ChipMOS TECHNOLOGIES INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

AUDIT REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

For the convenience of readers and for information purpose only, the independent accountants' report and the accompanying 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 financial statements shall prevail.

ChipMOS TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
AUDIT REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

CONTENTS

ChipMOS TECHNOLOGIES INC.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2016, pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements under International Financial Reporting Standards 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates 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 affiliates.

Hereby declare,

ChipMOS TECHNOLOGIES INC.
March 9, 2017

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AUDIT 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, 2016 and 2015, 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 the 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, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Capital reorganization

Description

Please refer to Notes 4(28) and 6(32) to the consolidated financial statements for the details of the information on the accounting policies and the capital reorganization transaction.

ChipMOS TECHNOLOGIES (Bermuda) LTD. ("ChipMOS Bermuda") was the former parent company of ChipMOS TECHNOLOGIES INC. (the "Company"). On October 31, 2016, ChipMOS Bermuda was merged with and into the Company, with the latter being the surviving entity and ChipMOS Bermuda being the dissolving entity (the "Merger"). The Merger was the capital reorganization within the group and the accounting treatment was accounted for under the book value method. Based on the Merger agreement, the Company issued 25,620,267 units of American Depositary Shares (representing 512,405 thousand ordinary shares of the Company) and paid US$101,657 thousand in cash as the total consideration for the Merger. Since the Merger was a material transaction during the financial reporting period, it was identified as a key audit matter.

How our audit addressed the matter

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

1. Interviewed with management to understand the purpose, the evaluation process, and the determination of the consideration of the Merger.
2. Obtained and reviewed the Merger agreement and the meeting minutes of the Board of Directors and General Shareholders' Meetings, verified that the related meeting resolutions were consistent with the Merger agreement, and those provisions within the Merger agreement relating to the financial statements were accounted for by using the appropriate accounting treatment.
3. Evaluated the qualification and objectivity of the independent expert engaged by the management, and reviewed the fairness opinion, as provided by management, of the Merger consideration issued by the independent expert.

4. Obtained the calculation details of the consideration, verified that the number of ordinary shares issued, its represented fair value, and cash payment were consistent to the Merger agreement.
5. Performed necessary audit procedures on the net assets of ChipMOS Bermuda on the date of the Merger.
6. Reviewed and verified the accounting treatment and bookkeeping correctness of the Company on the date of the Merger.
7. Reviewed Merger disclosure details in the financial statements.

Provisions for deficiency compensation

Description

Please refer to Note 4(19) to the consolidated financial statements for the accounting policies on provisions; Note 5(1) for uncertainty of accounting estimates and assumptions of provisions; and Note 6(12) for the details of the provisions for deficiency compensation.

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

How our audit addressed the matter

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

1. Interviewed 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 verified that provisions for deficiency compensation as not being underestimated.

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Other matters

The report of the other independent accountants

We did not audit the financial statements of a certain investee company accounted for using the equity method. Those financial statements were audited by the other independent accountants, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements and the information on the investee disclosed in Note 13 was based solely on the report of the other independent accountants. Investments in this investee company amounted to NT$369,329 thousand and NT$346,268 thousand, both representing 1% of total consolidated assets as of December 31, 2016 and 2015, and total net comprehensive income including the share of profit and other comprehensive income of associate accounted for using the equity method of NT$28,791 thousand and NT$31,104 thousand, representing 3% and 2% 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, 2016 and 2015.

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

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

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

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

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

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

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

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

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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

Chun-Yuan Hsiao

Chih-Cheng Hsieh

Chih-Cheng Hsieh

for and on behalf of PricewaterhouseCoopers, Taiwan
March 9, 2017

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, 2016 Amount	%	(Adjusted) December 31, 2015 Amount	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 7,571,366	24	$ 12,127,350	37
1150	Notes receivable, net		1,753	-	1,394	-
1170	Accounts receivable, net	6(2)	4,138,493	13	3,889,114	12
1200	Other receivables		57,411	-	137,013	-
130X	Inventories, net	6(3)	1,877,982	6	1,667,691	5
1410	Prepayments	6(8)	142,281	1	200,583	1
1460	Non-current assets held for sale, net	6(7)	3,105,071	10	-	-
1476	Other current financial assets	8	72,277	-	85,247	-
11XX	**Total current assets**		16,966,634	54	18,108,392	55
	Non-current assets					
1543	Non-current financial assets carried at cost	6(4)	9,960	-	9,960	-
1550	Investments accounted for using equity method	6(5)	369,329	1	346,268	1
1600	Property, plant and equipment, net	6(6) and 8	13,497,218	43	14,211,560	43
1840	Deferred tax assets	6(29)	249,806	1	166,267	1
1920	Refundable deposits		21,321	-	21,840	-
1985	Long-term prepaid rents	6(8)	-	-	91,603	-
1990	Other non-current assets		181,692	1	61,977	-
15XX	**Total non-current assets**		14,329,326	46	14,909,475	45
1XXX	**Total assets**		$ 31,295,960	100	$ 33,017,867	100

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

	Liabilities and Equity	Notes	December 31, 2016 Amount	%	(Adjusted) December 31, 2015 Amount	%
	Liabilities					
	Current liabilities					
2100	Short-term bank loans	6(9)	$ -	-	$ 1,148,875	4
2170	Accounts payable	6(10)	825,062	3	708,480	2
2200	Other payables	6(11)	1,962,400	6	2,392,660	7
2230	Current tax liabilities		90,104	-	253,726	1
2250	Current provisions	6(12)	80,719	-	96,903	-
2260	Liabilities directly related to non-current assets held for sale	6(7)	587,639	2	-	-
2310	Advance receipts		1,324	-	8,337	-
2320	Bank loans - current portion	6(13) and 8	1,062,285	4	1,548,688	5
2355	Current lease obligations payable	6(14)	11,291	-	-	-
2399	Other current liabilities		43,676	-	28,467	-
21XX	**Total current liabilities**		4,664,500	15	6,186,136	19
	Non-current liabilities					
2540	Bank loans – non-current portion	6(13) and 8	9,687,720	31	4,985,832	15
2570	Deferred tax liabilities	6(29)	92,543	-	-	-
2613	Long-term lease obligations payable	6(14)	29,311	-	-	-
2630	Long-term deferred revenue	6(15)	-	-	89,168	-
2640	Net defined benefit liability, non-current	6(16)	546,968	2	519,471	2
2645	Guarantee deposits		1,404	-	2,099	-
25XX	**Total non-current liabilities**		10,357,946	33	5,596,570	17
2XXX	**Total Liabilities**		15,022,446	48	11,782,706	36
	Equity					
	Equity attributable to owners of parent					
	Capital stock					
3110	Capital stock - common stock	6(18)	8,869,663	28	8,962,066	27
	Capital surplus	6(19)				
3200	Capital surplus		6,888,826	22	3,755,849	11
	Retained earnings	6(20)				
3310	Legal reserve		1,137,837	4	914,790	3
3350	Unappropriated retained earnings		286,801	1	5,858,579	18
	Other equity interest	6(21)				
3410	Financial statements translation differences of foreign operations		10,600	-	63,668	-
3470	Equity directly related to non-current assets held for sale	6(7)	287,645	1	-	-
3490	Unearned employee awards		(200,204)	(1)	(447,323)	(1)
3500	**Treasury stock**	6(18)	(1,007,654)	(3)	-	-
31XX	**Equity attributable to owners of the parent**		16,273,514	52	19,107,629	58
35XX	**Equity attributable to predecessors' interests under common control**		-	-	2,127,532	6
3XXX	**Total equity**		16,273,514	52	21,235,161	64
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 31,295,960	100	$ 33,017,867	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, 2016 Amount	%	2015 (Adjusted) Amount	%
4000	**Revenue**	6(7)(22)	$ 18,387,593	100	$ 18,837,089	100
5000	**Cost of revenue**	6(3)(7)(27)	(14,745,472)	(80)	(14,685,514)	(78)
5900	**Gross profit**	6(7)	3,642,121	20	4,151,575	22
	Operating expenses	6(7)(27)(28)				
6100	Selling expenses		(72,918)	-	(90,345)	(1)
6200	General and administrative expenses		(822,068)	(4)	(770,075)	(4)
6300	Research and development expenses		(838,866)	(5)	(747,779)	(4)
6000	**Total operating expenses**		(1,733,852)	(9)	(1,608,199)	(9)
6500	**Other income (expense), net**	6(7)(23)	90,306	-	105,051	1
6900	**Operating profit**	6(7)	1,998,575	11	2,648,427	14
	Non-operating income (expenses)	6(7)				
7010	Other income	6(24)	46,757	-	63,989	1
7020	Other gains and losses	6(25)	(194,705)	(1)	244,882	1
7050	Finance costs	6(26)	(179,116)	(1)	(142,511)	(1)
7060	Share of profit of associates and joint ventures accounted for using equity method	6(5)	28,924	-	31,269	-
7000	**Total non-operating income (expenses)**		(298,140)	(2)	197,629	1
7900	**Profit before income tax**	6(7)	1,700,435	9	2,846,056	15
7950	Income tax expenses	6(7)(29)	(352,050)	(2)	(835,710)	(5)
8000	**Profit for the year from continuing operations**	6(7)	1,348,385	7	2,010,346	10
8100	Loss for the year from discontinued operations	6(7)	(122,105)	(1)	(34,233)	-
8200	**Profit for the year**	6(7)	$ 1,226,280	6	$ 1,976,113	10

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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)

	Items	Notes	2016 Amount	2016 %	2015(Adjusted) Amount	2015(Adjusted) %
	Other comprehensive income					
8311	Loss on remeasurements of defined benefit plans	6(16)	($ 43,383)	-	($ 41,758)	-
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		(133)	-	(165)	-
8349	Income tax effect that will not be reclassified to profit or loss	6(29)	7,375	-	7,099	-
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		(36,141)	-	(34,824)	-
8361	Exchange differences on translation of foreign operations	6(21)	(200,280)	(1)	(12,376)	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss**		(200,280)	(1)	(12,376)	-
8300	**Other comprehensive loss, net**		($ 236,421)	(1)	($ 47,200)	-
8500	**Total comprehensive income for the year**		$ 989,859	5	$ 1,928,913	10
	Profit (loss), attributable to：					
8610	Equity holders of the Company - continuing operations		$ 1,654,397	9	$ 2,264,702	12
	Equity holders of the Company - discontinued operations		(122,105)	(1)	(34,233)	-
8615	Predecessors' interests under common control		(306,012)	(2)	(291,429)	(2)
8620	Non-controlling interests		-	-	37,073	-
			$ 1,226,280	6	$ 1,976,113	10
	Comprehensive income attributable to：					
8710	Equity holders of the Company - continuing operations		$ 1,613,948	8	$ 2,267,401	12
	Equity holders of the Company - discontinued operations		(318,077)	(1)	(62,126)	-
8715	Predecessors' interests under common control		(306,012)	(2)	(291,429)	(2)
8720	Non-controlling interests		-	-	15,067	-
			$ 989,859	5	$ 1,928,913	10
	Earnings per share-basic	6(30)				
9710	Equity holders of the Company - continuing operations		$ 1.92		$ 2.58	
9720	Equity holders of the Company - discontinued operations		(0.14)		(0.04)	
9750	Equity holders of the Company		1.78		2.54	
	Predecessors' interests under common control		(0.35)		(0.33)	
	Earnings per share-basic		$ 1.43		$ 2.21	
	Earnings per share-diluted	6(30)				
9810	Equity holders of the Company - continuing operations		$ 1.90		$ 2.55	
9820	Equity holders of the Company - discontinued operations		(0.14)		(0.04)	
9850	Equity holders of the Company		1.76		2.51	
	Predecessors' interests under common control		(0.35)		(0.33)	
	Earnings per share-diluted		$ 1.41		$ 2.18	

Years ended December 31.

