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2016

ChipMOS

Annual Report

Printed on April 30, 2017

<u>***Notice to readers***</u>

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

南茂科技股份有限公司

ChipMOS TECHNOLOGIES INC.

2016 Annual Report
Printed on April 30, 2017

Spokesperson
Name: Shou-Kang Chen
Title:Chief financial officer of Financial & Accounting Management Center
Tel:(03)577-0055
E-MAIL:s.k._chen@chipmos.com
Deputy Spokesperson
Name: Wei Wang
Title: Vice President of Strategy and Investor Relations
Tel: (03)577-0055
E-MAIL: david_wang@chipmos.com

Headquarters and Fabs:
Hsinchu Headquarters (Hsinchu fab.)
No.1 R&D Rd.1, Hsinchu Science Park, Hsinchu, Taiwan, R.O.C.
Tel: (03)577-0055
Fax: (03)566-8989
Tainan fab.
No.3 and No.5, Nanke 7th Rd., Southern Taiwan Science Park, Tainan City, Taiwan, R.O.C.
Tel: (06)505-2388
Fax: (06)505-2345
Zhubei fab.
No.37, Xintai Rd., Tai He Vil., Zhubei City, Hsinchu County, Taiwan, R.O.C.
Tel: (03)656-2078
Fax: (03)553-2715
Zhubei fab. 2
No.112, Zhonghe St., Tai He Vil., Zhubei City, Hsinchu County, Taiwan, R.O.C.
Tel: (03)598-5959
Fax: (03)553-2530
Hukou fab.
No.4, Rende Rd., Feng Shan Vil., Hukou Township, Hsinchu County, Taiwan, R.O.C.
Tel: (03)598-5959
Fax: (03)598-3012

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

The Accounting Public of Certifying Financial Statement during Recent Years:
PricewaterhouseCoopers (PwC) Taiwan
Auditors: Chun-Yuan Hsiao, Chih-Cheng Hsieh
Address: 27F., No.333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.
Website: www.pwc.tw
Tel: (02)2729-6666

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

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

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I. Letters to Shareholders

From the corporate governance and business deployment strategy point of view, 2016 was a critical transition year for ChipMOS TECHNOLOGIES INC. ("ChipMOS" or the "Company"). With respect to corporate governance, we completed the merger with the former parent company, ChipMOS TECHNOLOGIES (Bermuda) LTD.. This merger was approved and announced by the Board of Directors on January 21, 2016. ChipMOS offered 18.71 common shares and US$3.71 in cash for the exchange of each common share of ChipMOS TECHNOLOGIES (Bermuda) LTD to merge with ChipMOS, which is and continues to be the surviving company. The merger was completed byOctober 31, 2016. As of December 31, 2016, ChipMOS has t approximately 856.75 million shares outstanding. By the end of 2016approximately 56.4% of the outstanding shares were held in the form of the American Depositary Receipt (“ADS”), which started its trading on US NASDAQ Market under the ticker of IMOS from October 31, 2016. One of key business deployment strategies was the was the establishment of collaborative projectwith Tsinghua Unigroup. An extraordinary shareholders' meeting held in January 2016 authorized the Chairman to complete the private placement with Tsinghua Unigroup. However, after taking into account of the changes of investment environment both parties agreed to change the focusto a joint venture opportunity in China. On November 30, 2016, ChipMOS announced to sell 54.98% of its equity interest in ChipMOS TECHNOLOGIES (Shanghai) LTD. to a group of strategic investors led by Tsinghua Unigroup.

ChipMOS' consolidated revenue for 2016 was NT$18.4 billion, which reflects a decline of 2.4% from 2015. The net profit attributable to to the parent company was NT$1.53 billion and the earnings per share was NT$1.78 per basic share count.

Pursuant to the global environment of semiconductor industry, the decline of ChipMOS' consolidated revenue for 2016 was primarily attributed to the weak demand on wafer bumping and the assembly and testing services for LCD driver used by small panels. On the contrary, demandsfor assembly and testing of WLCSP showed a significant growth in 2016. Continuedefficiency enhancement of production lines resultedinan improved cost structure. Although the Company's overall capacity utilization wasat ~70%, the 2016 gross margin maintained well at the 19.8% level on the consolidated basis.

ChipMOS' financial situation has been improved over years through the adjustment of the product mix, customer base and business segment served. In the first half of 2016, aimed at improving shareholders' value, the Company spent approximately NT$1 billion to purchase 30 million shares from the open market. The Company also spent approximately NT$3.34

billion in the second half of the year to complete the merger with ChipMOS TECHNOLOGIES (Bermuda) LTD. and distributed cash dividends in an amount of NT$1.79 billion. By the end of 2016, the aggregated amount of ChipMOS' consolidated cash and cash equivalents is approximately NT$7.57 billion with the debt ratio of 48.0% and the net debt to equity ratio of 19.8%. The 2016 annual Return on Equity (ROE) is approximately 6.5%.

With respect to 2016 business, revenue of the wafer bumping declined 11.0% as compared to 2015 and the LCD driver IC assembly and testing business was down 8.8%. In addition, revenue of assembly business increased by 5.4% as compared to the prior year, revenue from product and wafer test remained flat, while the business of WLCSP assembly and testing increased by 35.5%. In 2016, the top 10 customers accounted for 83.4% of the total revenue, which showed a slight increase as compared to 81.6% in 2015.

Looking forward,in 2017 we will continue to focus on the business and capacity expansion of LCD driver IC and wafer bumping. At the same time, we will also initiate and develop technology of bumping and redistribution layer (RDL) for non-driver products and laterally deploy WLCSP assembly technology to meet clients' needs for various end applications. The Company has simplified its corporate structure, and will further complete the optimization and adjustment of customer base and product lines along with its marketing strategy in China. We expect the semiconductor industry will continue to strengthen in 2017 and our operating profits and revenue are expected to improve accordingly.

Chairman: Shih-Jye Cheng　　President: Shih-Jye Cheng　　Accounting Officer: Shou-.Kang.Chen

II. Company Profile

I. Company Profile

(I) Date of Incorporation: July 28, 1997

(II) Address and Phone numbers of Headquarters and Fabs:

1. Address of Hsinchu Headquarters and Fab.: No.1 R&D Rd.1, Hsinchu Science Park Hsinchu, Taiwan, R.O.C.
   Tel: (03)577-0055
2. Address of Tainan fab.: No.3 and No.5, Nanke 7th Rd., Southern Taiwan Science Park, Tainan City, Taiwan, R.O.C.
   Tel: (06)505-2388
3. Address of Zhubei fab.: No.37, Xintai Rd., Zhubei City, Hsinchu Count, Taiwan, R.O.C.
   Tel: (03)656-2078
4. Address of Zhubei fab. 2: No.112, Zhonghe St., Tai He Vil., Zhubei City, Hsinchu County, Taiwan, R.O.C.
   Tel: (03)598-5959
5. Address of Hukou fab.: No.4, Rende Rd., Feng Shan Vil., Hukou Township, Hsinchu County, Taiwan, R.O.C.
   Tel: (03)598-5959

II.Company History

Time	Milestones
July 1997	Incorporated with paid-in capital of NT$5,000,000,000 and with the name "ChipMOS TECHNOLOGIES INC."
September 1997	Acqruired ISO9002 (Hsinchu fab.) certification.
October 1997	Became public company certification .
November 1997	AcquiredISO14001 (Hsinchu fab.) certification.
July 1998	Established Japanese subsidiary
August 1998	Completed Tainan fab.
October 1998	Acquired QS 9000 (Hsinchu fab) certification.
November 1998	Tainan fab. was approved to start the operation and began the commercial launch of memory IC TSOP/QFP package.
December 1998	Acquired ISO9002 (Tainan fab.) certification.

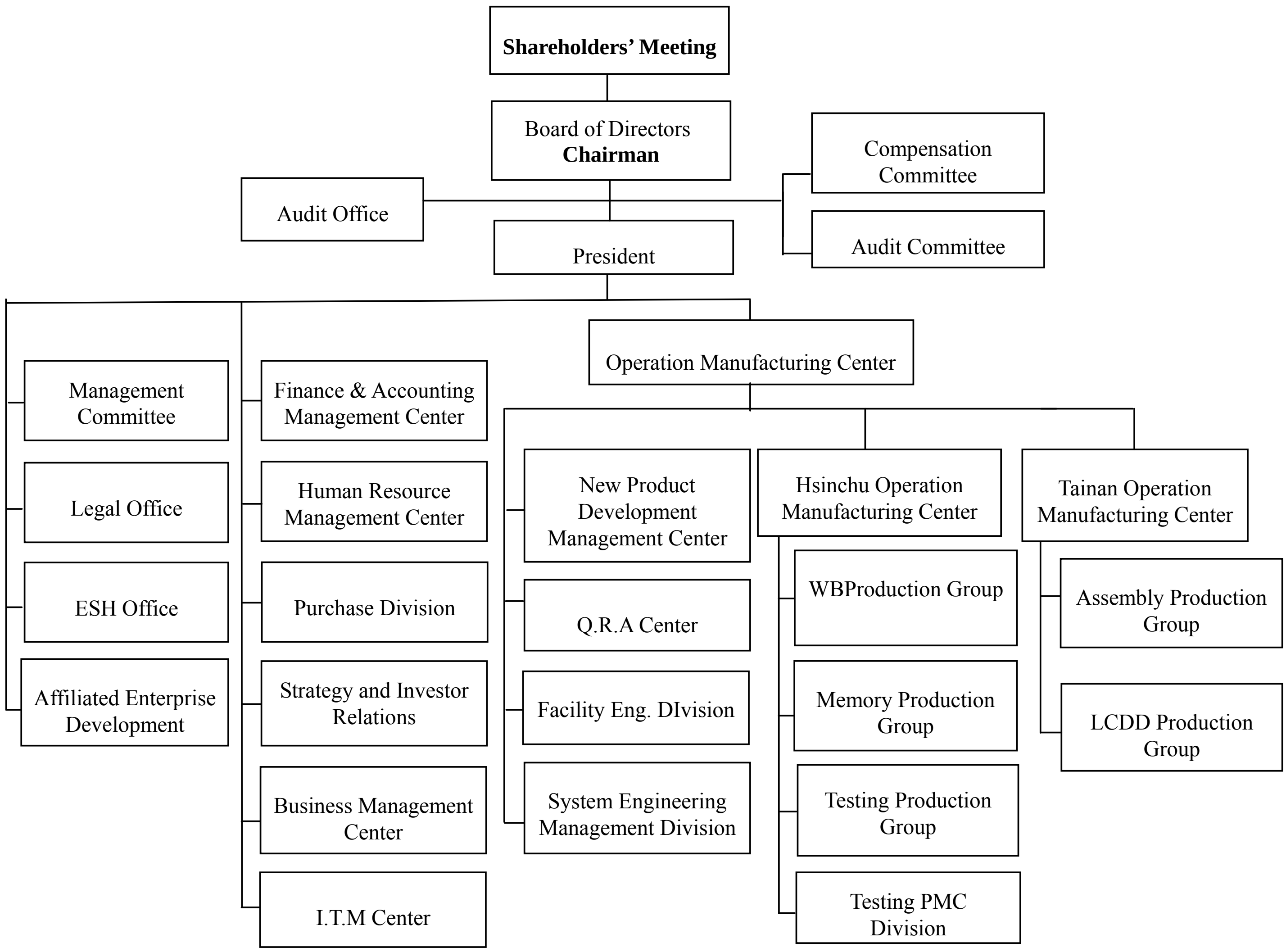
Time	Milestones
July 1999	Acquired Kaohsiung branch office of Microchip Technology Inc. which provided EEPROM, OTPROM memory IC and logic IC testing services
July 1999	Became the first professional assembly house in the world to develop cross-flow modeling technique and began mixing-signal product testing and Ball Grid Array (BGA) package.
October 1999	Acquired QS 9000 certification (Tainan fab. and Kaohsiung branch office) and established U.S. subsidiary of the Company.
April 2000	Started TCP assembly for LCD driver semiconductor.
July 2000	Acquired ISO 14001 certification (Tainan fab.)
October 2000	Acquired CNLA Accreditation in the quality laboratory of the Tainan fab.
November 2000	Started 12" wafer assembly and testing
January 2001	For the plan of ChipMOS TECHNOLOGIES (Bermuda) LTD. (hereinafter be referred to as "ChipMOS Bermuda") to list in the United States of America., the Company's major shareholder, Mosel Vitelic Inc. and other shareholders, sold 70.25% of the Company's common share to ChipMOS Bermuda, and at the same time purchased ChipMOS Bermuda's shares by using the full price obtained from the sale. As of the end of 2001, ChipMOS Bermuda held 69.7% of the Company's total outstanding shares.
September 2002	Invested into CHANTEK ELECTRONIC CO., LTD. which was mainly engaged in business of IC assembly.
December 2002	Invested into ThaiLin Semiconductor Corp.
January 2003	Launched successfully high-tech level Chip On Film assembly and testing technology.
February 2003	Invested into Advanced Micro Chip Technology Co., Ltd. which was mainly engaged in business of gold bumping production.
August 2003	Completed the preparation of commercial launch of DDR II assembly and testing solution.
December 2003	Acquired ISO 9001:2000 and ISO/TS 16949:2002 certification (Hsinchu and Tainan fab.)
December 2003	Started commercial launch of Chip On Glass (COG) for LCD driver IC.
January 2004	Founded ChipMOS Logic TECHNOLOGIES INC. as the joint venture with ThaiLin Semiconductor Corp. to engage in logic/mixed-signal IC testing business.
November 2005	The Company merged with Chantek Electronic Co., Ltd., with the Comapny being the surviving company and the capital increased to NT$8,934,422,910.

