ChipMOS TECHNOLOGIES INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED

DECEMBER 31, 2018 AND 2017

For the convenience of readers and for information purpose only, the independent accountants' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language independent accountants' report and consolidated financial statements shall prevail.

ChipMOS TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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ChipMOS TECHNOLOGIES INC.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

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 companies that are required to be included in the consolidated financial statements of affiliates, are the same as the companies required to be included in the consolidated financial statements under International Financial Reporting Standards 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.

Hereby declare,

ChipMOS TECHNOLOGIES INC.
March 7, 2019

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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.

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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 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(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 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 consolidated financial statements and the information on the investee disclosed in Note

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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

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

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

			December 31, 2018		December 31, 2017	
	Liabilities and Equity	Notes	Amount	%	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	Years ended December 31, 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

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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 expenses	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)
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 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 Group 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 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 IFRS 16 will have significant impact on the Group's financial position. The Group considered to adopt the modified retrospective transitional provisions of IFRS 16, and expeted 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, 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 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)(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:

(a) 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 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 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 known 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

		Shareholding ratio			
Company name	Principal place of business	December 31, 2018	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	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 expenses	-	(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 expenses	-	(511,167)	(1,837,482)	(357,695)	(192,934)	-	(2,899,278)
Impairment losses	-	-	-	-	(956)	-	(956)
Exchange adjustment	-	-	(43)	-	(88)	-	(131)
December 31	$ 452,738	$ 3,919,086	$ 8,813,727	$ 690,469	$ 420,572	$ 968,719	$ 15,265,311
December 31, 2017							
Cost	$ 452,738	$ 9,809,970	$ 45,778,207	$ 4,004,703	$ 2,624,083	$ 968,719	$ 63,638,420
Accumulated depreciation and impairment	-	(5,890,884)	(36,964,480)	(3,314,234)	(2,203,511)	-	(48,373,109)
	$ 452,738	$ 3,919,086	$ 8,813,727	$ 690,469	$ 420,572	$ 968,719	$ 15,265,311

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 for satisfying the definition of discontinued operations. The equity transfer was completed in March 2017, and subsequently, due to the loss of control but retention of significant influence, 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 approximately 15% 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 expenses	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 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.

(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 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 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. 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:

								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 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	Balance under IFRS 15 (2018)	Balance under previous accounting policies (2018)	Impact on accounting policy change (2018)
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)	(1,477,788)	(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 expenses	($ 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 expenses	($ 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