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 owners of the parent											
				Retained earnings		Other equity interest							
	Notes	Capital stock - common stock	Capital surplus	Legal reserve	Total unappropriated retained earnings	Financial statement translation differences of foreign operations	Equity directly related to non-current assets held for sale	Unearned employee awards	Treasury stock	Total	Equity attributable to predecessors' interests under common control	Non-controlling interest	Total equity
Year 2015 (Adjusted)													
Balance at January 1, 2015		$ 8,646,193	$ 2,272,838	$ 582,927	$ 6,646,436	$ 36,074	$ -	$ -	$ -	$18,184,468	$ 2,490,693	$ 2,621,685	$23,296,846
Appropriation and distribution of prior year's earnings	6(20)												
Legal reserve		-	-	331,863	(331,863)	-	-	-	-	-	-	-	-
Cash dividends - the Company	6(20)	-	-	-	(1,999,225)	-	-	-	-	(1,999,225)	1,159,018	-	(840,207)
Cash dividends - predecessors' interests under common control		-	-	-	-	-	-	-	-	-	(125,293)	-	(125,293)
Share-based payments		-	51,233	-	-	-	-	-	-	51,233	123,168	564	174,965
Restricted shares		156,550	397,296	-	-	-	-	(447,323)	-	106,523	-	-	106,523
Repurchase of shares	6(18)	-	-	-	-	-	-	-	(633,737)	(633,737)	(1,228,625)	-	(1,862,362)
Cancellation of shares	6(18)	(200,000)	(56,823)	-	(376,914)	-	-	-	633,737	-	-	-	-
Acquisition of the interest of a subsidiary	6(31)	359,323	1,091,305	-	(275,500)	17,964	-	-	-	1,193,092	-	(2,637,316)	(1,444,224)
Profit (loss) for the year		-	-	-	2,230,469	-	-	-	-	2,230,469	(291,429)	37,073	1,976,113
Other comprehensive (loss) income for the year	6(21)	-	-	-	(34,824)	9,630	-	-	-	(25,194)	-	(22,006)	(47,200)
Balance at December 31, 2015		$ 8,962,066	$ 3,755,849	$ 914,790	$ 5,858,579	$ 63,668	$ -	($ 447,323)	$ -	$19,107,629	$ 2,127,532	$ -	$21,235,161
Year 2016													
Balance at January 1, 2016		$ 8,962,066	$ 3,755,849	$ 914,790	$ 5,858,579	$ 63,668	$ -	($ 447,323)	$ -	$19,107,629	$ 2,127,532	$ -	$21,235,161
Appropriation and distribution of prior year's earnings	6(20)												
Legal reserve		-	-	223,047	(223,047)	-	-	-	-	-	-	-	-
Cash dividends - the Company	6(20)	-	-	-	(1,792,553)	-	-	-	-	(1,792,553)	-	-	(1,792,553)
Share-based payments		-	56,689	-	-	-	-	-	-	56,689	(128,602)	-	(71,913)
Restricted shares		4,347	10,755	-	14	-	-	247,119	-	262,235	-	-	262,235
Repurchase of shares	6(18)	-	-	-	-	-	-	-	(1,007,654)	(1,007,654)	-	-	(1,007,654)
Profit (loss) for the year		-	-	-	1,532,292	-	-	-	-	1,532,292	(306,012)	-	1,226,280
Other comprehensive loss for the year	6(21)	-	-	-	(36,141)	(200,280)	-	-	-	(236,421)	-	-	(236,421)
Reclassified as discontinued operations	6(7)	-	-	-	-	(287,645)	287,645	-	-	-	-	-	-
Effect of capital reorganization	6(32)(34)	(96,750)	3,065,533	-	(5,052,343)	434,857	-	-	-	(1,648,703)	(1,692,918)	-	(3,341,621)
Balance at December 31, 2016		$ 8,869,663	$ 6,888,826	$ 1,137,837	$ 286,801	$ 10,600	$ 287,645	($ 200,204)	($ 1,007,654)	$16,273,514	$ -	$ -	$16,273,514

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, 2016	(Adjusted) 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit from continuing operations before tax		$ 1,700,435	$ 2,846,056
Loss from discontinued operations before tax	6(7)	(122,105)	(34,233)
Profit before tax		1,578,330	2,811,823
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(6)(27)	3,228,441	3,018,977
Amortization expense	6(27)	2,838	2,946
Allowance for doubtful accounts	6(2)	87	-
Interest expense	6(26)	145,151	127,035
Interest income	6(24)	(42,307)	(68,283)
Share-based payments	6(17)(28)	356,463	207,242
Share of profit of associates and joint ventures accounted for using equity method	6(5)	(28,924)	(31,269)
Donation		127	-
Gain on disposal of property, plant and equipment	6(23)	(6,839)	(1,640)
Impairment loss on financial assets carried at cost	6(4)(25)	-	8,584
Impairment loss on property, plant and equipment	6(6)(23)	8,198	1,478
Deferred income		(2,403)	(2,496)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(359)	980
Accounts receivable		(479,989)	985,225
Other receivables		(124,226)	(42,139)
Inventories		(347,133)	36,974
Prepayments		12,291	78,676
Other current financial assets		17,243	191,974
Other non-current assets		(132,390)	(42,061)
Changes in operating liabilities			
Accounts payable		215,555	(366,445)
Other payables		(249,607)	46,053
Current provisions		(16,184)	(21,683)
Advance receipts		2,150	(47,230)
Other current liabilities		22,878	(12,851)
Net defined benefit liability, non-current		(15,886)	(14,044)
Cash inflow generated from operations		4,143,505	6,867,826
Interest received		44,413	67,960
Dividends received		5,730	-
Interest paid		(145,668)	(127,568)
Income tax paid		(499,293)	(1,412,427)
Net cash flows from operating activities		3,548,687	5,395,791

(Continued)

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

	Notes	Years ended December 31, 2016	(Adjusted) 2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments accounted for using equity method	6(5)	$ -	($ 116,000)
Acquisition of property, plant and equipment	6(34)	(4,471,465)	(4,428,057)
Proceeds from disposal of property, plant and equipment		59,134	48,275
Decrease (increase) in refundable deposits		407	(589)
Decrease in other financial assets		(5,466)	(7,822)
Cash and cash equivalents reclassified as non-current assets held for sale	6(1)(7)	(389,897)	-
Net cash flows used in investing activities		(4,807,287)	(4,504,193)
CASH FLOWS FROM FINANCING ACTIVITIES			
Prepaid cost of issuing new shares		-	(42,774)
Payments on short-term bank loans		(1,148,875)	(619,395)
Proceeds from long-term bank loans		10,560,000	2,000,000
Payments on long-term bank loans		(6,200,567)	(1,508,153)
Increase (decrease) in guarantee deposits		(44)	405
Cash dividend paid - the Company	6(20)	(1,792,553)	(840,207)
Cash dividend paid - predecessors' interests under common control		-	(125,293)
Payments on repurchase of shares	6(18)(34)	(1,007,654)	(1,441,359)
Payments on acquisition of a subsidiary	6(31)	-	(1,444,224)
Cash paid in respect of share-based payment		(292,623)	(7,873)
Cash paid for capital reorganization	6(32)(34)	(3,341,621)	-
Net cash flows used in financing activities		(3,223,937)	(4,028,873)
Effect of exchange rate changes on cash and cash equivalents		(73,447)	(528)
Net decrease in cash and cash equivalents		(4,555,984)	(3,137,803)
Cash and cash equivalents at beginning of year		12,127,350	15,265,153
Cash and cash equivalents at end of year		$ 7,571,366	$ 12,127,350

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, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

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

2. THE AUTHORIZATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements were authorized for issuance by the Board of Directors on March 9, 2017.

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”)

None.

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

New, revised or amended IFRSs and interpretations as endorsed by FSC effective from 2017 are as follows:

New, Revised or Amended Standards and Interpretations	Effective date issued by International Accounting Standards Board ("IASB")
Amendments to IFRS 10, IFRS 12 and International Accounting Standards (“IAS”) 28 “Investment Entities:Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants ”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
International Financial Reporting Interpretations Committee (“IFRIC”) 21 “Levies”	January 1, 2014
Annual Improvements to IFRSs 2010－2012 Cycle	July 1, 2014
Annual Improvements to IFRSs 2011－2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012－2014 Cycle	January 1, 2016

The above standards and interpretations have no significant impact on the Group’s financial condition and operating result based on the Group’s assessment.

(3) The IFRSs issued by International Accounting Standards Board but not yet endorsed by the FSC

New, revised or amended standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective from 2017 are as follows:

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendmennt to IFRS 4 on applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
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 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IFRS 15 “Clarifications to IFRS 15”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendment to IAS 40 “Transfer of Investment Property”	January 1, 2018
International Financial Reporting Interpretations Committee (“IFRIC”) 22 “Foreign Currency Transactions and Advance Consideratoin”	January 1, 2018

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
Annual Improvements to IFRSs 2014－2016 Cycle－Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards”	January 1, 2018
Annual Improvements to IFRSs 2014－2016 Cycle－Amendments to IFRS 12 “Disclosure of Interest in Other Entities”	January 1, 2017
Annual Improvements to IFRSs 2014－2016 Cycle－Amendments to IAS 28 “Investments in Associates and Joint Ventures”	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact on the Group’s financial condition and operating results based on the Group’s assessment.