Time	Milestones
January 2006	Acquired ISO/TS 16949:2002 certification (Zhubei fab.)
April 2006	The Company, Oracle and Institute for Information Industry form R&D alliance to develop a real time information system.
September 2006	Received 14th "Excellent Enterprise Innovation Award" from the MOEA.
February 2007	Cancelled 5,611,797 treasury shares which the Company bought back from the dissenting shareholders regarding the merger with Chantek Electronic Co., Ltd. and the capital became NT$8,878,304,940 after the cancellation.
May 2007	Completed construction of the second assembly fab. in Tainan.
August 2007	Awarded for 2006 International Trade.
September 2007	The Company and ChipMOS Bermuda consummated share exchange transaction and the Company became a wholly owned subsidiary of ChipMOS Bermuda.
October 2009	The Company's Japanese subsidiary was dissolved.
April 2013	Registered at the Emerging Stock Market.
April 2014	Listed for trading on the Taiwan Stock Exchange.
June 2015	Merged with ThaiLin Semiconductor Corp. with the Company being the surviving company and increased the capital in an amount of NT$359,322,850. Company's capital became NT$9,005,516,430 after the merger.
October 2016	The Company merged with its parent company, ChipMOS Bermuda, with the Company being the surviving company. The total outstanding shares of the Company after the merger were 887,121,261 shares.

III. Corporate Governance Report

I. Organization System

(I) Organization structure



(II) Business of Major Departments

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

Audit Office
Internal audit and operation process management.

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

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

Management Committee
Draft and plan operation strategies of the Company.

Legal Office
Handle with issues related to corporate legal affairs.

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

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

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

Human Resource Management Center
Human resource management and organizational development.

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

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

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

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

Facility Eng. DIvision
Maintain and implement power, water, chemical gas and other relevant matters of facilities areas located in Hsinchu, Zhubei and Tainan.

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

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

System Engineering Management Division
Provide rationalization and optimization plans regarding resources in facilities areas located in Hsinchu, Zhubei and Tainan to high-level managements as policy decision reference.

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

Tainan Operation Manufacturing Center
Responsible for production plans and implementation of Assembling Production Department and LCDD Production Department.

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

(I)Information Regarding Directors and Supervisors

1. Directors and supervisors

2017/03/31(Unit:stock:%)

Title	Nationality	Name	Sex	Date elected	Term	Date first elected	Shareholding when elected		Shareholding at present		Shareholding at present by spouse and minor children		Shareholding in the name of others		Major education/work experience	Current positions at the Company or other companies	Other officers, directors or supervisors who is the spouse or a relative within second degree of kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation
Chairman	R.O.C. (Taiwan)	Shih-Jye Cheng	M	May 31, 2016	3 years	June 17, 2013	50,000	0.01%	5,290,000	0.60%	–	–	–	–	MBA, Saginaw Valley State University President of ChipMOS TECHNOLOGIES INC. Chairman of ChipMOS TECHNOLOGIES INC.	President of ChipMOS TECHNOLOGIES INC. Director of ChipMOS USA Inc. Vice chairman of ChipMOS TECHNOLOGIES (Shanghai) LTD.	–	–	–
Director	R.O.C. (Taiwan)	Wen-Ching Lin	M	May 31, 2016	3 years	May 31, 2016	4,000,200	0.45%	4,000,200	0.45%	–	–	–	–	Takushoku University Supervisor of Sigurd Microelectronics Co.	Chairman of Yang Fong Investment Co., Ltd. Director and General Manager of Si-Kai Investment Co., Ltd. General Manager of Chi-Sheng Investment Co., Ltd. Chairman of Yen-Yuan Investment Co., Ltd.	–	–	–
Director	R.O.C. (Taiwan)	Yu-Hu Liu	M	May 31, 2016	3 years	June 17, 2013	–	–	–	–	–	–	–	–	Electrical Engineering, National United University Vice general manager of Manufacturing Division of Siliconware Precision Industries Co., Ltd.	Supervisor of Siliconware Precision Industries Co. Supervisor of Yen-Yuan Investment Co., Ltd.	–	–	–

Title	Nationality	Name	Sex	Date elected	Term	Date first elected	Shareholding when elected		Shareholding at present		Shareholding at present by spouse and minor children		Shareholding in the name of others		Major education/work experience	Current positions at the Company or other companies	Other officers, directors or supervisors who is the spouse or a relative within second degree of kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation
Independent Director	R.O.C. (Taiwan)	Chin-Shyh Ou	M	May 31, 2016	3 years	June 28, 2007	–	–	–	–	–	–	–	–	Ph. D., Accounting & Management, University of Minnesota	Professor of Department of Accounting & Information Technology, National Chung Cheng University Independent Director/member of Compensation Committee of CHI HUA FITNESS CO., LTD. Supervisor of Taiwan Navigation Co., Ltd.	–	–	–
Independent Director	R.O.C. (Taiwan)	Yuh-Fong Tang	M	May 31, 2016	3 years	June 17, 2013	–	–	–	–	–	–	–	–	Ph.D., Electrical Engineering, University of Illinois	Chairman and CEO of Myson Century, Inc. Chairman of ZAVIO Inc. Independent Director of OPNET Technologies Co., Ltd. Chairman of Compensation Committee of Carnival Industrial Corporation	–	–	–

Title	Nationality	Name	Sex	Date elected	Term	Date first elected	Shareholding when elected		Shareholding at present		Shareholding at present by spouse and minor children		Shareholding in the name of others		Major education/work experience	Current positions at the Company or other companies	Other officers, directors or supervisors who is the spouse or a relative within second degree of kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation
Independent Director	R.O.C. (Taiwan)	Tai-Haur Kuo	M	May 31, 2016	3 years	June 17, 2013	–	–	–	–	–	–	–	–	Ph.D., Electrical Engineering, University of Maryland	Professor of Department of Electrical Engineering, National Cheng Kung University Independent Director/member of Audit Committee and Compensation Committee of Holtek Semiconductor Inc. Director of ZillTek Technology Corp.	–	–	–
Independent Director	R.O.C. (Taiwan)	Cho-Lien Chang	F	May 31, 2016	3 years	June 3, 2015	–	–	–	–	–	–	–	–	Biomedical, Chunyuan University Testing Manager of Kaohsiung Electronic Company Vice President of LCDD Production Department of ChipMOS TECHNOLOGIES INC.	–	–	–	–

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

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

2. Information regarding the independency of directors and supervisors

April 30, 2017

Criteria / Name	Has at least 5 years of work experience and meet one of the following professional qualifications			Qualification regarding the independence criteria (Note)										Number of other public companies concurrently serving as an independent director
	An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college, or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company.	1	2	3	4	5	6	7	8	9	10	
Shih-Jye Cheng			V			V	V	V		V	V	V		—
Wen-Ching, Lin			V	V	V	V	V	V	V	V	V	V	V	—
Yu-Hu, Liu			V	V	V	V	V	V	V	V	V	V	V	—
Chin-Shyh, Ou	V	V	V	V	V	V	V	V	V	V	V	V	V	1
Yuh-Fong, Tang			V	V	V	V	V	V	V	V	V	V	V	1
Tai-Haur, Kuo	V		V	V	V	V	V	V	V	V	V	V	V	1
Cho-Lien, Chang			V	V	V	V	V	V	V	V	V	V	V	—
Kuei-Ann, Wen	V		V	V	V	V	V	V	V	V	V	V	V	1

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

(1) Not an employee of the Company or any of its affiliates;
(2) Not a director or supervisor of the Company or any of its affiliates (the same does not apply if the person is an independent director of the Company or its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of more than one percent of Company's total outstanding shares or ranks as one of Company's top ten shareholders;
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the above persons in the preceding three subparagraphs;
(5) Not a director, supervisor, or employee of any institutional shareholder that directly holds more than five percent of Company's total outstanding shares or ranks as one of its top five shareholders;
(6) Not a director, supervisor, manager, or shareholder holding more than five percent of the total outstanding shares of a specified company or institution that has a financial or business relationship with the Company;
(7) Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting

services or consultation to the company or to any affiliate of the Company, or a spouse thereof, provided that this restriction does not apply to any member of the Remuneration Committee who exercises powers pursuant to Article 7 of the Regulations Governing the Establishment and Exercise of Powers by the Remuneration Committee of a Company whose Stock is Listed on the Stock Exchange or Traded Over the Counter";

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

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

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

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

March 31, 2017 (Unit: shares; %)

