	-	18,456	18,456	-	27,276	27,276
Labor and health insurance	330,393	72,185	402,578	316,366	69,614	385,980
Pension	158,910	42,657	201,567	156,492	42,010	198,502
Share-based payments	19,639	21,404	41,043	57,071	65,950	123,021
Other personnel expenses	289,086	22,531	311,617	287,849	20,909	308,758
Depreciation	$ 3,331,819	$ 44,242	$ 3,376,061	$ 2,858,006	$ 41,079	$ 2,899,085

Note: As of December 31, 2018 and 2017, the Company had 6,008 and 5,808 employees, including 7 directors, respectively.

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	2018	2017	Change	
			Amount	%
Current assets	11,888,143	14,200,980	(2,312,837)	(16.29%)
Property, plant and quipment	16,819,621	15,265,311	1,554,310	10.18%
Other assets	4,425,954	3,793,651	632,303	16.67%
Total assets	33,133,718	33,259,942	(126,224)	(0.38%)
Current liabilities	5,190,195	6,670,608	(1,480,413)	(22.19%)
Non-current liabilities	9,872,712	8,195,998	1,676,714	20.46%
Total liabilities	15,062,907	14,866,606	196,301	1.32%
Capital stock	7,528,577	8,862,971	(1,334,394)	(15.06%)
Capital surplus	6,280,482	6,288,377	(7,895)	(0.13%)
Retained earnings	5,104,542	4,237,941	866,601	20.45%
Other equity interest	119,713	11,701	108,012	923.10%
Treasury stock	(962,503)	(1,007,654)	45,151	(4.48%)
Equity attributable to equity holders of the Company	18,070,811	18,393,336	(322,525)	(1.75%)

Analysis for changes exceeding 20%:

1. Current liabilities decrease was mainly due to the decrease of long-term bank loans, current portion in 2018.
2. Non-current liabilities increase was mainly due to the increase of long-term bank loans in 2018.
3. Retained earnings increase was mainly due to the profit in 2018.
4. Other equity increae was mainly due to the increase of unrealized gain on valuation of equity instruments at fair value through other comprehensive income.

II Analysis of Financial Performance: (consolidated financial statements)

(I) Operating Results Comparative Analysis

Unit: NT$ thousands ; %

Item \ Year	2018	2017	Change	
			Amount	%
Revenue	18,480,027	17,940,855	539,172	3.01%
Cost of revenue	(15,050,032)	(14,703,729)	(346,303)	2.36%
Gross profit	3,429,995	3,237,126	192,869	5.96%
Operating expenses	(1,477,788)	(1,690,079)	212,291	(12.56)%
Other income (expenses), net	147,514	692,834	(545,320)	(78.71%)
Operating profit	2,099,721	2,239,881	(140,160)	(6.26%)
Non-operating income (expenses)	(317,279)	(724,394)	407,115	(56.20%)
Profit before income tax	1,782,442	1,515,487	266,955	17.62%
Income tax expense	(679,367)	(303,912)	(375,455)	123.54%
Profit for the year from discontinued operations	-	1,814,953	(1,814,953)	(100.00%)
Profit for the year	1,103,075	3,026,528	(1,923,453)	(63.55%)
Other comprehensive loss, net of income tax	(32,829)	(189,902)	157,073	(82.71%)
Total comprehensive income for the year	1,070,246	2,836,626	(1,766,380)	(62.27%)

Analysis for changes exceeding 20%:

1. Other income (expenses), net decrease was mainly due to the increase of insurance compensation income recognized in 2017.
2. Non-operating expenses, net decrease was mainly due to the increase of foreign exchange gain in 2018.
3. Income tax expense increase was mainly due to the increase of profit before income tax in 2018 and income tax on upappropriated retained earnings of 2017.
4. Profit for the year from discontinued operations, profit for the year and total comprehensive income for the year increase were mainly due to the increase of discontinued operations income from the disposal of a subsidiary in 2017.
5. Other comprehensive loss, net of income tax decrease of was mainly due to the increase of exchange differences on translation of foreign operations from the change of the exchange rate.

(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	2018	2017	Increase (decrease) ratio
Cash flow ratio (%)	76.30%	71.26%	7.07%
Cash flow adequacy ratio (%)	91.84%	101.68%	(9.68%)
Cash reinvestment ratio (%)	4.75%	5.21%	(8.83%)
Analysis and explanation for changes exceeding 20%: None.			

(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
4,589,280	5,702,003	7,633,691	2,657,592	—	—

1. Analysis on the cash flow changes for the coming year :
   (1) Operating activities $5,702,003: Due to operating profit estimated.
   (2) Investing activities ($5,965,475): Mainly due to the acquisition of operating equipment.
   (3) Financing activities ($1,668,216): 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	
			2018	2019
Plant and equipment	Own funds or bank loan	9,984,169	4,945,287	5,038,882

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$300,101 thousand for the year of 2018. The loss from the investments 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 as of the Most Recent Year and as of the Publication Date of the Annual Report

(I) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

1. Variations of Interest rate

The borrowings of the Company and its subsidiaries are mainly generated for the purposes of operating activities. 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. Variations of foreign currency exchange rate

(1) 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.