A. IFRS 9 “Financial Instruments”

(a) 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 designate an investment in equity instruments that is not held for trading as measured at fair value through other comprehensive income.

(b) The expected loss model is used to assess of 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.

(c) The amendment of general hedge accounting requirements aligns hedge accounting more closely with an entity’s risk management strategy. Risk components and a group of items of non-financial items may be designated as hedged items. The Standard relaxes the requirements for hedge effectiveness, removing the 80%-125% bright line, and introduces the concept of “rebalancing”. While the risk management objective remains unchanged, an entity can rebalance hedged items and the hedge ratio of a hedging instrument.

B. IFRS 15 “Revenue from Contracts with Customers”

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

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

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

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

Step 3: Determine the transaction price.

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

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

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

C. Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"

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

D. 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.

E. IFRIC 22, "Foreign Currency Transactions and Advance Consideration"

The Interpretation states that the date of the transaction for a foreign currency-denominated contract should be the date of initial recognition of the non-monetary asset or non-monetary liability arising from the receipt or payment of the advance consideration.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Statement of compliance

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

(2) Basis of preparation

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

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

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

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

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

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

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of investee	Main business	Percentage of Ownership December 31, 2016	Percentage of Ownership December 31, 2015	Note
The Company	ChipMOS U.S.A., Inc. ("ChipMOS USA")	Research, development, and marketing of semiconductors, circuits, electronic related	100	100	
The Company	ChipMOS TECHNOLOGIES (BVI) LTD. ("ChipMOS BVI")	Holding company	100	100	Note 1
ChipMOS BVI	ChipMOS TECHNOLOGIES (Shanghai) LTD. ("ChipMOS Shanghai")	Semiconductor assembling and testing services	100	100	Note 2

Note 1: ChipMOS BVI, formerly MODERN MIND TECHNOLOGY LIMITED, was renamed as ChipMOS TECHNOLOGIES (BVI) LTD. on November 18, 2015.

Note 2: On November 30, 2016, the Company's Board of Directors approved ChipMOS BVI's disposal of 54.98% of shares in its subsidiary, ChipMOS Shanghai. The assets and liabilities related to ChipMOS Shanghai have been reclassified as held for sale. Detailed information is provided in Note 6 (7).

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

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

E. Significant restrictions on the funds transfer from subsidiaries to parent company:
According to the Regulations on the Foreign Exchange System of the People's Republic of China ("P.R.C."), capital inward and outward remittance of ChipMOS Shanghai have to be approved by the regulatory foreign exchange administrations and designated banks.

F. Subsidiaries that have non-controlling interests that are material to the Group:
None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollar (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 on 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”.

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

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

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

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off 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 assets.

(6) Cash equivalents

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

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

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

(a) Hybrid (combined) contracts; or

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

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

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

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

D. As of December 31, 2016 and 2015, there were no financial assets classified as FVTPL.

(8) 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.

(9) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

(a) Financial assets measured at amortized cost

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

(b) Financial assets measured at cost

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

(10) Derecognition of financial assets

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

(11) Inventories

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

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

(12) Non-current assets held for sale

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

(13) Investments accounted for using equity method - associates

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

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

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

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

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

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

(14) Property, plant and equipment

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

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

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

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

Buildings	6 ~ 51 years
Machinery and equipment	2 ~ 8 years
Tools	2 ~ 5 years
Others	2 ~ 6 years

(15) Leased assets / operating leases (lessee)

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

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

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

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

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

(16) Impairment of non-financial assets

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

(17) Loans

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

(18) Notes and accounts payable

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

(19) Provisions

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

(20) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

C. Termination benefits

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

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

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

(21) Employee share-based payment

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

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

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

D. Restricted shares:

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

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

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

(22) Income tax

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

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

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

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

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

(23) Share capital

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

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

(24) Dividends

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

(25) Revenue recognition

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

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

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

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

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

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

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

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

(26) Government grants

The non-monetary government grants (the acquired "land use rights" at no cost) are recognized at their fair value in the accounts deferred income and prepaid rents, respectively. The deferred income is recognized as other operating income on a systematic basis over 50 years. Prepaid rent is recognized as amortization expense over the contract period.

(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.

(28) Capital reorganization

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

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

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

The preparation of the accompanying consolidated financial statements requires management to make critical judgements 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 judgements 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 judgements.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

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

B. Causes and effects of accounting estimate change

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

	2016	2017	2018	2019
Decrease in depreciation expense	($ 119,737)	($ 609,094)	($ 392,431)	($ 168,066)

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand and petty cash	$ 525	$ 563
Checking accounts and demand deposits	4,106,384	6,245,507
Time deposits	3,854,354	5,881,280
	7,961,263	12,127,350
Less: Cash and cash equivalents of discontinued operations	(389,897)	-
	$ 7,571,366	$ 12,127,350

A. The cash and cash equivalents of ChipMOS Shanghai as of December 31, 2016 amounted to $389,897 were reclassified and shown as "Non-current assets held for sale, net". Information is provided in Note 6(7).

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

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

(2) Accounts receivable, net

	December 31, 2016	December 31, 2015
Accounts receivable	$ 4,138,580	$ 3,889,114
Less: Allowance for doubtful accounts	(87)	-
	$ 4,138,493	$ 3,889,114

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

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

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

	December 31, 2016	December 31, 2015
≦ 1 month	$ 24,141	$ 37,785
1-2 months	728	207
2-3 months	183	1
3-4 months	245	-
> 4 months	2,013	337
	$ 27,310	$ 38,330

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

(a) As of December 31, 2016 and 2015, the Group's accounts receivable that were impaired amounted to $87 and $0, respectively.

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

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

	2015		
	Individual provision	Collective provision	Total
January 1	$ 7,311	$ -	$ 7,311
Write-offs	(7,311)	-	(7,311)
December 31	$ -	$ -	$ -

No accounts receivable of the Group were pledged to others.

(3) Inventories

	December 31, 2016	December 31, 2015
Raw materials	$ 1,787,810	$ 1,515,096
Work in process	190,823	195,016
Finished goods	54,190	52,615
	2,032,823	1,762,727
Less: Allowance for impairment losses	(154,841)	(95,036)
	$ 1,877,982	$ 1,667,691

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

	2016	2015
Cost of goods sold	$ 15,655,485	$ 15,694,537
Loss on abandonment	9,567	28,486
Allowance (reversal) for inventory valuation and obsolescence loss	66,424	12,566
	15,731,476	15,735,589
Less: Cost of revenue of discontinued operations	(986,004)	(1,050,075)
	$ 14,745,472	$ 14,685,514

No inventories of the Group were pledged to others.

(4) Non-current financial assets carried at cost

	December 31, 2016	December 31, 2015
Unlisted preferred stocks - domestic	$ 10	$ 10
Unlisted stocks - domestic	41,336	41,336
Unlisted stocks - foreign	38,534	38,534
	79,880	79,880
Less: Allowance for impairment losses	(69,920)	(69,920)
	$ 9,960	$ 9,960

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

B. The Group acquired 19% ownership of ordinary shares in JMC ELECTRONICS CO., LTD. ("JMC") in August 2014 and was recognized as ''financial assets carried at cost''. The Group participated in the capital increase in cash of JMC in January 2015 and increased its accumulated ownership to 21%. As the result, the Group obtained significant influence over JMC and reclassified its equity investment in JMC from ''financial assets carried at cost'' to ''investments accounted for using equity method'' in the first quarter of 2015.

C. Since CONNECTEC JAPAN Corporation ("CTJ") was in an accumulated deficit position due to poor operating results, the Group assessed and recognized impairment loss of $8,584 on equity investments in CTJ for the year ended December 31, 2015.

D. No financial asset carried at cost held by the Group was pledged to others.

(5) Investments accounted for using equity method

	December 31, 2016	December 31, 2015
Associate		
JMC	$ 369,329	$ 346,268

A. JMC has quoted market prices. As of December 31, 2016 and 2015, the fair value was $706,318 and $573,000, respectively. Information about the investments in JMC is provided in Note 6(4)B.

B. For the years ended December 31, 2016 and 2015, the Company recognized its share of profit of investments accounted for using the equity method amounted to $28,924 and $31,269, respectively.

C. The basic information and summarized financial information of JMC is as follows:

(a) Basic information

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		December 31, 2016	December 31, 2015		
JMC	Kaohsiung Taiwan	21%	21%	None	Equity method

(b) Summarized financial information

Balance Sheet

	JMC	
	December 31, 2016	December 31, 2015
Current assets	$ 904,571	$ 765,420
Non-current assets	876,314	905,803
Current liabilities	(258,513)	(259,280)
Non-current liabilities	(2,491)	(783)
Total net assets	$ 1,519,881	$ 1,411,160
Share in associate's net assets	$ 322,509	$ 299,448
Goodwill	46,820	46,820
Carrying amount of the associate	$ 369,329	$ 346,268

Statements of comprehensive income

	JMC	
	2016	2015
Revenue	$ 1,667,761	$ 1,588,245
Profit for the year from continuing operations	$ 136,303	$ 284,267
Other comprehensive loss, net (after tax)	(627)	(774)
Total comprehensive income	$ 135,676	$ 283,493
Cash dividend received from associate	$ 5,730	$ -

(6) Property, plant and equipment

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

	Land	Buildings	Machinery and equipment	Tools	Others	Construction in progress and equipment to be inspected	Total
January 1, 2015							
Cost	$ 452,738	$10,125,577	$43,230,713	$3,612,906	$3,507,536	$ 1,055,144	$61,984,614
Accumulated depreciation and impairment	-	(5,283,569)	(36,705,733)	(3,221,842)	(3,169,355)	-	(48,380,499)
	$ 452,738	$ 4,842,008	$ 6,524,980	$ 391,064	$ 338,181	$ 1,055,144	$13,604,115
2015							
January 1	$ 452,738	$ 4,842,008	$ 6,524,980	$ 391,064	$ 338,181	$ 1,055,144	$13,604,115
Additions	-	138,520	591,669	159,002	225,097	2,530,272	3,644,560
Disposals	-	-	(2,808)	(117)	(2,190)	-	(5,115)
Reclassification	-	473,747	2,243,253	34,487	6,704	(2,758,191)	-
Depreciation expense	-	(610,551)	(2,013,069)	(233,242)	(162,115)	-	(3,018,977)
Impairment loss	-	-	-	-	(1,478)	-	(1,478)
Exchange adjustment	-	(7,044)	(1,320)	(1,420)	(639)	(1,122)	(11,545)
December 31	$ 452,738	$ 4,836,680	$ 7,342,705	$ 349,774	$ 403,560	$ 826,103	$14,211,560
December 31, 2015							
Cost	$ 452,738	$10,700,236	$45,945,380	$3,673,636	$3,047,001	$ 826,103	$64,645,094
Accumulated depreciation and impairment	-	(5,863,556)	(38,602,675)	(3,323,862)	(2,643,441)	-	(50,433,534)
	$ 452,738	$ 4,836,680	$ 7,342,705	$ 349,774	$ 403,560	$ 826,103	$14,211,560

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 (including discontinued operations):

	2016	2015
Amount of interest capitalized	$ 13,435	$ 19,410
Range of the interest rates for capitalization	1.7456% ~ 3.6166%	1.7814% ~ 3.1678%

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

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

A. On November 30, 2016, the Company's Board of Directors approved its subsidiary ChipMOS BVI to sell 54.98% of ChipMOS Shanghai's equity to Tibet Unigroup Guowei Investment Co., Ltd. and other strategic investors. Therefore, the assets, liabilities and equity related to ChipMOS Shanghai have been reclassified as held for sale and presented as discontinued operations for satisfying the definition of discontinued operations. The equity transfer is expected to be completed in the first quarter of 2017.