Title	Nationality	Name	Sex	Date appointed	Shareholding		Shareholding by spouse and minor children		Shareholding in the name of others		Major education/work experience	Current positions at other companies	Other manager who is the spouse or a relative within second degree of kinship			Status of manager's acquiring of employee stock option certificates
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
President	R.O.C (Taiwan)	Shih-Jye Cheng	M	July 17, 1998	5,290,000	0.60	–	–	–	–	Master, Business Management, Saginaw Valley State University Director, Mosel Vitelic Inc.	(Note 1)	–	–	–	–
Senior Executive Vice President & Chief Operating Officer	R.O.C (Taiwan)	LaFair Cho	M	June 17, 2015	36,000	–	–	–	–	–	Master, Industrial Management, National Cheng Kung University Chairman & President, ThaiLin Semiconductor Corp. Director, Business/ Production Line, ChipMOS TECHNOLOGIES INC.	(Note 2)	–	–	–	–
Vice President, Memory Production Department	R.O.C (Taiwan)	Wu-Hung Hsu	M	November 1, 2004	205,000	0.02	–	–	–	–	Bachelor, Automatic Control Engineering, Feng Chia University Vice President, Equipment Division, Mosel Vitelic Inc. Director, Memory Engineering Office, ChipMOS TECHNOLOGIES INC.	None	–	–	–	–
Vice President, WB Production Department	R.O.C (Taiwan)	Yung-Wen Li	M	June 1, 2004	211,000	0.02	–	–	–	–	Master, Computer Science, National Chao Tung University Director, Business Office, King Yuan ELECTRONICS CO., LTD. Director, Business Office, ChipMOS Logic	(Note 3)	–	–	–	–
Vice President, APG Production Department	R.O.C (Taiwan)	Kuo-Liang Huang	M	April 17, 2007	261,000	0.03	–	–	–	–	Bachelor, Physics, Soochow University	None	–	–	–	–
Vice President, Strategy and Investment Relations	R.O.C (Taiwan)	Wei Wang	M	August 1, 2007	389,000	0.04	–	–	–	–	Ph.D., University of Michigan, MSc. Vice President, Fibera, Inc. Senior. Director, Lam Research Corp Manager, IBM Microelectronics Product Development Scientist, American Cyanamid Co	None	–	–	–	–
Vice President, LCDD Production Department	R.O.C (Taiwan)	Yuan-Feng Hsu	M	March 6, 2012	175,000	0.02	–	–	–	–	Master, Electrical Engineering, National Sun Yat-sen University Assistant, National Cheng Kung University Senior Project Leader Engineer, Philips Electronic Building Elements(Taiwan) Ltd.	(Note 4)	–	–	–	–
Vice President, Finance & Accounting Management -Center	R.O.C (Taiwan)	Shou-Kang Chen	M	October 1, 2002	665,000	0.07	–	–	–	–	Ph.D. Metallurgy & Materials Science, National Cheng Kung University Manager, Philips Electronic Building Elements(Taiwan) Ltd. Manager, Investment Relations, ChipMOS TECHNOLOGIES INC.	(Note 5)	–	–	–	–

Title	Nationality	Name	Sex	Date appointed	Shareholding		Shareholding by spouse and minor children		Shareholding in the name of others		Major education/work experience	Current positions at other companies	Other manager who is the spouse or a relative within second degree of kinship			Status of manager's acquiring of employee stock option certificates
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
Vice President, Marketing Department	R.O.C (Taiwan)	Ming-Cheng Lin	M	June 1, 2014	30,000	–	–	–	–	–	Bachelor, Industrial Engineering and Engineering Management, National Tsing Hua University Master, Industrial Engineering and Management, Yuan Ze University Manager, Production Management Department, Walton Advanced Engineering Inc. Vice President, Marketing, ChipMOS TECHNOLOGIES INC.	None	–	–	–	–
Vice President, Human Resource center	R.O.C (Taiwan)	Yu-Ying Chen	F	June 15, 2012	181,000	0.02	–	–	–	–	Bachelor, Business Administration, Soochow University Mosel Vitelic Inc.	None	–	–	–	–
Vice President, Q.R.A Center	R.O.C (Taiwan)	Teng-Yueh Tsai	M	March 6, 2012	301,000	0.03	–	–	–	–	Master, Resources Engineering, National Cheng Kung University Gloria Material Technology Corp. Philips Electronic Building Elements (Taiwan) Ltd. Assistant Manager, Q.R.A Center, ChipMOS TECHNOLOGIES INC.	(Note 6)	–	–	–	–
Vice President, Testing/Production Department	R.O.C (Taiwan)	Chen-Fang Huang	M	July 1, 2013	140,000	0.02	–	–	–	–	Master, Technology Management, National Tsing Hua University Vice President, Wafer Testing Department, Mosel Vitelic Inc. Director, Wafer Testing Engineering Office, ChipMOS TECHNOLOGIES INC.	None	–	–	–	–
Vice President, I.T.M Center	R.O.C (Taiwan)	Chang-Lung Li	M	August 18, 2014	36,000	–	–	–	–	–	Master, Transportation Management Science, National Cheng Kung University Vice President, AVerMedia Technologies, Inc. Vice President, Oracle Vice President, Picoway Technology Inc.	None	–	–	–	–
Senior Director, Q.R.A Center	R.O.C (Taiwan)	Dong-Bao Lu	M	January 19, 2017	41,000	–	–	–	–	–	Master, Metallurgy & Materials Engineering, National Cheng Kung University R&D Engineer, Philips Electronic Building Elements (Taiwan) Ltd. Senior Director, Q.R.A Center, ChipMOS TECHNOLOGIES INC.	None	–	–	–	–
Senior Director, New Production Management Center	R.O.C (Taiwan)	Chao-Tung So	M	November 1, 2016	–	–	–	–	–	–	Master, Physics, Fu Jen University Vice President, Engineering Center, Siliconware Precision Industries Co., Ltd. Director, International Marketing Office, Merck Taiwan	None	–	–	–	–

Title	Nationality	Name	Sex	Date appointed	Shareholding		Shareholding by spouse and minor children		Shareholding in the name of others		Major education/work experience	Current positions at other companies	Other manager who is the spouse or a relative within second degree of kinship			Status of manager's acquiring of employee stock option certificates
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
Vice President	R.O.C (Taiwan)	Yao-Zhou Yang	M	June 17, 2015	30,000	–	–	–	–	–	Master, Electrical Engineering, National Cheng Kung University Executive Vice President, ThaiLin Semiconductor Corp. President, Cooler Master Co., Ltd. Chairman, Infinite	(Note 7)	–	–	–	–
Special Assistant	R.O.C (Taiwan)	Pei-Chuan Ku	M	January 1, 2016	–	–	–	–	–	–	Electronic Engineering, National Cheng Kung University Director, ThaiLin Semiconductor Corp. President, ChipMOS TECHNOLOGIES (Shanghai) LTD. Vice President, ChipMOS TECHNOLOGIES INC. President, Walton Advanced Engineering Inc.	(Note 8)	–	–	–	–
Senior Manager, Audit office	R.O.C (Taiwan)	Chi-Pei Cho	F	July 1, 2013	15,000	–	–	–	–	–	Master, Finance and Banking, National Chao Tung University Manager, Accounting Department, DelSolar Co., Ltd. Manager, Auditing Department, Ernst & Young LLP Manager, Accounting Department, Amkor Technology Inc.	None	–	–	–	–

Note 1：Director, ChipMOS U.S.A., Inc.; Vice Chairman, ChipMOS TECHNOLOGIES (Shanghai) LTD.
Note 2：Director and Chairman, ChipMOS TECHNOLOGIES (BVI) LTD.; Director, ChipMOS U.S.A., Inc.
Note 3：Director, ChipMOS U.S.A., Inc.
Note 4：Director, JMC Electronics Co., Ltd.
Note 5：Director, ChipMOS U.S.A., Inc.; Supervisor, ChipMOS TECHNOLOGIES (Shanghai) LTD.
Note 6：Director, JMC Electronics Co., Ltd.
Note 7：President, ChipMOS TECHNOLOGIES (Shanghai) LTD.
Note 8：Director, ChipMOS TECHNOLOGIES (BVI) LTD.

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

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

1. Remuneration to directors (including independent directors)

Unit: NT$ thousands

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Director's Remuneration</th><th rowspan="2" colspan="2">Ratio of the sum of (A), (B), (C), and (D) to net profit after tax (%)</th><th colspan="8">Compensation received as an employee</th><th rowspan="2" colspan="2">Ratio of the sum of (A), (B), (C), (D), (E), (F) and (G) to net profit after tax (%)</th><th rowspan="4">Remuneration received from Investees other than subsidiaries</th></tr>
<tr><th colspan="2">Base compensation (A)</th><th colspan="2">Pension (B)</th><th colspan="2">Director compensation (C)</th><th colspan="2">Business expense (D)</th><th colspan="2">Salary, bonus and special allowance (E)</th><th colspan="2">Pension (F)</th><th colspan="4">Employee compensation (G)</th></tr>
<tr><th rowspan="2">Company</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">Company</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">Company</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">Company</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">Company</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">Company</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">Company</th><th rowspan="2">Consolidated Entities</th><th colspan="2">Company</th><th colspan="2">Consolidated Entities</th><th rowspan="2">Company</th><th rowspan="2">Consolidated Entities</th></tr>
<tr><th>Cash</th><th>Share</th><th>Cash</th><th>Share</th></tr>
<tr><td>Chairman</td><td>Shih-Jye Cheng</td><td rowspan="12">—</td><td rowspan="12">—</td><td rowspan="12">—</td><td rowspan="12">—</td><td rowspan="12">3,528</td><td rowspan="12">3,528</td><td rowspan="12">13,282</td><td rowspan="12">13,282</td><td rowspan="12">1.37%</td><td rowspan="12">1.37%</td><td rowspan="12">34,602</td><td rowspan="12">40,248</td><td rowspan="12">330</td><td rowspan="12">330</td><td rowspan="12">3,031</td><td rowspan="12">0</td><td rowspan="12">3,031</td><td rowspan="12">0</td><td rowspan="12">3.57%</td><td rowspan="12">3.94%</td><td rowspan="12">None</td></tr>
<tr><td>Director</td><td>Representative of ChipMOS TECHNOLOGIES (Bermuda) LTD.: Li-Chun Li</td></tr>
<tr><td>Director</td><td>Representative of ChipMOS TECHNOLOGIES (Bermuda) LTD.: Kuo-Liang Huang</td></tr>
<tr><td>Director</td><td>Representative of ChipMOS TECHNOLOGIES (Bermuda) LTD.: Yung-Wen Li</td></tr>
<tr><td>Director</td><td>Ching-Shan Ao</td></tr>
<tr><td>Director</td><td>Wen-Ching Lin</td></tr>
<tr><td>Director</td><td>Yu-Hu Liu</td></tr>
<tr><td>Independent Director</td><td>Chin-Shyh Ou</td></tr>
<tr><td>Independent Director</td><td>Yuh-Fong Tang</td></tr>
<tr><td>Independent Director</td><td>Tai-Haur Kuo</td></tr>
<tr><td>Independent Director</td><td>Cho-Lien Chang</td></tr>
<tr><td>Independent Director</td><td>Kuei-Ann Wen</td></tr>
</table>