(2) 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 impact of inflation is enormous, and the Company and its subsidiaries will gather information of international economic situation and the factors might trigger an unusually heated inflation to 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. The company demand for precious metals accounted for a certain proportion of the production, to establish a precious metal processing and supply chain to improve the establishment of a more flexible response to the risk of loss caused by precious metal price fluctuations.

(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 the 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 made 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 mechanics, material, electrical 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 keep 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 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 consumer 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 83.4%, 85.2% and 84.7% of the net revenue for each year from 2016 to 2018. 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 and Countermeasures

1. Risks Associated with Cyber Attacks

The Company has announced an Information Security Policy since 2014. Setting up an Information Security Management Committee and communication email in organization. Implementing an ISMS (information security management system) based on ISO/IEC 27001:2013 information security standard. The Company has established ISO 27001 framework contains 14 domains. These domains cover a wide variety of control objectives, policies to protect the Confidentiality, Integrity and Availability of the Company information assets security.

Formulate operational standards for information security related management procedures, plan internal management related activities of the security, and assist in the internal information security related risk assessment and needs. Each year, information technology center's related control objectives and control measures are reviewed through internal audit activities and external third-party verification. Currently, in 2017, ISO/IEC 27001 certifications have been obtained. The annual review was also completed in December 2018.

The Company continuously develop disaster recovery architecture for important information assets and conduct disaster recovery plan & implement disaster recovery test (DR test). The test information system recovery time objective (RTO) can be completed within the maximum tolerable period of disruption (MTPD) to reduce the production interruption time or property loss caused by disasters. The Information Technology Center has completed 24 items DR test for important information systems and services in last year. It includes data bases, production system hosts, networking, core switches, firewall and other types of information assets. DR test adopts standardized disaster recovery plan to make the same expected disaster recovery effect can be obtained in the different factory area and different system administrator.

In order to obtain the cyber security threats and vulnerability risk assessments. The Company join the Science Park Information Sharing and Analysis Center (SP-ISAC) external security organization. SP-ISAC provide information security analysis services and provide information alerts about current security issues, vulnerabilities, and exploits. Using submit security incident support form can help ISMS security team analysis and response to the security incident. To reduce cyber security risk by setting up network security equipment, in addition using intrusion detection system to real time analyze & block abnormal network behaviors. Maintain and identifying information assets value (confidentiality, integrity and availability) through information assets inventory every year. The information assets value corresponds to determines the assets protection level plan needs. In response to the increasing trend of phishing email cybercrime by social engineering email attacks, implement phishing simulations test and educate employees on how to spot phishing and avoid attacks, increase employee awareness for reduce risk.

2. Other Major Risks: None.

VII. Special Disclosure: None.

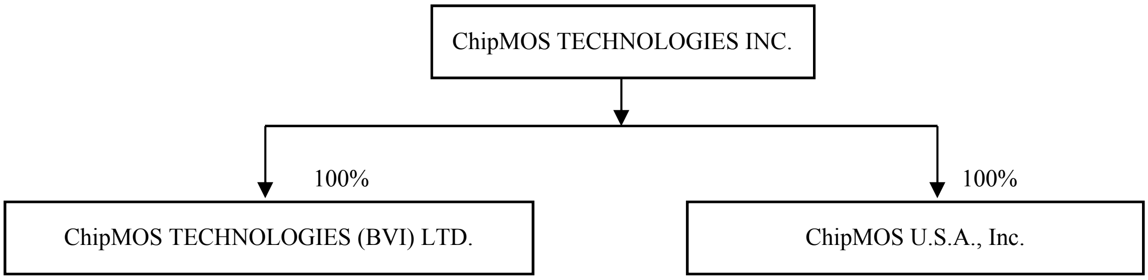
VIII. Other Special Disclosure

I Summary of Affiliated Companies

(I) Consolidated Business Report of Affiliated Enterprises

1. Affiliated Companies Chart

December 31, 2018



2. Affiliated Companies Profile

December 31, 2018

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$5,958,210 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, 2018 (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.: Silvia Su		
ChipMOS TECHNOLOGIES (BVI) LTD.	Chairman/Director	Representative of ChipMOS TECHNOLOGIES INC.: Lafair Cho	2,407,742,975	100%
	Director	Representative of ChipMOS TECHNOLOGIES INC.: Silvia Su		

6. Business Overview of Affiliated Companies

December 31, 2018 (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	237,282	–	237,282	35,738	2,023	2,362	0.67
ChipMOS TECHNOLOGIES (BVI) LTD.	5,958,210	3,493,124	–	3,493,124	Note1	(25,456)	(370,639)	(0.15)

Note 1: No operating activities as a holding company.

(II) Consolidated Financial Statements of Affiliated Companies

For the year ended December 31, 2018, 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

2018

ANNUAL REPORT

ChipMOS

傑登廣告 設計 02-29257555 編印