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

	2016	2015
Cash flows from operating activities	($ 1,109,029)	$ 1,072,628
Cash flows from investing activities	(1,331,564)	(205,292)
Cash flows from financing activities	1,463,664	(91,234)
Effect of foreign exchange rate changes	(61,336)	(18,636)
Net increase (decrease) in cash	($ 1,038,265)	$ 757,466

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

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

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

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

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

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

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

	2016	2015
Financial statements translations differences of foreign operations	($ 195,972)	($ 27,893)

G. The result of discontinued operations is as follows:

	2016	2015
Revenue	$ 1,005,166	$ 1,032,302
Cost of revenue	(986,004)	(1,050,075)
Operating expenses	(179,178)	(51,910)
Other income, net	13,753	8,469
Non-operating income, net	24,158	26,981
Loss from discontinued operations before tax	(122,105)	(34,233)
Income tax expense	-	-
Loss from discontinued operations	($ 122,105)	($ 34,233)

H. According to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", ChipMOS Shanghai met the definition of discontinued operations. When the Company was preparing the statements of comprehensive income for the year ended December 31, 2016, it recognized "loss from discontinued operations" as a single amount of $122,105. The statements of comprehensive income for the year ended December 31, 2015 was also adjusted. The effect of "loss from discontinued operations" on each item of the statements of comprehensive income for the years ended December 31, 2016 and 2015 were as follows:

	Income statements for the year ended December 31, 2016		Result of discontinued operations		Total	
	Amount	%	Amount	%	Amount	%
Revenue	$ 18,387,593	100	$ 1,005,166	100	$ 19,392,759	100
Cost of revenue	(14,745,472)	(80)	(986,004)	(98)	(15,731,476)	(81)
Gross profit	3,642,121	20	19,162	2	3,661,283	19
Operating expenses	(1,733,852)	(9)	(179,178)	(18)	(1,913,030)	(10)
Other income, net	90,306	-	13,753	1	104,059	1
Operating profit (loss)	1,998,575	11	(146,263)	(15)	1,852,312	10
Non-operating income (expense), net	(298,140)	(2)	24,158	(3)	(273,982)	(2)
Profit (loss) before income tax	1,700,435	9	(122,105)	(12)	1,578,330	8
Income tax expense	(352,050)	(2)	-	-	(352,050)	(2)
Profit from continuing operations	1,348,385	7			1,226,280	6
Loss from discontinued operations	(122,105)	(1)	($ 122,105)	(12)	-	-
Profit for the year	$ 1,226,280	6			$ 1,226,280	6

	Income statements for the year ended December 31, 2015		Result of discontinued operations		Total	
	Amount	%	Amount	%	Amount	%
Revenue	$ 18,837,089	100	$ 1,032,302	100	$ 19,869,391	100
Cost of revenue	(14,685,514)	(78)	(1,050,075)	(102)	(15,735,589)	(79)
Gross profit	4,151,575	22	(17,773)	(2)	4,133,802	21
Operating expenses	(1,608,199)	(9)	(51,910)	(5)	(1,660,109)	(8)
Other income, net	105,051	1	8,469	1	113,520	-
Operating profit (loss)	2,648,427	14	(61,214)	(6)	2,587,213	13
Non-operating income, net	197,629	1	26,981	3	224,610	1
Profit (loss) before income tax	2,846,056	15	(34,233)	(3)	2,811,823	14
Income tax expense	(835,710)	(5)	-	-	(835,710)	(4)
Profit from continuing operations	2,010,346	10			1,976,113	10
Loss from discontinued operations	(34,233)	-	($ 34,233)	(3)	-	-
Profit for the year	$ 1,976,113	10			$ 1,976,113	10

(8) Prepaid rents

	December 31, 2016	December 31, 2015
Current (Shown as "Prepayments")	$ -	$ 2,574
Non-Current (Shown as "Long-term prepaid rents")	-	91,603
	$ -	$ 94,177

A. Prepaid rents represented ChipMOS Shanghai's land use rights.

B. The Group signed the land use rights agreement of the land No. 351 in Qingpu, Shanghai with the Shanghai Qingpu Bureau of Land Management on August 27, 2002 with a term of 50 years. Please refer to Note 6(15).

C. Information about the prepaid rents reclassified as assets of disposal group classified as held for sale is provided in Note 6(7).

(9) Short-term bank loans

	December 31, 2016	December 31, 2015
Bank loans		
Unsecured bank loans	$ -	$ 1,148,875
Interest rate range	-	0.9%~0.98%
Unused credit lines of short-term bank loans		
NT$	$ 3,119,000	$ 2,628,140
US$ in thousands	$ 80,000	$ 50,000

(10) Accounts payable

	December 31, 2016	December 31, 2015
Accounts payable	$ 367,688	$ 377,556
Estimated accounts payable	457,374	330,924
	$ 825,062	$ 708,480

(11) Other payables

	December 31, 2016	December 31, 2015
Salaries and bonuses payable	$ 443,993	$ 461,186
Interest payable	1,059	1,741
Pension payable	29,930	27,529
Employees' compensation payable	70,553	313,282
Directors' remuneration payable	3,528	15,664
Payable to equipment suppliers	550,346	523,962
Share appreciation rights	-	135,145
Other expense payable	862,991	914,151
Total	$ 1,962,400	$ 2,392,660

(12) Current provisions

A. Movements in provisions are as follows:

	2016		
	Provisions for sales allowance	Provisions for deficiency compensation	Total
January 1	$ 96,903	$ -	$ 96,903
Provision	46,900	69,676	116,576
Payment	(77,738)	(55,022)	(132,760)
December 31	$ 66,065	$ 14,654	$ 80,719

	2015		
	Provisions for sales allowance	Provisions for deficiency compensation	Total
January 1	$ 58,974	$ -	$ 58,974
Provision	96,708	7,009	103,717
Payment	(58,779)	(7,009)	(65,788)
December 31	$ 96,903	$ -	$ 96,903

B. The Company's provisions include sales allowance and deficiency compensation. The details of these provisions are provided in Note 5(1).

(13) Long-term bank loans

Type of loans	Period	December 31, 2016	December 31, 2015
Syndicated bank loan	July 31, 2014 ~ July 31, 2019	$ -	$ 6,560,000
Syndicated bank loan	June 30, 2016 ~June 30, 2021	10,800,000	-
Less: Fee on syndicated bank loan		(49,995)	(25,480)
Less: Current portion (fee included)		(1,062,285)	(1,548,688)
		$ 9,687,720	$ 4,985,832
Interest rate range		1.7895%	1.7474%~1.8526%
Unused credit lines of long-term bank loans NT$		$ 2,400,000	$ 2,000,000

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

B. On July 2, 2014, the Company obtained a syndicated loan from eleven banks in Taiwan in the amount of NT$10,000 million with a term of five years. Funding from this syndicated loan is used to settle prior syndicated loan in 2011 and broaden the Company's working capital. Pursuant to the syndicated loan agreement, the Group requires to maintain certain financial ratios including current ratio, interest protection multiples and debt to equity ratio during the loan periods. This syndicated loan was fully repaid in June 2016.

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

(14) Lease obligations payable

The Company leases equipment under finance lease and based on the terms of the lease contracts, the Group 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. There were no finance lease liabilities as of December 31, 2015.

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

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

(15) Deferred revenue

	December 31, 2016	December 31, 2015
Current (Shown as "Advance receipts")	$ -	$ 2,477
Non-Current (Shown as "Long-term deferred revenue")	-	89,168
	$ -	$ 91,645

A. Deferred revenue represents ChipMOS Shanghai's land use rights granted by the government.

B. The land use rights represent the non-monetary government grants. It was recognized as deferred revenue and prepaid rents, respectively, as their fair value. The deferred revenue is amortized to other operating income on a systematic basis over 50 years as land use rights period. The information of prepaid rents amortized to amortization expense over the contract period is provided in Note 6(8).

C. Information about the deferred revenue reclassified as liabilities of disposal group classified as held for sale is provided in Note 6(7).

(16) Pensions

A. Defined Benefit Plans

The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries 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, 2016	December 31, 2015
Present value of defined benefit obligations	($ 894,163)	($ 844,166)
Fair value of plan assets	347,195	324,695
Net defined benefit liability	($ 546,968)	($ 519,471)

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

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

	2015		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1	($ 812,840)	$ 321,082	($ 491,758)
Current service cost	(983)	-	(983)
Interest (expense) income	(16,901)	6,811	(10,090)
	(830,724)	327,893	(502,831)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	872	872
Financial assumption movement effect	(46,853)	901	(45,952)
Experience adjustments	3,322	-	3,322
	(43,531)	1,773	(41,758)
Pension fund contribution	-	25,118	25,118
Paid pension	30,089	(30,089)	-
December 31	($ 844,166)	$ 324,695	($ 519,471)

(c) The Bank of Taiwan was commissioned to manage the fund of the Company's and domestic subsidiaries' 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, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	2016	2015
Discount rate	1.50%	1.75%
Future salary increases	3.50%	3.50%

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2016				
Effect on present value of defined benefit obligation	($ 31,294)	$ 32,893	$ 32,174	($ 30,787)
December 31, 2015				
Effect on present value of defined benefit obligation	($ 30,255)	$ 31,832	$ 31,215	($ 29,837)

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

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

(e) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2017 amounts to $25,962.