Directors' Remuneration Scale

Intervals of Compensation Paid to Directors	Directors' Name			
	Total Remuneration (A+B+C+D)		Total Compensations (A+B+C+D+E+F+G)	
	The Company	Consolidated Entities	The Company	Consolidated Entities
Less than NT$2,000,000	Shih-Jye Cheng, Li-Chun Li, Yung-Wen Li, Kuo-Liang Huang, Chin-Shyh Ou, Ching-Shan Ao, Yu-Hu Liu, Yuh-Fong Tang, Tai-Haur Kuo, Cho-Lien Chang, Kuei-Ann Wen, Wen-Ching Lin	Shih-Jye Cheng, Li-Chun Li, Yung-Wen Li, Kuo-Liang Huang, Chin-Shyh Ou, Ching-Shan Ao, Yu-Hu Liu, Yuh-Fong Tang, Tai-Haur Kuo, Cho-Lien Chang, Kuei-Ann Wen, Wen-Ching Lin	Li-Chun Li, Chin-Shyh Ou, Ching-Shan Ao, Yu-Hu Liu, Yuh-Fong Tang, Tai-Haur Kuo, Cho-Lien Chang, Kuei-Ann Wen, Wen-Ching Lin	Chin-Shyh Ou, Ching-Shan Ao, Yu-Hu Liu, Yuh-Fong Tang, Tai-Haur Kuo, Cho-Lien Chang, Kuei-Ann Wen, Wen-Ching Lin
NT$2,000,000 (included) ～ NT$5,000,000 (not included)	—	—	—	—
NT$5,000,000 (included) ～ NT$10,000,000 (not included)	—	—	Yung-Wen Li, Kuo-Liang Huang	Li-Chun Li, Yung-Wen Li, Kuo-Liang Huang
NT$10,000,000 (included) ～ NT$15,000,000 (not included)	—	—	—	—
NT$15,000,000 (included) ～ NT$30,000,000 (not included)	—	—	Shih-Jye Cheng	Shih-Jye Cheng
NT$30,000,000 (included) ～ NT$50,000,000 (not included)	—	—	—	—
NT$50,000,000 (included) ～ NT$100,000,000 (not included)	—	—	—	—
More than NT$100,000,000	—	—	—	—
Total	12 person	12 person	12 person	12 person

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

2. Remuneration to supervisors: Not applicable.

3. Remuneration to President and vice presidents

2016 (Unit: NT$ thousands/Share)

Title	Name	Salary(A)		Pension(B)		Bonus and special allowance (C)		Employee Compensation (D)				Ratio of the sum of (A), (B), (C), (D) to net profit after tax (%)		Remuneration received from Investees other than subsidiaries
		Company	Consolidated Entities	Company	Consolidated Entities	Company	Consolidated Entities	Company		Consolidated Entities		Company	Consolidated Entities	
								Cash	Share	Cash	Share			
President	Shih-Jye Cheng	41,844	46,438	1,950	1,950	55,985	58,237	7,972	0	7,972	0	7.03%	7.48%	N/A
Senior Executive Vice President	LaFair Cho													
Vice President	Wu-Hung Hsu													
Vice President	Chen-Fang Huang													
Vice President	Yu-Ying Chen													
Vice President	Kuo-Liang Huang													
Vice President	Shou-Kang Chen													
Vice President	Teng-Yueh Tsai													
Vice President	Ming-Cheng Lin													
Vice President	Yung-Wen Li													
Vice President	Yuan-Feng Hsu													
Vice President	Wei Wang													
Executive Vice President	Li-Chun Li													
Vice President	Chang-Lung Li													
Vice President	Yao-Zhou Yang													

* Company's President's and vice presidents' salary is based on the position and the standard salary of the industry. The bonus is determined in accordance with the Company's profit, individual contribution and performance.
* The aforementioned pensions are deposited in the amount in accordance with labor-related laws and regulations.
* The distribution amount of employee compensation of this year is calculated based on the actual distribution ratio of the preceding year.

Remuneration brackets table for president and vice presidents

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

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

2016 (Unit: NT$ thousands)

	Title	Name	Share	Cash	Total	Ratio of the total amount to net profit after tax (%)
Manager	President	Shih-Jye Cheng	—	8,466	8,466	0.55%
	Senior Executive Vice President	LaFair Cho				
	Vice President	Wu-Hung Hsu				
	Vice President	Chen-Fang Huang				
	Vice President	Yu-Ying Chen				
	Vice President	Kuo-Liang Huang				
	Vice President	Shou-Kang Chen				
	Vice President	Teng-Yueh Tsai				
	Vice President	Ming-Cheng Lin				
	Vice President	Yung-Wen Li				
	Vice President	Yuan-Feng Hsu				
	Vice President	Wei Wang				
	Vice President	Chang-Lung Li				
	Vice President	Yao-Zhou Yang				
	Senior Manager	Chi-Pei Cho				
	Special Assistant	Pei-Chuan Ku				
	Senior Director	Chao-Tung So				

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

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

Item	Ratio of the Total Remuneration to Net Profit After Tax			
	2016		2015	
	Company	Consolidated Entities	The Company	Consolidated Entities
Director	1.10%	1.10%	1.29%	1.29%
Supervisor	—	—	—	—
President and Vice President	7.03%	7.48%	4.32%	4.99%

Note 1: The difference in the ratio of President's and vice presidents' remuneration is due to the fact that remuneration of 2016 includes new restricted employee shares.

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

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

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

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

(2) The purpose of Remuneration Committee:

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

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

IV. Implementation of Corporate Governance

(I) Board of Directors

The Board of Directors held 16 meetings in the most recent year and up to March 31, 2017.

The attendance of directors was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate	Remarks
Chairman	Shih-Jye Cheng	17	—	100.00%	Re-elected on May 31, 2016
Director	Representative of ChipMOS TECHNOLOGIES (Bermuda) LTD.: Li-Chun Li	5	7	41.67%	Discharged ipso facto as of October 31, 2016 for ChipMOS TECHNOLOGIES (Bermuda) LTD. was merged into the Company.
Director	Representative of ChipMOS TECHNOLOGIES (Bermuda) LTD.: Yung-Wen Li	12	—	100.00%	Discharged ipso facto as of October 31, 2016 for ChipMOS TECHNOLOGIES (Bermuda) LTD. was merged into the Company.
Director	Representative of ChipMOS TECHNOLOGIES (Bermuda) LTD.: Kuo-Liang Huang	11	1	91.67%	Discharged ipso facto as of October 31, 2016 for ChipMOS TECHNOLOGIES (Bermuda) LTD. was merged into the Company.
Director	Wen-Ching Lin	10	1	90.91%	Newly elected on May 31, 2016
Director	Ching-Shan Ao	6	0	100%	Discharged on May 31, 2016
Director	Yu-Hu Liu	17	—	100.00%	Re-elected on May 31, 2016
Independent Director	Chin-Shyh Ou	17	—	100.00%	Re-elected on May 31, 2016
Independent Director	Yuh-Fong Tang	17	—	100.00%	Re-elected on May 31, 2016
Independent Director	Tai-Haur Kuo	17	—	100.00%	Re-elected on May 31, 2016

Independent Director	Cho-Lien Chang	17	—	100.00%	Re-elected on May 31, 2016
Independent Director	Kuei-Ann Wen	15	2	81.82%	Re-elected on May 31, 2016

Other mentionable items:

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

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

1. The resolutions of the 24th meeting of the 7th Board of Directors (d January 21, 2016) are as follows:
   (1) The merger between the Company and ChipMOS TECHNOLOGIES (Bermuda) LTD. was unanimously approved by all the directors attended the meeting.
   (2) Proposal for the Company to increase capital and issue common shares for the merger to participate in issuing American depository shares was unanimously approved by all the directors attended the meeting.
2. The resolutions of the 25th meeting of the 7th Board of Directors (February 4, 2016) are as follows:
   (1) The price for investor to subscribe common shares issued by the Company through private placement after the increase in capital was unanimously approved by all the directors attended the meeting.
   (2) Resolution for the Company to increase its investment in its subsidiary, ChipMOS TECHNOLOGIES (BVI) LTD., was unanimously approved by all the directors attended the meeting.
   (3) Resolution for the Company to repurchase treasury shares as the source of shares to be transferred to employees was unanimously approved by all the directors attended the meeting.
3. The resolutions of the 27th meeting of the 7th Board of Director (March 10, 2016) are as follows:
   (1) Adoption of the Company's 2015 report of impairment loss on assets was unanimously approved by all the directors attended the meeting.
   (2) Adoption of the Company's 2015 statement of internal control was unanimously approved by all the directors attended the meeting.
   (3) Adoption of 2015 distribution of compensation to employees, directors, and supervisors was unanimously approved by all the directors attended the meeting.
   (4) Adoption of the Company's 2015 business report and financial statements were unanimously approved by all the directors attended the meeting.
   (5) Adoption of the 2015 earning distribution plan was unanimously approved by all the directors attended the meeting.
   (6) Resolution regarding re-election of the next (8th) directors and independent directors in 2016 annual shareholders' meeting was unanimously approved by all the directors attended the meeting.
   (7) Resolution regarding the nomination of independent director candidates for re-election in 2016 annual shareholders' meeting was unanimously approved by all the directors attended the meeting.
   (8) Resolution to release restrictions under Article 209 of the Company Act regarding non-compete of new director-elect was unanimously approved by all the directors attended the meeting.
   (9) Resolution to convene 2016 annual shareholders' meeting was unanimously approved by all the directors attended the meeting.
   (10) Resolution to reduce capital and cancel redeemed issued new restricted employee shares was unanimously approved by all the directors attended the meeting.
   (11) Resolution to release restrictions under Article 32 of the Company Act regarding non-compete of personnel being appointed as investees' director and Vice President Shou-Kang Chen as the Company's manager was unanimously approved by all the directors attended the meeting.

4. The resolutions of the 28th meeting of the 7th Board of Director April 18, 2016) are as follows:
   (1) Resolution regarding the evaluation of the independence of the Company's CPAs, the engagement of external independent CPAs of 2016 and their service and service fees was unanimously approved by all the directors attended the meeting.
   (2) Resolution regarding the review of the independent director candidate name list for 2016 annual shareholders' meeting was unanimously approved by all the directors attended the meeting.
   (3) Resolution of the Company to issue new restricted employee shares was unanimously approved by all the directors attended the meeting.
5. The resolutions of the 29th meeting of the 7th Board of Director (May 12, 2016) are as follows:
   (1) Company's consolidated financial report of 2016 Q1 was unanimously approved by all the directors attended the meeting.
   (2) Resolution to reduce capital and cancel redeemed issued new restricted employee shares was unanimously approved by all the directors attended the meeting.
   (3) Resolution for the Company to repurchase treasury shares as the source of shares to be transferred to employees was unanimously approved by all the directors attended the meeting.
   (4) Execution of the Technology Transfer and License Agreement with ChipMOS TECHNOLOGIES (Shanghai) LTD. was unanimously approved by all the directors attended the meeting.
6. The resolutions of the 2nd meeting of the 8th Board of Directors (June 21, 2016) are as follows:
   (1) Resolution to convene the 2nd extraordinary shareholders' meeting in 2016 was unanimously approved by all the directors attended the meeting.
   (2) Resolution to release restrictions under Article 32 of the Company Act regarding non-compete of Vice President Shou-Kang Chen as the Company's manager was unanimously approved by all the directors attended the meeting.
7. The resolutions of the 3rd meeting of the 8th Board of Directors (July 11, 2016) are as follows:
   Resolution to release restrictions under Article 32 of the Company Act regarding non-compete of Vice President Ming-Cheng Lin as the Company's manager was unanimously approved by all the directors attended the meeting.
8. The resolutions of the 4th meeting of the 8th Board of Directors (August 10, 2016) are as follows:
   (1) Company's consolidated financial report of 2016 Q2 was unanimously approved by all the directors attended the meeting.
   (2) Resolution to reduce capital and cancel redeemed issued new restricted employee shares was unanimously approved by all the directors attended the meeting.
9. The resolutions of the 6th meeting of the 8th Board of Directors (October 20, 2016) are as follows:
   (1) Resolution to (i) appoint October 31, 2016 as the record date of the merger between the Company and ChipMOS TECHNOLOGIES (Bermuda) LTD. (hereinafter be referred to as " ChipMOS Bermuda"); and (ii) to increase the capital to issue common shares for the merger to participate in issuing American depository shares and cancel the Company's 522,080,358 common shares held by ChipMOS Bermuda on the record date was unanimously approved by all the directors attended the meeting.
   (2) Resolution to dismiss the R&D supervisor, Executive Vice President Li-Chun Li, was unanimously approved by all the directors attended the meeting.
   (3) Appointment of Chao-Tung So as the new R&D supervisor was unanimously approved by all the directors attended the meeting.
10. The resolutions of the 7th meeting of the 8th Board of Directors (November 10, 2016) are as follows:
   (1) Company's consolidated financial report of 2016 Q3 was unanimously approved by all the directors attended the meeting.
   (2) Adjustment of estimated useful life for certain facilities and machinery equipment was unanimously approved by all the directors attended the meeting.
   (3) The 2017 audit plan was unanimously approved by all the directors attended the meeting.
   (4) Amendments to "Procedures for Ethical Management and Guidelines for Conduct" was unanimously approved by all the directors attended the meeting.
   (5) Resolution to reduce capital and cancel redeemed issued new restricted employee shares was unanimously approved by all the directors attended the meeting.