(f) As of December 31, 2016, the weighted average duration of that retirement plan is 14.5 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$	23,588
1-2 years		27,295
2-5 years		99,880
Over 5 years		174,803
	$	325,566

B. Define Contribution Plans

(a) Effective from July 1, 2005, the Company and its domestic subsidiary established a defined contribution pension plan ("New Plan") under the Labor Pension Act, covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiary contribute 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 and its domestic subsidiary for the years ended December 31, 2016 and 2015 were $174,096 and $168,592, respectively.

(b) The Company's subsidiary in the People's Republic of China ("P.R.C."), ChipMOS Shanghai, has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the P.R.C. are based on certain percentage of employees' monthly salaries and wages. The contribution percentage for the years ended December 31, 2016 and 2015, were both 21%. Other than the monthly contributions, ChipMOS Shanghai has no further obligations. The pension costs under defined contribution pension plans of ChipMOS Shanghai for the years ended December 31, 2016 and 2015 were $58,419 and $55,054, respectively, which are reclassified as "loss of discontinued operations".

(17) Share-based payments

Employee stock option plan / Share appreciation rights plan

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

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

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

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

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

	Ten months ended October 30, 2016		2015	
	Number of options	Weighted-average exercise price (in US$)	Number of options	Weighted-average exercise price (in US$)
Employee stock option plan				
Outstanding at January 1	1,062,250	13.57	1,300,416	12.57
Granted during the period	-	-	42,496	19.91
Forfeited during the period	(25,084)	15.35	(59,751)	16.33
Exercised during the period	(97,715)	7.21	(220,911)	8.15
Expired during the period	(49,500)	20.57	-	-
Early settled during the period	(889,951)	13.83	-	-
Outstanding at the end of the period	-	-	1,062,250	13.57
Exercisable at the end of the period	-	-	601,252	11.74

	2016		2015	
	Number of rights	Weighted-average exercise price (in US$)	Number of rights	Weighted-average exercise price (in US$)
Stock appreciation rights plan				
Outstanding at January 1	588,596	14.07	683,845	11.91
Granted during the year	37,500	19.55	124,510	19.27
Forfeited during the year	(9,785)	15.16	(36,290)	14.88
Exercised during the year	(123,033)	11.26	(180,358)	9.48
Expired during the year	-	-	(3,111)	2.55
Early settle during the year	(493,278)	15.17	-	-
Outstanding at December 31	-	-	588,596	14.07
Exercisable at December 31	-	-	206,833	10.69

D. The weighted average share price of stock options at exercise dates for the ten months ended October 30, 2016 and for the year ended December 31, 2015 was US$18.10 and US$20.62, respectively.

E. The exercise price of stock options and share appreciation rights outstanding at December 31, 2016 and 2015 are as follows:

(a) December 31, 2016: None.

(b) December 31, 2015:

Type of arrangement	Grant date	Number of shares/units	Exercise price (in US$)
Employee stock option plan	2006	49,500	20.57
Employee stock option plan	2007	9,000	21.488
Employee stock option plan	2008	7,500	7.752
Employee stock option plan	2009	9,967	2.55
Employee stock option plan and share appreciation rights	2010	41,406	3.06
Employee stock option plan and share appreciation rights	2011	242,335	5.151~6.222
Employee stock option plan and share appreciation rights	2012	127,825	11.1095~11.1435
Employee stock option plan and share appreciation rights	2013	770,221	9.2225~14.0675
Employee stock option plan and share appreciation rights	2014	239,286	19.38~20.3405
Employee stock option plan and share appreciation rights	2015	153,806	18.59~19.907

F. The fair value of stock options granted on grant date is measured by using the Black-Scholes option-pricing model. Relevant information is as follows:

(a) December 31, 2016: None.

(b) December 31, 2015

Type of arrangement	Share price on grant date (in US$)	Exercise price (in US$)	Expected volatility rate	Expected life	Expected dividends	Risk-free interest rate	Fair value per unit (in US$)
Employee stock option plan	3~23.93	2.55~ 20.3405	92.8%~ 192.61%	3.5~ 5.5 years	0%~1.33%	0.3725%~ 3%	2.8224~ 21.6991
Share appreciation rights plan	3.6~23.93	3.06~ 20.3405	30.43%~ 97.7%	0.5~ 4.25 years	0.65%	0.49%~ 1.59125%	6.0637~ 16.6829

Note: Expected volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life, and the standard deviation of return on the stock during this period.

Restricted shares

G. On July 14, 2015, the 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	Number of Shares (in thousands)	Number of shares returned due to employee resignation (in thousands) 2016	2015	Contract period	Vesting condition
Restricted shares award agreement	2015/7/21	15,752	(707)	(410)	3 years	Meet service and performance conditions
Restricted shares award agreement	2016/5/10	1,548	(220)	-	3 years	Meet service and performance conditions

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

H. The expenses incurred on share-based payment transactions for the years ended December 31, 2016 and 2015 were $356,463 and $207,242, respectively.

(18) Capital stock

A. As of December 31, 2016, the Company's authorized capital was $14,500,000, consisting of 1,450,000 thousand ordinary shares, and the paid-in capital was $8,869,663 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

B. On October 31, 2016, the Company's former parent company, ChipMOS Bermuda was merged with and into the Company, with the latter being the surviving company. Please refer to Note 6(32). Pursuant to the Merger, the Company issued 25,620,267 units of American Depository Shares ("ADSs"), which were listed on the NASDAQ Global Select Market, and each ADS represents 20 ordinary shares of the Company. As of December 31, 2016, the outstanding ADSs were 24,155,087 units representing 483,102 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)	
	2016	2015
January 1	895,893	864,619
Transactions with non-controlling interests	-	35,932
Restricted shares	1,548	15,752
Restricted shares-cancelled	(800)	(97)
Restricted shares-uncancelled	(127)	(313)
Repurchase of shares-uncancelled	(30,085)	-
Repurchase of shares-cancelled	-	(20,000)
Issuance of new shares for capital reorganization (Note 6(32))	512,405	-
Cancellation of shares for capital reorganization (Note 6(32))	(522,080)	-
December 31	856,754	895,893

D. On June 17, 2015, ThaiLin Semiconductor Corp. ("ThaiLin") merged with the Company, with the latter being the surviving entity and issued 35,932 thousand ordinary shares in order to exchange for the shares of ThaiLin. Information about the merger is provided in Note 6(31).

E. The Board of Directors approved the issuance of restricted shares on July 14, 2015. (Refer to Note 6(17)G). Other than the vesting conditions, the rights and obligations of these shares issued are the same as those of other issued ordinary shares.

F. Treasury stock

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

		December 31, 2016	
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

		December 31, 2015	
Name of company holding the shares	Reason for repurchase	Number of shares (in thousands)	Carrying amount
The Company	Maintain the Company's credit and shareholders' interests	20,000 (Cancelled)	$ -

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

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

(19) Capital surplus

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

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

	2015					
	Share premium	Employee restricted shares	Difference between consideration and carrying amount of subsidiaries acquired or disposed of	Long-term investment	Employee stock options	Total
January 1	$ 1,441,096	$ -	$ 26,189	$ 6,793	$ 798,760	$ 2,272,838
Transactions with non-controlling interests	1,117,494	-	(26,189)	-	-	1,091,305
Share-based payment	-	397,296	-	511	50,722	448,529
Cancellation of treasury stock	(56,823)	-	-	-	-	(56,823)
December 31	$ 2,501,767	$ 397,296	$ -	$ 7,304	$ 849,482	$ 3,755,849

(20) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as a legal reserve. When such legal reserve amounts to the total authorized capital, the Company shall not be subject to this requirement. 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 2015 and 2014 earnings were resolved in the shareholders' meetings held on May 31, 2016 and on June 3, 2015, respectively. Cash dividends amounted to $1,999,225 were declared in year 2014, including $1,159,018 distributed to the Company's former parent company, ChipMOS Bermuda. Please refer to Notes 4(28) and 6(32) for the Merger information. The appropriations and dividends per share are as follows:

	2015		2014	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 223,047		$ 331,863	
Cash dividend	1,792,553	$ 2.09	1,999,225	$ 2.22

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

(21) Other equity interest

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

	2015		
	Financial statements translation difference of foreign oprations	Unearned employee award	Total
January 1	$ 36,074	$ -	$ 36,074
Currency translation			
- The Company	9,630	-	9,630
- Acquisition of ThaiLin	17,964	-	17,964
Employee restricted shares			
- The Company	-	(447,323)	(447,323)
December 31	$ 63,668	($ 447,323)	($ 383,655)

(22) Revenue

	2016	2015
Testing	$ 4,864,803	$ 4,833,929
Assembly	6,608,197	6,270,349
LCDD	4,920,302	5,396,001
Bumping	2,999,457	3,369,112
	19,392,759	19,869,391
Less: Revenue of discontinued operations	(1,005,166)	(1,032,302)
	$ 18,387,593	$ 18,837,089

(23) Other income (expenses), net

	2016	2015
Gain on disposal of property, plant and equipment	$ 6,839	$ 1,640
Impairment on property, plant and equipment (Note	(8,198)	(1,478)
Gain on disposal of scrapped material	34,233	36,804
Gain on disposal of items purchased on behalf of others	48,812	22,893
Others	22,373	53,661
	104,059	113,520
Less: Other income (expense) of discontinued	(13,753)	(8,469)
	$ 90,306	$ 105,051

(24) Other income

	2016	2015
Interest income	$ 42,307	$ 68,283
Rental income	8,203	5,127
	50,510	73,410
Less: Other income of discontinued operations	(3,753)	(9,421)
	$ 46,757	$ 63,989

(25) Other gains and losses

	2016	2015
Foreign exchange gains (losses), net	($ 173,433)	$ 260,502
Gain on disposal of financial assets at fair value through profit or loss	621	11,483
Impairment on non-current financial assets carried at cost (Note 6(4))	-	(8,584)
	(172,812)	263,401
Less: Other gains and losses of discontinued operations	(21,893)	(18,519)
	($ 194,705)	$ 244,882

(26) Finance costs

	2016	2015
Interest expense		
Bank loans	$ 158,374	$ 146,445
Lease obligations payable	212	-
Less: Amounts capitalized in qualifying assets	(13,435)	(19,410)
	145,151	127,035
Finance expense	35,453	16,435
	180,604	143,470
Less: Financial costs of discontinued operations	(1,488)	(959)
	$ 179,116	$ 142,511

(27) Expenses by nature

	2016	2015
Changes in finished goods and work in process of inventories	($ 7,530)	$ 6,575
Raw materials and supplies used	3,655,400	3,605,379
Employee benefit expenses	5,628,040	5,652,706
Depreciation and amortization	3,231,279	3,021,923
Other expenses	5,137,317	5,109,115
	17,644,506	17,395,698
Less: Cost of revenue and operating expenses of discontinued operations	(1,165,182)	(1,101,985)
	$ 16,479,324	$ 16,293,713

(28) Employee benefit expenses

	2016	2015
Salaries	$ 4,357,293	$ 4,520,784
Labor and health insurance	351,232	355,331
Pension	241,712	234,719
Share-based payments	356,463	207,242
Other personnel expenses	321,340	334,630
	5,628,040	5,652,706
Less: Employee benefit expenses of discontinued operations	(310,915)	(294,481)
	$ 5,317,125	$ 5,358,225

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' and supervisors' 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' and supervisors' remuneration shall be presented and reported in the subsequent shareholders' meeting.

B. For the years ended December 31, 2016 and 2015, employees' compensation was an accrued $70,553 and $313,282, respectively, and directors' and supervisors' remuneration was an accrued $3,528 and $15,664, respectively. The expenses were recognized as wages and salaries.

C. For the year 2015, employees' compensation and directors' and supervisors' remuneration recognized were consistent with the amounts resolved in the Board of Directors' meetings.

D. Information about the appropriation of employees' compensation and directors' and supervisors' remuneration by the Company as approved by the Board of Directors is posted in the "Market Observation Post System".

(29) Income tax

A. Income tax expense

(a) Components of income tax expense:

	2016	2015
Current income tax:		
Current income tax on profits for the period	$ 331,144	$ 720,461
Income tax on unappropriated retained earnings	-	98,012
Prior year income tax under (over) estimation	4,527	(1,732)
Total current tax	335,671	816,741
Deferred tax:		
Relating to origination and reversal of temporary differences	16,379	18,969
Total deferred tax	16,379	18,969
Income tax expense	$ 352,050	$ 835,710

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

	2016	2015
Remeasurement of defined benefit obligations	($ 7,375)	($ 7,099)

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

	2016	2015
Tax calculated based on profit before tax and statutory tax rate	$ 214,550	$ 462,692
Expenses disallowed by tax regulation	(2,190)	5,692
Tax exempted income by tax regulation	12,057	(13,483)
Temporary difference not recognized as deferred tax assets	1,306	6,522
Taxable loss not recognized as deferred tax assets	54,012	25,737
Effect of different tax rates in countries in which the Group operates	10,451	3,100
Witholding tax	57,337	249,170
Prior year income tax under (over) estimation	4,527	(1,732)
Income tax on unappropriated retained earnings	-	98,012
Income tax expense	352,050	835,710
Less: Income tax expense of discontinued operations	-	-
	$ 352,050	$ 835,710

Unappropriated retained earnings decreased by $5,052,343 due to the capital reorganization, and accordingly the Company did not recognize an additional 10% tax on respective unappropriated retained earnings. Information about the capital reorganization for the year ended December 31, 2016 is provided in Note 6 (32).

C. The amounts of deferred tax assets or liabilities resulting from temporary differences, tax losses and investment tax credits, are as follows:

	2016			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets				
Loss on inventories	$ 14,823	$ 11,501	$ -	$ 26,324
Property, plant and equipment	3,672	77,197	-	80,869
Provision	16,473	(5,241)	-	11,232
Deferred revenue	50,423	(9,129)	-	41,294
Net defined benefit liabilities	86,719	(4,007)	7,375	90,087
Unrealized exchange losses (gains)	(5,843)	5,843	-	-
Total	$ 166,267	$ 76,164	$ 7,375	$ 249,806
Deferred tax liabilities				
Property, plant and equipment	$ -	($ 78,388)	$ -	($ 78,388)
Unrealized exchange losses (gains)	-	(14,155)	-	(14,155)
Total	$ -	($ 92,543)	$ -	($ 92,543)
Information presented on balance sheet:				
Deferred tax assets	$ 166,267			$ 249,806
Deferred tax liabilities	$ -			($ 92,543)

	2015			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets				
Loss on inventories	$ 13,337	1,486	-	14,823
Property, plant and equipment	9,339	(5,667)	-	3,672
Provision	20,417	(3,944)	-	16,473
Deferred revenue	59,975	(9,552)	-	50,423
Net defined benefit liabilities	82,007	(2,387)	7,099	86,719
Share-based payments	1,056	(1,056)	-	-
Unrealized exchange losses (gains)	(8,529)	2,686	-	(5,843)
Cost of revenue	535	(535)	-	-
Total	$ 178,137	($ 18,969)	$ 7,099	$ 166,267
Information presented on balance sheet:				
Deferred tax assets	$ 178,137			$ 166,267

D. The expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

December 31, 2016				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2012 (Filed)	$ 218,331	$ 218,331	$ 218,331	2017
2013 (Filed)	174,132	174,132	174,132	2018
2014 (Filed)	74,212	74,212	74,212	2019
2015 (Filed)	230,544	230,544	230,544	2020
2016 (Filed)	238,808	238,808	238,808	2021

December 31, 2015				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2011 (Assessed)	$ 180,408	$ 180,408	$ 180,408	2016
2012 (Filed)	236,206	236,206	236,206	2017
2013 (Filed)	188,388	188,388	188,388	2018
2014 (Filed)	80,288	80,288	80,288	2019
2015 (Filed)	249,419	249,419	249,419	2020

E. The amounts of deductible temporary differences not recognized as deferred tax assets are as follows:

	December 31, 2016	December 31, 2015
Deductible temporary differences	$ 112,499	$ 139,241

F. The Company's income tax return through to 2014 have been assessed and approved by the Tax Authority.

G. The Company's unappropriated retained earnings were all generated in and after 1998.

H. The balance of the imputation tax credit account was $1,192,119 and $1,111,903 as of December 31, 2016 and 2015, respectively. The creditable tax rate was 20.48% for 2015 and the estimated creditable tax rate is 20.48% for 2016.

(30) Earnings per share

	2016		
Basic earnings per share	Amount after tax	Weighted-average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
Profit of continuing operations attributable to equity holders of the Company	$ 1,654,397		$ 1.92
Loss of discontinued operations attributable to equity holders of the Company	(122,105)		(0.14)
Profit attributable to equity holders of the Company	1,532,292		1.78
Loss attributable to predecessors' interests under common control	(306,012)		(0.35)
	$ 1,226,280	859,644	$ 1.43
Diluted earnings per share			
Employees' bonus		3,035	
Restricted employee shares		4,122	
Profit of continuing operations attributable to equity holders of the Company	$ 1,654,397		$ 1.90
Loss of discontinued operations attributable to equity holders of the Company	(122,105)		(0.14)
Profit attributable to equity holders of the Company	1,532,292		1.76
Loss attributable to predecessors' interests under common control	(306,012)		(0.35)
	$ 1,226,280	866,801	$ 1.41

	2015		
Basic earnings per share	Amount after tax	Weighted-average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
Profit of continuing operations attributable to equity holders of the Company	$ 2,264,702		$ 2.58
Loss of discontinued operations attributable to equity holders of the Company	(34,233)		(0.04)
Profit attributable to equity holders of the Company	2,230,469		2.54
Loss attributable to predecessors' interests under common control	(291,429)		(0.33)
	$ 1,939,040	877,402	$ 2.21
Diluted earnings per share			
Employees' bonus		10,867	
Restricted employee shares		27	
Profit of continuing operations attributable to equity holders of the Company	$ 2,264,702		$ 2.55
Loss of discontinued operations attributable to equity holders of the Company	(34,233)		(0.04)
Profit attributable to equity holders of the Company	2,230,469		2.51
Loss attributable to predecessors' interests under common control	(291,429)		(0.33)
	$ 1,939,040	888,296	$ 2.18

(31) Transactions with non-controlling interests

Acquisition of additional interests in a subsidiary

A. On December 30, 2014, the shareholders' meeting resolved to issue ordinary shares in order to exchange for the shares of ThaiLin for the merger. After the merger, the Company continues as the surviving entity and the record date of the merger was June 17, 2015.

B. Each share of ThaiLin's ordinary share was offered to exchange 0.311 of one Company's ordinary share and NT$12.5 in cash. As a result, the Company issued 35,932 thousand ordinary shares in total and paid $1,444,224 in cash as the total consideration in exchange for the 52% of ThaiLin's outstanding shares.

C. The carrying amount of the non-controlling interests of ThaiLin was $2,637,316 on the day of the merger. The transaction resulted in a decrease in the non-controlling interests by $2,637,316 and an increase in the equity attributable to equity holders of the Company by $1,476,817. The effect of changes in ownership interests in ThaiLin on the equity attributable to equity holders of the Company from June 17, 2015 to December 31, 2015 is shown below:

		2015
Carrying amount of the non-controlling interests acquired	$	2,637,316
Consideration paid to non-controlling interests	(	2,921,041)
Other equity interest - financial statement translation difference of foreign operations	(	17,964)
Capital surplus		26,189
Decrease in retained earnings - difference between proceeds on acquisition of equity interests in ThaiLin and its carrying amount	($	275,500)

D. For year ended December 31, 2016, the Group has no transaction with non-controlling interests.

(32) Capital reorganization

A. To integrate resources, the Company's former parent company, ChipMOS Bermuda, was merged with and into the Company, with the latter being the surviving entity and ChipMOS Bermuda being the dissolving entity. Under the Merger Agreement, each shareholder of ChipMOS Bermuda is entitled to receive, with respect to each ChipMOS Bermuda share, 0.9355 units of the Company's newly-issued ADSs trading on the NASDAQ Global Select Market (each ADS unit represents 20 shares of the Company's ordinary shares) and US$3.71 in cash. The Company paid US$101,657 thousand in cash (equivalent to $3,208,310) and issued 25,620,267 units of ADSs (representing 512,405 thousand ordinary shares of the Company) as the total consideration. In addition, the Company paid $133,311 in directly attributable transaction cost due to the Merger. As a result, the Company paid $3,341,621 in cash for the capital reorganization.

B. The Company issued 512,405 thousand shares for the capital reorganization, and reduced capital by cancelling 522,080 thousand shares originally held by ChipMOS Bermuda. After the Merger, the Company's shares net decreased by 9,675 thousand shares. When cancelling treasury stock, the Company deducted capital surplus equal to the proportion of cancelled shares. Due to the deficit in capital surplus, the Company deducted unappropriated retained earnings by $5,052,343.