(6) Resolution to designate December 3, 2016 as the ex-dividend date was unanimously approved by all the directors attended the meeting.

(7) Resolution to change the number of 8th directors was unanimously approved by all the directors attended the meeting.

11. The resolutions of the 8th meeting of the 8th Board of Directors (November 30, 2016) are as follows:

(1) Resolution to terminate private placement and the Share Subscribe Agreement and relevant transaction documents entered into between the Company and Tsinghua Unigroup and Tibet MaoYeChuangXin Investment LTD. respectively was unanimously approved by all the directors attended the meeting.

(2) Resolution for the Company to authorize its subsidiary ChipMOS TECHNOLOGIES (BVI) LTD. to (i) dispose 54.9758% of ChipMOS TECHNOLOGIES (Shanghai) LTD.'s equity interest held by it, and (ii) increase capital of ChipMOS TECHNOLOGIES (Shanghai) LTD. was unanimously approved by all the directors attended the meeting.

(3) Resolution to appoint directors, supervisors, and presidents of ChipMOS TECHNOLOGIES (Shanghai) LTD. and release restrictions under Article 32 of the Company Act regarding non-compete of the foregoing personnel as the Company's manager was unanimously approved by all the directors attended the meeting.

12. The resolutions of the 9th meeting of the 8th Board of Directors (January 19, 2017) are as follows:

(1) Appointment of Lien-Fa Cho as Senior Executive Vice President of the Operation Manufacturing Center and Chief Operating Officer was unanimously approved by all the directors attended the meeting.

(2) Resolution to release restrictions under Article 32 of the Company Act regarding non-compete of Vice President Teng-Yueh Tsai, who is appointed as the Vice President of ChipMOS TECHNOLOGIES (Shanghai) LTD., was unanimously approved by all the directors attended the meeting.

(3) Execution of the Second Addendum to Technology Transfer and License Agreement with ChipMOS TECHNOLOGIES (Shanghai) LTD. was unanimously approved by all the directors attended the meeting.

13. The resolutions of the 10th meeting of the 8th Board of Directors (March 9, 2017) are as follows:

(1) Resolution regarding acquisition or disposal of equipment for business use between the Company and the subsidiaries in 2016 Q4 was unanimously approved by all the directors attended the meeting.

(2) Adoption of the Company's 2016 report of impairment loss on assets was unanimously approved by all the directors attended the meeting.

(3) Adoption of the Company's 2016 statement of internal control was unanimously approved by all the directors attended the meeting.

(4) Adoption of 2016 distribution of compensation to employees, directors, and supervisors was unanimously approved by all the directors attended the meeting.

(5) Adoption of the Company's 2016 business report and financial statements were unanimously approved by all the directors attended the meeting.

(6) Adoption of the 2016 earning distribution plan was unanimously approved by all the directors attended the meeting.

(7) Distribution in cash to shareholders from capital surplus generating from share premium was unanimously approved by all the directors attended the meeting.

(8) Amendments to the Articles of Incorporation was unanimously approved by all the directors attended the meeting.

(9) Amendments to the Company's "Operational Procedures for the Acquisition or Disposal of Assets" was unanimously approved by all the directors attended the meeting.

(10) Resolution regarding the evaluation of the independence of Company's CPA and the engagement of external independent CPA of 2017 was unanimously approved by all the directors attended the meeting.

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

(1) Company's summary consolidated financial forecast for 2017 1Q was unanimously approved by all the directors attended the meeting.

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

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

(I) Resolution of the 24th meeting of the 7th Board of Directors regarding the merger between the Company and ChipMOS TECHNOLOGIES (Bermuda) LTD. involves Chairman Shih-Jye Cheng and Independent Director Chin-Shyh Ou's personal interest and thus they did not participate in discussion and voting in accordance with the Company Act and Company's Regulations Governing Procedure for Board of Directors Meetings. Independent Director Yu-Fang Tang served as the acting chairman and made inquiries with other directors present at the meeting. Such resolution was unanimously approved.

(II) Resolution of the 27th meeting of the 7th Board of Directors regarding the nomination of independent director candidates of 2016 annual shareholders' meeting involves personal interest of Independent Director Chin-Shyh Ou, Yu-Fang Tang, Tai-Haur Kuo, Kuei-Ann Wen and Cho-Lien Chang, and thus they did not participate in discussion and voting in accordance with the Company Act and Company's Regulations Governing Procedure for Board of Directors Meetings. The Chairman made inquiries with other directors present at the meeting. Such resolution was unanimously approved.

(III) Resolution of the 28th meeting of the 7th Board of Directors regarding the independent director candidate name list of 2016 annual shareholders' meeting involves personal interest of Independent Director Chin-Shyh Ou, Yu-Fang Tang, Tai-Haur Kuo, Kuei-Ann Wen and Cho-Lien Chang, and thus they did not participate in discussion or voting in accordance with the Company Act and Company's Regulations Governing Procedure for Board of Directors Meetings. The Chairman made inquiries with other directors present at the meeting. Such resolution was unanimously approved.

(IV) Resolution of the 28th meeting of the 7th Board of Directors regarding the adjustment of managers' compensation and position in 2016 involves personal interest of Director Shih-Jye Cheng, Kuo-Liang Huang and Yung-Wen Li, and thus they did not participate in discussion or voting in accordance with the Company Act. Director Tai-Haur Kuo served as the acting chairman and made inquiries with other directors present at the meeting. Such resolution was unanimously approved.

(V) Resolution of the 28th meeting of the 7th Board of Directors regarding managers' 2016 annual performance bonus plan involves personal interest of Director Shih-Jye Cheng, Kuo-Liang Huang and Yung-Wen Li, and thus they did not participate in discussion or voting in accordance with the Company Act. Director Tai-Haur Kuo served as the acting chairman and made inquiries with other directors present at the meeting. Such resolution was unanimously approved.

(VI) Resolution of the 1st meeting of the 8th Board of Directors regarding the nomination of President involves Director Shih-Jye Cheng's personal interest, and thus he did not participate in discussion or voting in accordance with the Company Act. Director Chin-Shyh Ou served as the acting chairman and made inquiries with other directors present at the meeting. Such resolution was unanimously approved.

(VII) Resolution of the 1st meeting of the 8th Board of Directors regarding the appointment of 3rd Remuneration Committee involves personal interest of Independent Director Tai-Haur Kuo, Yu-Fang Tang and Chin-Shyh Ou, and thus they did not participate in discussion or voting in accordance with the Company Act. Chairman made inquiries with other directors present at the meeting. Such resolution was unanimously approved.

(VIII) Resolution of the 2nd meeting of the 8th Board of Directors regarding the adjustment of managers' compensation and position in 2016 involves personal interest of Director Shih-Jye Cheng, Li-Chun Li, Kuo-Liang Huang, and Yung-Wen Li, and thus they did not participate in discussion or voting in accordance with the Company Act. Director Tai-Haur Kuo served as the acting chairman and made inquiries with other directors present at the meeting. Such resolution was unanimously approved.

(IX) Resolution of the 6th meeting of the 8th Board of Directors regarding the distribution of managers' 2015 performance bonus involves personal interest of Director Shih-Jye Cheng, Li-Chun Li, Kuo-Liang Huang and Yung-Wen Li, and thus they did not participate in discussion or voting in accordance with the Company Act. Director Tai-Haur Kuo served as the acting chairman and made inquiries with other directors present at the meeting. Such resolution was unanimously approved.

(X) Resolution of the 6th meeting of the 8th Board of Directors regarding adjustment to remuneration of President Shih-Jye Cheng, Vice President Shou-Kang Chen of the finance department and Executive Vice President Li-Chun Li involves personal interest of Director Shih-Jye Cheng and Li-Chun Li, and thus they did not participate in discussion or voting in accordance with the Company Act. Director Tai-Haur Kuo served as the acting chairman and made inquiries with other directors present at the meeting. Such resolution was unanimously approved.

(XI) Resolution of the 6th meeting of the 8th Board of Directors regarding the dismiss of R&D supervisor Li-Chun Li involves his own personal interest, and thus he did not participate in discussion or voting in accordance with the Company Act. Chairman made inquiries with other directors present at the meeting. Such resolution was unanimously approved.

(XII) Resolution of the 7th meeting of the 8th Board of Directors regarding distribution of cash dividends to managers as employees of 2015 involves involves personal interest of Director Shih-Jye Chengs, and thus he did not participate in discussion or voting in accordance with the Company Act. Director Tai-Haur Kuo served as the acting chairman and made inquiries with other directors present at the meeting. Such resolution was unanimously approved.

(XIII) Resolution of the 8th meeting of the 8th Board of Directors regarding (i) ChipMOS TECHNOLOGIES (BVI) LTD.'s disposal of 54.9758% of ChipMOS TECHNOLOGIES (Shanghai) LTD.'s (hereinafter referred to as "ChipMOS Shanghai") equity interest; and (ii) capital increase of ChipMOS Shanghai involves personal interest of Director Shih-Jye Cheng, and thus he did not participate in discussion or voting in accordance with the Company Act. Director Chin-Shyh Ou served as the acting chairman and made inquiries with other directors present at the meeting. Such resolution was unanimously approved.

(XIV) Resolution of the 8th meeting of the 8th Board of Directors regarding (i) the Equity Interest Transfer Agreement entered into among the Company, ChipMOS BVI and strategic investor; and (ii) the Business Management Consulting Service Agreement entered into between the Company and ChipMOS Shanghai involves personal interest of Director Shih-Jye Cheng, and thus he did not participate in discussion or voting in accordance with the Company Act. Director Chin-Shyh Ou served as the acting chairman and made inquiries with other directors present at the meeting. Such resolution was unanimously approved.