C. As of October 30, 2016, the ending balance of "Predecessors' interests under common control" was $1,692,918, which represents ChipMOS Bermuda's net assets under the assumption it had always been combined. The amount has been eliminated as of the record date of the Merger.

(33) Operating lease commitments

A. The Company has entered into several operating lease contracts for land with Hsinchu and Tainan's Science Park Bureaus. These renewable operating leases will expire by 2032 and 2034. In accordance with the lease contracts, Science Park Bureau reserves the right to adjust annual rents. Currently, the annual rents amount to $32,724.

B. ChipMOS USA has entered into renewable operating lease contracts for its office. The renewable operating leases will expire by 2017 and 2018.

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

	December 31, 2016	December 31, 2015
Less than one year	$ 39,929	$ 64,396
Over one year but less than five years	140,328	126,907
Over five years	176,897	194,962
	$ 357,154	$ 386,265

(34) Supplemental cash flow information

Investing activities with partial cash payments

A. Property, plant and equipment

	2016	2015
Purchase of property, plant and equipment	$ 4,690,995	$ 3,644,560
Add: Opening balance of payable on equipment	523,962	1,307,459
Opening balance of payable on lease	-	-
Less: Ending balance of payable on equipment	(647,486)	(523,962)
Ending balance of payable on lease	(96,006)	-
Cash paid during the year	$ 4,471,465	$ 4,428,057

B. Treasury stock

	2016	2015
Repurchase costs of shares	$ 1,007,654	$ 1,862,362
Less: Prepaid repurchase costs	-	(421,003)
Payments on repurchase of shares	$ 1,007,654	$ 1,441,359

C. Capital reorganization

	2016	2015
Net assets acquired from ChipMOS Bermuda	$ 12,987,736	$ -
Less: Issuance of new shares	(9,779,426)	-
Cash consideration	3,208,310	-
Directly attributable transaction cost	133,311	-
	$ 3,341,621	$ -

7. RELATED PARTY TRANSACTIONS

(1)Parent and ultimate controlling party

On October 31, 2016, the Company's former parent company, ChipMOS Bermuda, was merged with and into the Company through a share exchange with the latter being the surviving entity and ChipMOS Bermuda being the dissolved entity. After the Merger, the Company has neither a parent company nor an ultimate controlling party.

(2)Significant related party transactions and balances

None.

(3)Key management personnel compensation

	2016	2015
Short-term employee benefits	$ 153,519	$ 217,734
Post-employment compensation	3,335	2,249
Share-based payments	109,255	100,280
	266,109	320,263
Less: Key management personnel compensation of discontinued operations	(1,200)	(643)
	$ 264,909	$ 319,620

8. PLEDGED ASSETS

		Carrying amount	
Pledged asset	Purpose	December 31, 2016	December 31, 2015
Property, plant and equipment			
- Land	Bank loan	$ 452,738	$ 152,963
- Buildings	Bank loan	4,077,755	3,723,936
- Machinery and equipment	Bank loan	3,490,412	2,315,774
Other financial assets - current	Lease and bank loan	70,677	65,211
		$ 8,091,582	$ 6,257,884

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Information relating to operating leases, please refer to Note 6(33).

(2) A letter of guarantee was issued by the Bank of Taiwan to the Tariff Bureau of the Ministry of Finance for making payment of customs-duty deposits when importing. As of December 31, 2016, the amount of $131,000 was guaranteed by the Bank of Taiwan.

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

	December 31, 2016	December 31, 2015
Property, plant and equipment		
NT$	$ 1,615,460	$ 1,132,522
RMB$ (thousands)	$ -	36,583

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On November 30, 2016, the Company's Board of Directors approved ChipMOS BVI's disposal of 54.98% of shares in its subsidiary ChipMOS Shanghai. The equity transfer transaction is expected to be completed by the first quarter of 2017. Detailed information is provided in Note 6 (7).

12. OTHERS

(1) As resolved during the special shareholders' meeting on January 28, 2016, the Company decided to invite strategic funding and agreed that the investor should be an entity which Tsinghua Unigroup Ltd. ("Tsinghua Unigroup") has substantial control over. Investment in the Company would be through a private placement in cash no greater than 299,252 thousand shares of the Company. However, both parties subsequently agreed to terminate the aforementioned transaction after amicable negotiation. On November 30, 2016, the Board of Directors of the Company approved the termination of the transaction and will report the matter to the upcoming general shareholders' meeting.

(2) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the liabilities to assets ratio. Total capital is shown as "equity" in the consolidated balance sheet, which is also equal to total assets minus total liabilities.

The liabilities to assets ratio at December 31, 2016 and 2015 were as follows:

	December 31, 2016	December 31, 2015
Total liabilities	$ 15,022,446	$ 11,782,706
Total assets	31,295,960	33,017,867
Liabilities to assets ratio	48.00%	35.69%

Compared to December 31, 2015, the liabilities to assets ratio increased as of December 31, 2016 due to the increase of the long-term bank loans.

(3) Financial instruments

A. The Group's carrying amount of financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets, guarantee deposits, bank loans, accounts payable and other payables) are approximate to their fair values. The fair value of the financial instruments measured at cost cannot be measured reliably. Information about the fair value of the financial instruments measured at cost is provided in Note 6(4).

The detailed information of financial instruments is provided in the respective notes to the financial statements.

B. Financial risk management policies

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

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant financial transactions, a due approval process must be carried out by the Board of Directors based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

The Group identifies, measures and manages the aforementioned risks based on its policies and risk appetite.

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.

<u>Foreign exchange risk</u>

i. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Company's and its subsidiaries' functional currency) and the Group's net investments in foreign subsidiaries.

ii. The Group applies natural hedges by using accounts receivable and accounts payable denominated in the same currency. However, this natural hedge does not concur with the requirement for hedge accounting. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

iii. The Group's foreign currency exposure gives rise to market risks associated with exchange rate movements against the NT dollar for cash and cash equivalents, accounts receivable, other receivables, bank loans, accounts payable and other payables.

iv. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2016		
	Foreign currency (In thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 178,201	32.2500	$ 5,746,982
JPY:NTD	1,328,417	0.2756	366,112
Financial liabilities			
Monetary items			
USD:NTD	$ 7,802	32.2500	$ 251,615
JPY:NTD	550,456	0.2756	151,706

	December 31, 2015		
	Foreign currency (In thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 228,790	32.8250	$ 7,510,032
JPY:NTD	1,335,293	0.2727	364,134
RMB:NTD	97,722	4.9950	488,121
Financial liabilities			
Monetary items			
USD:NTD	$ 46,357	32.8250	$ 1,521,669
JPY:NTD	849,513	0.2727	231,662
RMB:NTD	14,905	4.9950	74,450

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, 2016 and 2015, amounted to ($173,433) and $260,502 respectively, including foreign exchange gains (losses) of discontinued operations amounted to ($21,893) and $18,519, respectively.

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

	2016		
	Change in exchange rate	Effect on profit (loss)	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	5%	$ 287,349	$ -
JPY:NTD	5%	18,306	-
Financial liabilities			
Monetary items			
USD:NTD	5%	$ 12,581	$ -
JPY:NTD	5%	7,585	-

	2015		
	Change in exchange rate	Effect on profit (loss)	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	5%	$ 375,502	$ -
JPY:NTD	5%	18,207	-
RMB:NTD	5%	24,406	-
Financial liabilities			
Monetary items			
USD:NTD	5%	$ 76,083	$ -
JPY:NTD	5%	11,583	-
RMB:NTD	5%	3,723	-

Interest rate risk

i. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate bank loans. The Group reassesses the hedge management periodically to make sure it complies with the cost effectiveness.

ii. The sensitivity analysis depends on the exposure of interest rate risk at the end of the reporting period.

iii. Analysis of debt with floating interest rates is based on the assumption that the outstanding debt at the end of the reporting period is outstanding throughout the period. The degree of variation the Group used to report to internal management is increase or decrease 1% in interest rates which is assessed as the reasonable degree of variation by the management.

iv. As of December 31, 2016 and 2015, 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 $108,000 and $77,089, respectively, mainly due to the Group's floating rate on bank loans.

(b) Credit risk

i. Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. As of December 31, 2016 and 2015, the Group is exposed to credit risk arises from the carrying amount of the financial assets recognized in the consolidated balance sheet.

ii. The Group is exposed to credit risk from its operating activities (primarily notes and accounts receivable) and from its financing activities (primarily deposits with banks and financial instruments).

iii. Each business unit performs ongoing credit evaluations of its debtors' financial conditions according to the Group's established policies, procedures and controls relating to customer credit risk management. The Group maintains an account for allowance for doubtful receivables based upon the available facts and circumstances, history of collection and write-off experiences of all trade and other receivables which consequently minimize the Group's exposure to bad debts.

iv. Credit risk from balances with banks and financial institutions is managed by the Group's finance unit in accordance with the Group's policies. The counterparty of the Group is determined through its internal controls policy. For banks and financial institutions, only parties rated above BBB+ by Taiwan Ratings are accepted. The probability of counterparty default is remote, so there is no significant credit risk.

(c) Liquidity risk

i. The Group manages and maintains adequate cash and cash equivalents to finance the Group's operations, and minimize the impact from cash flow fluctuations. The Group also monitors its debt financing plans to ensure it is in compliance with the financial covenants required under its loan agreements.

ii. The primary source of liquidity for the Group is from bank loans. See Notes 6(9) and (13) for details of the unused credit lines of the Group as of December 31, 2016 and 2015.

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, 2016				
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Accounts payable	$ 825,062	$ -	$ -	$ -	$ 825,062
Other payables	1,962,400	-	-	-	1,962,400
Long-term bank loans (including current portion)	1,272,266	4,605,936	5,504,353	-	11,382,555
Lease obligations payable	12,000	30,000	-	-	42,000
Guarantee deposits	-	-	-	1,404	1,404
	$4,071,728	$4,635,936	$5,504,353	$ 1,404	$ 14,213,421

	December 31, 2015				
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Short-term bank loans	$ 1,151,040	$ -	$ -	$ -	$ 1,151,040
Accounts payable	708,480	-	-	-	708,480
Other payables	2,392,660	-	-	-	2,392,660
Long-term bank loans (including current portion)	1,658,830	2,920,605	2,213,357	-	6,792,792
Guarantee deposits	-	-	-	2,099	2,099
	$5,911,010	$2,920,605	$2,213,357	$ 2,099	$ 11,047,071

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

(4) Fair value information

There were no financial instruments and non-financial instruments measured at fair value as of December 31, 2016 and 2015.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Financings provided:

No.	Creditor	Borrower	General ledger account	Related party	Maximum balance for the year ended December 31, 2016	Balance as of December 31, 2016	Amount drawn	Interest rate (%)	Nature of financing	Transaction amount	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party	Limit on total loans granted
0	The Company	ChipMOS Shanghai	Other receivables	100% owned subsidiary	$ 967,500	$ -	$ 967,500	2.4	The need for short-term financing	N/A	Operating capital	$ -	Promissory note	$ 967,500	$ 6,509,406	$6,509,406

Note 1: The limit on total loans granted is 40% of total equity.