(XV) Resolution of the 8th meeting of the 8th Board of Directors regarding (i) the appointment of ChipMOS Shanghai's directors, supervisors, and presidents; and (ii) release restrictions under Article 32 of the Company Act regarding non-compete of the foregoing personnel as the Company's manager involves personal interest of Director Shih-Jye Cheng, and thus he did not participate in discussion or voting in accordance with the Company Act. Director Chin-Shyh Ou served as the acting chairman and made inquiries with other directors present at the meeting. Such resolution was unanimously approved.

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

(II) Audit Committee's:

1. The Company established Audit Committee on June 28, 2007 to exercise the power of supervisors provided in relevant laws and regulations.
2. Audit Committee held 15 meetings in the most recent year and up to March 31, 2017. The attendance of the members was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate	Remarks
Independent Director	Chin-Shyh Ou	15	0	100.00%	Re-elected on May 31, 2016
Independent Director	Yuh-Fong Tang	15	0	100.00%	Re-elected on May 31, 2016
Independent Director	Tai-Haur Kuo	15	0	100.00%	Re-elected on May 31, 2016
Independent Director	Cho-Lien Chang	15	0	100.00%	Re-elected on May 31, 2016
Independent Director	Kuei-Ann Wen	14	1	93.33%	Re-elected on May 31, 2016

Other mentionable items:

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

1. Circumstances stipulated in Article 14-5 of the Securities and Exchange Act

Resolution of the 24th meeting of the 7th Board of Directors (January 21, 2016) regarding the merger between the Company and ChipMOS TECHNOLOGIES (Bermuda) LTD. involves Independent Director Chin-Shyh Ou's personal interest, and thus he did not participate in discussion and voting in accordance with the Company Act. Independent Director Yu-Fang Tang served as the acting chairman and made inquiries with other directors present at the meeting. Such resolution was unanimously approved.

Resolution of the 24th meeting of the 7th Board of Directors (January 21, 2016) regarding Company's increase in capital to issue common shares for the merger to participate in issuing American depository shares was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 25th meeting of the 7th Board of Directors (February 4, 2016) regarding the price of private placement was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 25th meeting of the 7th Board of Directors (February 4, 2016) regarding the 5-year syndicated loan with total credit line NT$12 billion was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 25th meeting of the 7th Board of Directors (February 4, 2016) for the Company to increase its investment in its subsidiary, ChipMOS TECHNOLOGIES (BVI) LTD., was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 25th meeting of the 7th Board of Directors (February 4, 2016) regarding repurchase of treasury shares as the source of shares to be transferred to employees was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 26th meeting of the 7th Board of Directors (February 25, 2016) regarding the English consoli financial statements for 2012, 2013, and 2014 and the English consoli financial statements of 2015 Q3 prepared in accordance with International Financial Reporting Standards was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 26th meeting of the 7th Board of Directors (February 25, 2016) regarding Company's filing of Form F-4 and Schedule 13e-3 with United States Securities and Exchange Commission and approvals to be obtained from other foreign competent authorities to complete the merger between the Company and ChipMOS TECHNOLOGIES (Bermuda) LTD. was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 26th meeting of the 7th Board of Directors (February 25, 2016) regarding the selection of the subscriber and the execution of the Subscriber Joinder Agreement and the Share Subscribe Agreement was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 27th meeting of the 7th Board of Directors (March 10, 2016) regarding the acquisition or disposal of equipment for business use between the Company and the subsidiaries in 2015 Q4 was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 27th meeting of the 7th Board of Directors (March 10, 2016) regarding the adoption of Company's 2015 report of impairment loss on assets was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 27th meeting of the 7th Board of Directors (March 10, 2016) regarding the adoption of the Company's 2015 internal control system statements was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 27th meeting of the 7th Board of Directors (March 10, 2016) regarding the Company's 2015 business report and financial statements was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 27th meeting of the 7th Board of Directors (March 10, 2016) regarding the 2015 earning distribution plan was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 27th meeting of the 7th Board of Directors (March 10, 2016) regarding the capital reduction and cancellation of redeemed issued new restricted employee shares was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 27th meeting of the 7th Board of Directors (March 10, 2016) regarding loan application to financial institutions was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 27th meeting of the 7th Board of Directors (March 10, 2016) regarding the amendments to "Authority Table of Procurement/Expenses Authorization and Approval" was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 28th meeting of the 7th Board of Directors (April 18, 2016) regarding the English 2015 consoli financial statements prepared in accordance with International Financial Reporting Standards was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 28th meeting of the 7th Board of Directors (April 18, 2016) regarding the Company's filing of up Form F-4 and Schedule 13E-3 with United States Securities and Exchange Commission to complete the merger between the Company and ChipMOS Bermuda was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 28th meeting of the 7th Board of Directors (April 18, 2016) regarding the evaluation of the independence of Company's CPAs, the engagement of external independent CPAs of 2016 and their service and service fees was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 29th meeting of the 7th Board of Directors (May 12, 2016) regarding acquisition or disposal of equipment for business use between the Company and the subsidiaries in 2016 Q1 was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 29th meeting of the 7th Board of Directors (May 12, 2016) regarding the Company's consoli financial report of 2016 Q1 was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 29th meeting of the 7th Board of Directors (May 12, 2016) regarding the capital reduction and cancellation of redeemed issued new restricted employee shares was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 29th meeting of the 7th Board of Directors (May 12, 2016) regarding repurchase of treasury shares as the source of shares to be transferred to employees was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 29th meeting of the 7th Board of Directors (May 12, 2016) regarding the amendments to the "Policy of Allowance Reserve for Sales Discounts" of the Company's accounting system was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 29th meeting of the 7th Board of Directors (May 12, 2016) regarding the 5-year syndicated loan with total credit line NT$13.2 billion was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 29th meeting of the 7th Board of Directors (May 12, 2016) regarding the loan application to financial institutions was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 29th meeting of the 7th Board of Directors (May 12, 2016) regarding the execution of the Technology Transfer and License Agreement with ChipMOS TECHNOLOGIES (Shanghai) LTD. was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

In respect of the resolution of the 1st meeting of the 8th Board of Directors (May 31, 2016) regarding the nomination of the convener of the Audit Committee, members presented in the meeting elected Director Chin-Shyh Ou as the convener and chairman of the Audit Committee. Such resolution was unanimously approved by all the members attended the meeting.

Resolution of the 3rd meeting of the 8th Board of Directors (July 11, 2016) regarding ChipMOS TECHNOLOGIES (Shanghai) LTD.'s 3-year syndicated loan with total credit line US$33 million or equivalent Japanese yen was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 4th meeting of the 8th Board of Directors (August 10, 2016) regarding acquisition or disposal of equipment for business use between the Company and the subsidiaries in 2016 Q2 was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 4th meeting of the 8th Board of Directors (August 10, 2016) regarding the Company's consoli financial report of 2016 Q2, t was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 4th meeting of the 8th Board of Directors (August 10, 2016) regarding the capital reduction and cancellation of redeemed issued new restricted employee shares was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 4th meeting of the 8th Board of Directors (August 10, 2016) regarding loan application to financial institutions was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 5th meeting of the 8th Board of Directors (September 1, 2016) regarding

Company's plan to increase the capital and issue common shares from 503,741,220 to 530,253,920 shares in order to participate in issuing American depository shares was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 6th meeting of the 8th Board of Directors (October 20, 2016) regarding (i) the appointment of the record date of the merger between the Company and ChipMOS TECHNOLOGIES (Bermuda) LTD. (hereinafter be referred to as " ChipMOS Bermuda"); and (ii) increase the capital to issue common shares for the merger to participate in issuing American depository shares and cancel the Company's 522,080,358 common shares held by ChipMOS Bermuda on the record date .Such resolution was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 7th meeting of the 8th Board of Directors (November 10, 2016) regarding acquisition or disposal of equipment for business use between the Company and the subsidiaries in 2016 Q3 was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 7th meeting of the 8th Board of Directors (November 10, 2016) regarding the Company's consoli financial report of 2016 Q3 was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 7th meeting of the 8th Board of Directors (November 10, 2016) regarding the Company's assumption of every ChipMOS TECHNOLOGIES (Bermuda) LTD.'s auditing and verification engagement agreement in 2016 and the rights and obligations therein was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 7th meeting of the 8th Board of Directors (November 10, 2016) regarding the adjustment of estimated useful life for certain facilities and machinery equipment was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 7th meeting of the 8th Board of Directors (November 10, 2016) regarding the 2017 audit plan was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 7th meeting of the 8th Board of Directors (November 10, 2016) regarding amendments to "Internal Control System" and "Internal Audit Implementation Rules" was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 7th meeting of the 8th Board of Directors (November 10, 2016) regarding amendments of "Procedures for Ethical Management and Guidelines for Conduct" was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 7th meeting of the 8th Board of Directors (November 10, 2016) regarding capital reduction and cancellation of redeemed issued new restricted employee shares was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 7th meeting of the 8th Board of Directors (November 10, 2016) regarding the loan application to financial institutions was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 7th meeting of the 8th Board of Directors (November 10, 2016) regarding whether to rename or close bank accounts of ChipMOS TECHNOLOGIES (Bermuda) LTD. was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 7th meeting of the 8th of Directors (November 10, 2016) regarding ChipMOS TECHNOLOGIES (Shanghai) LTD.'s 1-year loan with total credit line US$10 million or equivalent Japanese yen was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 8th meeting of the 8th Board of Directors (November 30, 2016) to terminate private placement and the Share Subscribe Agreement and relevant transaction documents entered into between the Company and Tsinghua Unigroup and Tibet MaoYeChuangXin Investment LTD. respectively was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 8th meeting of the 8th Board of Directors (November 30, 2016) to terminate the Consultancy Agreement with SYNERGY LINK LIMITED was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 8th meeting of the 8th Board of Directors (November 30, 2016) to authorize the subsidiary, ChipMOS TECHNOLOGIES (BVI) LTD., to (i) dispose 54.9758% of ChipMOS TECHNOLOGIES (Shanghai) LTD.'s equity interest; and (ii) to increase the capital of ChipMOS TECHNOLOGIES (Shanghai) LTD. was unanimously approved by all the members attended the meeting after the chairman made inquiries with them. Prior to the adoption of such resolution, confirmation regarding accounting treatment and gain on disposal were made with PricewaterhouseCoopers (PwC) Taiwan, and confirmation regarding legal affairs were made with Lee and Li, Attorneys-at-Law.