B. Endorsements and guarantees provided: None.

C. Marketable securities held at the end of the period (not including subsidiaries, associates and joint ventures):

				As of December 31, 2016				
Held company name	Marketable securities type and name	Relationship with the company	General ledger account	Shares/ Unit	Carrying amount	Ownership (%)	Fair value	Note
The Company	Tashee Golf & Country Club	N/A	Non-current financial assets carried at cost	Preferred share 1	$ 10	-	N/A	
The Company	RYOWA CO., LTD.	N/A	Non-current financial assets carried at cost	420	9,950	18	N/A	
The Company	CTJ	N/A	Non-current financial assets carried at cost	56,497	-	5	N/A	
The Company	VIGOUR TECHNOLOGY Corporation	N/A	Non-current financial assets carried at cost	2,361,300	-	-	N/A	

D. Marketable securities acquired or disposed of with accumulated amount exceeding the lower of $300 million or 20% of the paid-in capital:

	Marketable securities					Beginning balance		Acquisition		Disposal				Ending balance	
Company name	Type	Name	General ledger account	Counterparty	Relationship with the company	Shares / Units (in thousands)	Amount	Shares / Units (in thousands)	Amount	Shares / Units (in thousands)	Selling price	Carrying amount	Gains (losses) on disposal	Shares / Units (in thousands)	Amount
The Company	Beneficiary certificates	Cathay Taiwan Money Market Fund	Note 1	N/A	N/A	-	$ -	$ 81,042	$ 1,000,000	$ 81,042	$ 1,000,135	$ 1,000,000	$ 135	-	$ -
The Company	Beneficiary certificates	UPAMC JAMES BOND MONEY MARKET Fund	Note 1	N/A	N/A	-	-	36,310	600,000	36,310	600,221	600,000	221	-	-
The Company	Beneficiary certificates	Yuanta Wan Tai Money Market Fund	Note 1	N/A	N/A	-	-	20,042	300,000	20,042	300,105	300,000	105	-	-
The Company	Beneficiary certificates	Yuanta De-Bao Money Market Fund	Note 1	N/A	N/A	-	-	25,222	300,000	25,222	300,048	300,000	48	-	-

Note 1: Accounted for as “Financial assets at fair value through profit and loss”.

E. Acquisition of real estate properties with amount exceeding the lower of $300 million or 20% of the paid-in capital:

							If the counterparty is a related party, information as to the last transaction of the real estate properties is disclosed below:						
Company name	Real estate acquired	Transaction date	Transaction amount	Payment term	Counterparty	Relationship with the counterparty	Owner	Relationship	Transaction date	Amount	Price reference	Purpose of acquisition	Other terms
ChipMOS Shanghai	Factory, equipment and engineering	2015/7/3 to 2016/3/15	$ 755,400	Base on the terms agreed upon by both parties	Shanghai PengLun Electrical and Mechanical Equipment Limited	-	-	-	-	$ -	Bidding, price comparison and price negotiation	Manufacturing purpose	-

F. Disposal of real estate properties with amount exceeding the lower of $300 million or 20% of paid-in capital: None.

G. Purchases from or sales to related parties with amount exceeding the lower of $100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties with amount exceeding the lower of $100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods:

				Transaction			
Number	Company name	Counterparty	Relationship	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets
0	The Company	ChipMOS USA	Note 1	Commission	$ 41,666	-	-
0	The Company	ChipMOS Shanghai	Note 1	Long-term deferred revenue	81,537	-	-
0	The Company	ChipMOS Shanghai	Note 1	Gain on disposal of property, plant and equipment	106,795	-	1%
0	The Company	ChipMOS Shanghai	Note 1	Interest income	13,202	-	-

Note 1: 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, 2016					
Investor	Investee	Location	Main business activities	Ending balance	Beginning balance	Shares / Units	Ownership (%)	Carrying amount	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognized by the Company for the year ended December 31, 2016	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	$ 243,656	$ 2,062	$ 2,062	
The Company	JMC	Kaohsiung City	Manufacturing, processing and trading of high-end flexible IC substrates for display driver ICs	315,164	315,164	19,100,000	21	369,329	136,303	28,924	Note 1
The Company	ChipMOS BVI	British Virgin Islands	Holding company	2,983,432	1,515,757	2,370,242,975	100	2,399,381	(160,339)	(159,852)	

Note 1: Company's associate accounted for using the equity method.

(3) Information on investments in the P.R.C.

A. Basic information:

Investee in P.R.C.	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to P.R.C. as of January 1, 2016	Amount remitted from Taiwan to P.R.C./ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to P.R.C. as of December 31, 2016	Net income of investee of 2016	Ownership (%) held by the Company (directly or indirectly)	Investment income (loss) recognized by the Company of 2016	Book value of investments in P.R.C. as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Note
					Remitted to P.R.C.	Remitted back to Taiwan							
ChipMOS Shanghai	Semiconductor assembling and testing services	$ 6,012,818	Note 1	$ 1,515,757	$ 1,369,829	$ -	$ 2,885,586	$ (159,123)	100	$ (158,636)	$ 2,440,884	$ -	

Note 1: Through investing in an existing company in the third area, which then invested in the investee in P.R.C. (ChipMOS BVI).

Note 2: The financial statements that are audited and attested by R.O.C. parent company's CPA.

Company name	Accumulated amount of remittance from Taiwan to P.R.C. as of December 31, 2016	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	$ 9,764,108

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 research and development, manufacturing, assembly and testing of semiconductors. 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, assets and liabilities

The segment information provided to the chief operating decision maker for the reportable segments is as follows:

	2016							
	Testing	Assembly	LCDD	Bumping	Others	Elimination	Discontinued operations	Total
Revenue								
External customers	$ 4,864,803	$ 6,608,197	$ 4,920,302	$ 2,999,457	$ -	$ -	($ 1,005,166)	$18,387,593
Inter-segment	-	1,103	-	510	41,670	(43,283)	-	-
Total revenue	$ 4,864,803	$ 6,609,300	$ 4,920,302	$ 2,999,967	$ 41,670	($ 43,283)	($ 1,005,166)	$18,387,593
Operating profit	$ 1,366,488	$ 61,081	$ 892,461	($ 391,526)	($ 68,578)	($ 7,614)	$ 146,263	$ 1,998,575
Depreciation and amortization	($ 718,117)	($ 716,619)	($ 1,174,635)	($ 629,590)	($ 565)	$ 8,247	$ 141,375	($ 3,089,904)
Share of profit of associates	$ -	$ -	$ -	$ -	($ 128,866)	$ 157,790	$ -	$ 28,924
Interest income	$ -	$ -	$ -	$ -	$ 55,509	($ 13,202)	($ 3,753)	$ 38,554
Interest expense	$ -	$ -	$ -	$ -	($ 158,002)	$ 12,851	$ 605	($ 144,546)
Expenditure for segment assets	$ 973,345	$ 735,375	$ 1,856,565	$ 1,325,442	$ 49	($ 199,781)	($ 1,567,683)	$ 3,123,312

	2015							
	Testing	Assembly	LCDD	Bumping	Others	Elimination	Discontinued operations	Total
Revenue								
External customers	$4,833,929	$ 6,270,349	$5,396,001	$3,369,112	$ -	$ -	($ 1,032,302)	$ 18,837,089
Inter-segment	172,264	579	-	-	44,577	(217,420)	-	-
Total revenue	$5,006,193	$ 6,270,928	$5,396,001	$3,369,112	$ 44,577	($ 217,420)	($ 1,032,302)	$ 18,837,089
Operating profit	$1,222,209	($ 13,291)	$1,354,399	$ 31,455	($ 14,122)	$ 6,563	$ 61,214	$ 2,648,427
Depreciation and amortization	($ 697,990)	($ 628,842)	($1,157,809)	($ 548,234)	($ 357)	$ 11,309	$ 118,702	($ 2,903,221)
Share of profit of associates	$ -	$ -	$ -	$ -	$ 25,346	$ 5,923	$ -	$ 31,269
Interest income	$ -	$ -	$ -	$ -	$ 69,973	($ 1,690)	($ 9,421)	$ 58,862
Interest expense	$ -	$ -	$ -	$ -	($ 128,725)	$ 1,690	$ 414	($ 126,621)
Expenditure for segment assets	$ 796,964	$ 895,767	$1,366,389	$ 589,615	$ 2,477	($ 6,652)	$ -	$ 3,644,560

(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

	2016		2015	
	Revenue	%	Revenue	%
Testing	$ 4,864,803	26	$ 4,833,929	26
Assembly	6,608,197	36	6,270,349	33
LCDD	4,920,302	27	5,396,001	28
Bumping	2,999,457	16	3,369,112	18
	19,392,759	105	19,869,391	105
Less: Revenue of discontinued operations	(1,005,166)	(5)	(1,032,302)	(5)
	$ 18,387,593	100	$ 18,837,089	100

(6) Geographical information

	2016		2015	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 13,644,392	$ 13,697,504	$ 14,464,408	$ 13,627,935
P.R.C.	239,618	2,127,764	350,310	755,732
Singapore	3,087,835	-	2,928,591	-
Others	2,420,914	2,727	2,126,082	3,313
	$ 19,392,759	$ 15,827,995	$ 19,869,391	$ 14,386,980
Less: Discontinued operations	(1,005,166)	(2,127,764)	(1,032,302)	-
	$ 18,387,593	$ 13,700,231	$ 18,837,089	$ 14,386,980

(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, 2016 and 2015 is as follows:

	2016		2015	
Company name	Amount	%	Amount	%
Customer A	$ 3,370,285	18	$ 4,307,855	23
Customer I	3,085,190	17	2,935,820	16
Customer K	2,633,431	14	2,386,975	13
Customer C	1,870,675	10	1,761,049	9