Resolution of the 8th meeting of the 8th Board of Directors (November 30, 2016) regarding (i) the Equity Interest Transfer Agreement entered into among the Company, ChipMOS BVI and strategic investor; and (ii) the Business Management Consulting Service Agreement entered into between the Company and ChipMOS Shanghai was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 8th meeting of the 8th Board of Directors (November 30, 2016) to authorizing the subsidiary ChipMOS BVI to make investment in Shanghai to establish one or more entities of limited partnership and become a general partner of each entity was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 8th meeting of the 8th Board of Directors (November 30, 2016) regarding amendments to the supporting letter issued by the Company in respect of ChipMOS TECHNOLOGIES (Shanghai) LTD.'s syndicated loan with total credit line US$33 million was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 8th meeting of the 8th Board of Directors (November 30, 2016) regarding amendments to the supporting letter issued by the Company in respect of ChipMOS TECHNOLOGIES (Shanghai) LTD.'s application to Taishin International Bank requesting a short-term loan with total credit line US$10 million or Equivalent RMB was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 9th meeting of the 8th Board of Directors (January 19, 2017) regarding the execution of Second Addendum to Technology Transfer and License Agreement between the Company and ChipMOS TECHNOLOGIES (Shanghai) LTD. was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 10th meeting of the 8th Board of Directors (March 9, 2017) regarding the acquisition or disposal of equipment for business use between the Company and the subsidiaries in 2016 Q4 was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 10th meeting of the 8th Board of Directors (March 9, 2017) regarding the Company's 2016 report of impairment loss on assets was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 10th meeting of the 8th Board of Directors (March 9, 2017) regarding the adoption of the Company's 2016 internal control system statements of 2015 was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 10th meeting of the 8th Board of Directors (March 9, 2017) regarding the Company's 2016 business report and financial statements was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 10th meeting of the 8th Board of Directors (March 9, 2017) regarding the 2016 earning distribution plan was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 10th meeting of the 8th Board of Directors (March 9, 2017) regarding the distribution in cash to shareholders from capital surplus generating from share premium was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 10th meeting of the 8th Board of Directors (March 9, 2017) regarding the amendments to the Company's "Operational Procedures for the Acquisition or Disposal of Assets" was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 10th meeting of the 8th Board of Directors (March 9, 2017) regarding evaluation of the independence of Company's CPAs and the engagement of external independent CPAs of 2017 was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 10th meeting of the 8th Board of Directors (March 9, 2017) regarding the capital reduction and cancellation of redeemed issued new restricted employee shares was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 10th meeting of the 8th Board of Directors (March 9, 2017) regarding the amendments to the Company's "Internal Control System" and "Internal Audit Implementation Rules" was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 10th meeting of the 8th Board of Directors (March 9, 2017) regarding (i) engagement of PricewaterhouseCoopers (PwC) Taiwan to provide transfer pricing reports; and (ii) tax credit for R&D and expenditures was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

Resolution of the 10th meeting of the 8th Board of Directors (March 9, 2017) regarding to engage Moore Stephens CPA Limited to audit English 2014 consoli financial statements was unanimously approved by all the members attended the meeting after the chairman made inquiries with them.

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

II. Implementation of resolutions of which independent directors refrained from participating due to conflict of interest: Resolutions of the 21th meeting of the 3rd Audit Committee (January 21, 2016) are as follows.

Item 1: Discussion on the resolutions of the Special Committee; Resolved: Independent Director Chin-Shyh Ou did not participate in the discussion and the voting pursuant to the Company Act for this proposal involves his personal interest. Thus, the Independent Director Yu-Fang Tang served as the acting chairman and made inquiries with other directors present at the meeting. It is resolved that, after the throughout, complete and independent discretion of this Audit Committee, unless otherwise determined by the Audit Committee, (i) any and all of the resolutions of the Special Committee as shown in Attachment 1 be hereby approved and adopted; (ii) the counsels as listed in Attachment 2 be hereby unanimously approved.

Item 2: Discussion on the Legal Due Diligence Summary, the Merger Project Report and the Fairness Opinion prepared for the merger project; Resolved: Independent Director Chin-Shyh Ou did not participate in the discussion and the voting pursuant to the Company Act for this proposal involves his personal interest. Thus the Independent Director Yu-Fang Tang served as the acting chairman and made inquiries with other directors present at the meeting. It is resolved that the Due Diligence Summary, the Merger Project Report and the Fairness Opinion be hereby unanimously approved.

Item 3: Discussion on the Merger Agreement and Bermuda Merger Agreement as well as the terms and conditions and merger consideration provided thereunder for Project Caviar; Resolved: Resolved: Independent Director Chin-Shyh Ou did not participate in the discussion and the voting pursuant to the Company Act for this proposal involves his personal interest. Thus the Independent Director Yu-Fang Tang served as the acting chairman and made inquiries with other directors present at the meeting. It is resolved that the drafts of Merger Agreement and Bermuda Merger Agreement as well as the terms and conditions and merger consideration provided thereunder are fair and reasonable, and thus be hereby unanimously approved. It is further unanimously resolved that the drafts of Merger Agreement and Bermuda Merger Agreement be submitted to the Board of Directors of the Company.

Item 4: Discussion on the Report of Review Result. Resolved: Independent Director Chin-Shyh Ou did not participate in the discussion and the voting pursuant to the Company Act for this proposal involves his personal interest. Thus the Independent Director Yu-Fang Tang served as the acting chairman and made inquiries with other directors present at the meeting. It is resolved that the Report of Review Result be hereby unanimously approved. It is further unanimously resolved that Report of Review Result be submitted to the Board of Directors of the Company.

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

(I) The internal audit supervisors shall attend the meeting of the Board of Directors, periodically provide internal auditing report to Audit Committee to make communication on the implementing status of internal auditing, and make timely report to Audit Committee in special occasions. No foregoing special occasions occurred in 2016. The communication between the Audit Committee and the internal auditing supervisors are fine.

(II) The CPAs engaged by the Company shall periodically report on the review result of financial statements and other items as required by laws and regulations, and make timely report to the Audit Committee in special occasions. No foregoing special occasions occurred in 2016. The communication between Audit Committee and CPAs are fine.

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

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
I. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”?	V		The Company has established and disclosed corporate governance principles including Procedures for Ethical Management and Guidelines for Conduct, Code of Ethics and Business Conduct, Corporate Social Responsibility Best Practice Principles, Rules Governing the Scope of Powers of Independent Directors, Rules Governing the Exercise of Rights and Participation in Resolutions by Juristic Person Shareholders With Controlling Power, and Operational Procedures for Transaction with Group Enterprises, Specific Company and Related Party in accordance with “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.”	None
II. Shareholding structure and shareholders' rights (I) Does the company establish internal operating procedures to deal with	V		(I) The Company has established Corporate Social Responsibility Best Practice Principles based on the respect to the stakeholders, and to identify the	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
shareholder suggestions, douts, disputes and litigation and implement based on the procedure?			stakeholders of the Company as well as established built a designated section on its website for the stakeholders. The Company, through proper communication, understands the reasonable expectations and demands of the stakeholders and properly responds to critical corporate social responsibility issues of concern to the stakeholders.	
(II) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(II) The Company has regularly disclosed information of major shareholders and ultimate owners of those in accordance with relevant laws and regulations.	None
(III) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		(III) The Company has established regulations regarding supervision and management of subsidiaries in accordance with relevant regulations of Securities and Futures Bureau and will regularly review their management reports and conduct due diligence.	None
(IV) Does the company establish internal rules against insiders trading with undisclosed information?	V		(IV) The Company has established Procedures for Ethical Management and Guidelines for Conduct. The Company's personnel shall	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
			comply with the provisions of the Securities Exchange Act and shall not use the undisclosed information to engage in insider trading or disclose it to others in order to prevent others from using the undisclosed information to engage in insider trading.	
III. Composition and Responsibilities of the board of directors				
(I) Does the board of directors develop and implement a diversified policy for the composition of its members?	V		(I) The members of the Board of Directors have different professional backgrounds and work fields such as accounting and industry. The members of the Board of Directors include two female directors towards gender diversification to implement Taiwan's Gender Equality Policy Guidelines and to improve female decision-making participation.	None
(II) Does the company voluntarily establish other functional committees in addition to remuneration committee and audit committee?		V	(II) The Company has established Remuneration Committee and Audit Committee pursuant to the laws and will establish other functional committees in consideration of the scale and operation of the Company.	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
(III) Does the company establish a to measure the performance of the board, and implemented it annually?	V		(III) The Company has established Remuneration Committee to regularly review the performance evaluation of the directors and policies, systems, standards and structure of remuneration as well as regularly evaluate the remuneration of the directors.	None
(IV) Does the company regularly evaluate the independency of CPAs?	V		(IV) The engagement of the Company's CPAs has been approved by more than half of all the Audit Committee members, and then submitted to and adopted by the Board of Directors. The CPAs are not stakeholders of the Company and strictly adheres to independence.	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
IV. Does the TWSE/TPEx listed company establish exclusively (or concurrent) dedicated units or personnel responsible for corporate governance related matters (including but not limited to providing the directors and supervisors with required information to perform business, handling related matters of the meeting of the board of directors and the shareholders' meeting pursuant to the laws, handling incorporation registration and amendment registration, and producing the meeting minutes of the board of directors and the shareholders' meeting)?		V		The Company will establish it pursuant to the laws in the future.
V. Does the company establish a communication channel and establish a designated section on its website for stakeholders (including but not limited to shareholders, employees, clients and suppliers), and properly respond to critical corporate social responsibility issues of concern to stakeholders?	V		The Company has established functions of various departments, and maintained smooth communication channels with the stakeholders such as banks, other creditors, employees, clients, and suppliers.	None
VI. Does the company appoint a professional	V		The Company has designated KGI Securities Co. Ltd.	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
shareholder service agency to deal with shareholder affairs?			to deal with shareholder affairs.	
VII. Information disclosure				
(I) Does the company have a website to disclose both financial standing and the status, of corporate governance?	V		(I) The Company has established the website (www.chipmos.com) to actively disclose information regarding the Company's financial and business, and relevant information can be also found on Market Observation Post System.	None
(II) Does the company have other information disclosure channels (e.g., building an English website, appointing designated people to handle information collection and disclosure, creating a spokesperson system, webcasting investor conferences)?	V		(II) The Company has one spokesperson and one deputy spokesperson, responsible for corporate information disclosed on Market Observation Post System and the Company's website.	None
VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records,	V		(I) Employee rights as well as employee wellness: the Company has implemented the Labor Standards Act and relevant regulations, regularly conducted education and training, and established the Employee Welfare Committee to protect employees' rights and interests. (II) Investor relations: the Company has one	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
the implementation status of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing l insurance for directors and supervisors)?			spokesperson and one deputy spokesperson, responsible for corporate information disclosed on Market Observation Post System and the Company's website, and dealing with recommendations and doubts raised by investors. (III) Supplier relations: the Company has upheld the principle of good faith to maintain the relationship with its suppliers, conducted operations and financial status assessment for the major purchasers to ensure the stability of the purchase, established good relationship with suppliers, and simultaneously developed other possible alternative materials and vendors to increase the flexibility of the source of the purchase. (IV) Rights of stakeholders: the Company has established functions of various departments, and maintained smooth communication channels with the stakeholders such as banks, other creditors, employees, clients and suppliers. (V) Continuing education of directors and	

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
			supervisors: the directors and independent directors of the Company have continued training courses in accordance with relevant regulations. (VI) The implementation status of risk management policies and risk evaluation standards: Under the policy of stable operation, the Company follows government regulations and devotes in reducing possible risks through audit actions conducted by internal auditdepartment. (VII) The implementation status of customer relations policies: Before the engaging in business with others, the Company has taken into account the legality of the clients or other business dealings parties and whether there is any record of dishonesty and avoided transactions with creditors of dishonesty. The Company has produced high-quality products to meet clients' demand for quality and quantity, and maintains good long-term relationship with clients. (VIII) The status of purchasing liability insurance for directors and supervisors: Such information has	

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
			been disclosed on Market Observation Post System.	
IX. Please indicate improvement status of the results of the corporate governance evaluation issued by TWSE Corporate Governance Center for the most recent year and propose matters which should be given priority and measures as for which have not yet improved.	V		Indicate improvement status and propose matters which should be given priority and measures as for which have not yet improved:	None
(I) Does the company's articles of incorporation stipulate that the directors/supervisors' election adopt candidates nomination system?			(I) The Company will handle such matters in accordance with future laws and regulations.	None
(II) Does the company disclose the implementation status of the resolution of the shareholders' meeting in the annual report?			(II) The Company will disclose it in the Company's 2017 annual report.	None
(III) Does the company disclose the investor relations contact person or establish the function to answer shareholders' question on the company's website?			(III) The Company will strengthen the management of the Company's website and implement it in accordance with laws and regulations.	None
(IV) Does the company upload annual report			(IV) The Company will implement it in accordance	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
14 days prior to the shareholders' meeting?			with laws and regulations.	
(V) Does the company upload English annual report 7 days prior to the shareholders' meeting?			(V) The Company will prepare English 2017 annual report and upload it in accordance with laws and regulations.	None
(VI) Does the company upload English shareholders' meeting Notice 30 days prior to the shareholders' meeting?			(VI) The Company will prepare English Shareholders' Meeting notice and upload it in accordance with laws and regulations.	None
(VII) Does the company adopt electronic voting and candidate nomination system of directors/supervisors elections for the shareholders' meeting?			(VII) The Company will handle such matters in accordance with future laws and regulations.	None
(VIII) Does the company upload English handbook and its attachments 21 days prior to the shareholders' meeting?			(VIII) The Company will prepare English 2017 annual report and upload it to Market Observation Post System	None
(IX) Whether the Chairman and the President (chief executive officer) of the company are not the same person or spouse?			(IX) The Company has increased the number of independent directors and established the Audit Committee in accordance with Securities and Exchange Act to maintain the balance of internal power of the Company and comply with regulations of the requirements of the competent authority.	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
(X)Does the company establish and disclose its corporate governance principles?			(X) The Company will handle such matter in accordance with laws and regulations.	None
(XI)Does the company establish and disclose diversified policy of members of the board of directors?			(XI) The Company will handle such matter in accordance with future laws and regulations.	None
(XII) Does the board of directors of the company regularly evaluate the independence of CPAs (at least once a year) and disclose the evaluation process in detail in the annual report?			(XII) The Company will disclose such information in the annual report.	None
(XIII)Does the company regularly (at least annually) implement evaluation of the performance of the Board of Directors and disclose the results on the company's website or annual report?			(XIII) The Company will handle such matter in accordance with future laws and regulations and make timely disclosure.	None
(XIV)Does the company disclose the communication status between the independent directors and the internal audit supervisor or CPAs (such as the communication, matters and results of the company's financial report and			(XIV)The Company has disclosed the communication status between the independent directors and the internal audit supervisor or CPAs in 2017 annual report and on the Company's website.	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
financial business status) on the company's website or annual report?				
(XV)Does the company declare English material information simultaneously?			(XV)The Company has simultaneously declared English material information since November 1, 2016.	None
(XVI)Does the company disclose future R&D projects and estimated R&D expenses in the annual report?			(XVI) The Company has completely disclosed future R&D projects.	None
(XVII)Does the company voluntarily disclose the remuneration of directors and supervisors in the annual report?			(XVII) Based on the principle of personal data protection, the Company has not planned to voluntarily disclose the remuneration of directors and supervisors.	None
(XVIII)Does the company disclose corporate governance information at least including articles of incorporation, corporate governance structure, etc. on the company's website?			(XVIII) The Company will disclose such information on the Company's website in 2017.	None
(XIX)Does the company disclose the full financial report (including financial statements and notes) in English on the company's website or Market			(XIX) The Company has disclosed 2016 financial report on Market Observation Post System.	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
Observation Post System?				
(XX) Does the company disclose specific and explicit dividend policy in the annual report?			(XX)The Company will disclose such information in the annual report.	None
(XXI)Does the company establish corporate social responsibility policies, systems or related management policies, as well as specific implementation plans and effectiveness, and disclose it in the annual report and on the company's website?			(XXI)The Company has prepared corporate social responsibility report and disclosed in the annual report and on the Company's website.	None
(XXII)Does the company establish dedicated (or concurrent) units to promote corporate integrity and regularly report to the board of directors and explain the implementation status on the company's website?			(XXII) The corporate integrity dedicated (or concurrent) department of the Company regularly report to the Board of Directors, but does not disclose status on the Company's website. The Company will strengthen the management of the Company's website.	None
(XXIII)Does the company sign group agreements with employees?			(XXIII) The Company is currently developing and will implement it in accordance with laws and regulations in the future.	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
(XXIV) Does the company establish a designated section on the company's website for stakeholders to understand and respond to critical corporate social responsibility issues of concern to stakeholders?			(XXIV) The Company has not disclosed the complaint hotline information (including the contact person information and contact method) except for investors. The Company will strengthen the management of its website in the future.	None
(XXV) Does the company establish and disclose the prosecution system for insiders and outsiders about unlawful (including corruption) and immoral behavior on the company's website?			(XXV) The Company is currently developing such system and will implement it in accordance with laws and regulations.	None
(XXVI) Has the company been punished by the competent authorities for labor disputes, pollution of the environment, product safety or other major violations of corporate social responsibility?			(XXVI) On April 15, 2016, the Company received the letter as of the same date issued by the Hsinchu County Government (Ref. No.: Fu-Huan-Shui-Tzu 1050103205) with a fine notification (Ref. No: 30-105-040002) for abnormal wastewater discharge by the Company's Zhubei factory on March 4, 2016 due to the malfunction of its wastewater treatment facility. The Hsinchu County Environmental Protection Bureau found that	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
			the number of pH value and suspended solids of the sample and tested water exceeded the effluent standards and thus considered that the Company violated Paragraph 1, Article 7 and Paragraph 4, Article 18-1of the Water Pollution Control Act and imposed on the Company the administrative fine of NT$4,158,000. The Company has strengthened the control and training of daily production lines and factory operations to avoid similar environmental incidents.	

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

1 The 3rd Remuneration Committee

Title	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	
Independent Director	Tai-Haur Kuo	V		V	V	V	V	V	V	V	V	V	1
Independent Director	Yuh-Fong Tang			V	V	V	V	V	V	V	V	V	1
Independent Director	Chin-Shyh Ou	V	V	V	V	V	V	V	V	V	V	V	1

Note:

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

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates (the same does not apply if the person is an independent director of the Company or its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of more than one percent of Company's total outstanding shares or ranks as one of Company's top ten shareholders;
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds more than five percent of Company's total outstanding shares or ranks as one of its top five shareholders;.
6. Not a director, supervisor, officer, or shareholder holding more than five percent of the total outstanding

shares of a specified company or institution that has a financial or business relationship with the Company;

7. Not a professional individual who is an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not having any of the situations set forth in Article 30 of the Company Act.

2. Operation of the Remuneration Committee

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

(2)The purpose of the Remuneration Committee:

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

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

(3)Members: The Remuneration Committee includes three members who are also independent directors with voting rights.

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

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

(V) Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx listed Companies and Reasons
	Yes	No	Abstract Illustration	
I. Corporate Governance Implementation				
(I) Does the company establish corporate social responsibility policy or system and examine the results of the implementation?	V		(I) The Company introduced Electronic Industry Code of Conduct (EICC) in 2011. EICC includes standards related to labor, health and safety, environmental protection, corporate governance, and business ethics issues. The purpose of EICC is to ensure the safety of the work environment of the electronics industry supply chain, to enable employees to work with dignity, and to take responsibility for environmental protection. EICC is one of the social responsibility standards for current electronics industry.	None of significant deviation
(II) Does the company provide educational training on coporate social responsibility on a regual basis?	V		(II) The orientation training of the Company includes EICC training program, and EICC training is held for employees every year.	None of significant deviation
(III) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility	V		(III) In 2014, the Company established dedicated staff in charge of corporate social responsibility under the "Human Resources Division/ Organization Planning Office," cooperated with other relevant business	None of significant deviation

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx listed Companies and Reasons
	Yes	No	Abstract Illustration	
policies and reporting to the board?			departments, aggregated corporate governance, information disclosure, environmental safety and promoted public welfare activities, reviewed implementation results, continuously improved practices, and regularly reported to the management to ensure the implementation of social responsibility policy. The Board of Directors adopted "Corporate Social Responsibility Best Practice Principles" in 2013 and revised it in 2015 to authorize the senior management to ensure the implementation of corporate social responsibility policies and report implementation status to the Board of Directors.	
(IV) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	V		(IV) The Company has established a reasonable salary and remuneration policy and a clear and effective evaluation system. The salary verification of employee is based on his/her position, academic background, professional knowledge and technology, professional work experience, instead of gender, political position, race, religion, marriage status or other conditions, and is superior to or in compliance with the local labor laws regarding salary. The	None of significant deviation

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx listed Companies and Reasons
	Yes	No	Abstract Illustration	
			Company regularly implements performance management through an open performance evaluation system, which applies to all the employees and would not vary because of gender.	
II. Sustainable Environment Development (I) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		(I) The Company established a management mechanism for the re-use and recycling of electricity, water resources and materials, and has continued to improve the efficiency of the supply facilities to reduce the demand for electricity and fuel, such as air conditioning energy saving, installation of energy saving lighting (LED), promoting the process of improving energy saving. The Company has received labels of green building and green factory in order to reduce the load of the environment to achieve continuous improvement.	None of significant deviation
(II)Does the company establish a proper environmental management system based on the characteristics of their industries?	V		(II)To enhance the level of environmental management and fulfill the responsibility of corporate citizenship, the Company passed the examination of ISO140001 environmental management system and promoted QC-080000 products without hazardous substances	None of significant deviation

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx listed Companies and Reasons
	Yes	No	Abstract Illustration	
(III) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	V		management system certification to meet international trends and clients' needs since 1997. The Company passed the examination of Environmental Protection Administration and was rewarded 25th Enterprise Environmental Protection Award in 2016. (III) The Company paid attention to the impact of climate change on operational activities. In addition to the implementation of greenhouse gas inventory annually since 2013, the Company promoted the energy-saving measures, introduced the energy management system, and passed the examination of ISO50001. In response to clients and meet their expectations of low-carbon products, the Company continued to implement product carbon footprint and water footprint inventory to reduce the emission of product carbon.	None of significant deviation
III.Preserving Public Welfare (I)Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(I) The Company complied with local labor laws and , according to the international labor and human rights standards of "Electronic Industry Code of Conduct" (EICC), incorporated humanized management,	None of significant deviation

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx listed Companies and Reasons
	Yes	No	Abstract Illustration	
			developed written employee policies and published it in the company's employee bulletin board so that employees may query and understand. Human resources management center also kept abreast of the amendment to labor laws, timely adjusted management system, so that all the employees' labor rights and interests would be protected.	
(II) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	V		(II) The Company established a physical and electronic employee suggestion box and regularly held the labor-management meetings and meetings of the employee welfare committee to act as a conduit for employees opinions. The Company processed in accordance with relevant management regulations when the Company received such opinion.	None of significant deviation
(III)Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		(III)In addition to that the Company established policies to protect employees' safety and health, the Company promoted the OHSAS18001 safety and health management system to enhance employees' safety. The Company provided employees with free health examinations and health promotion activities, and was awarded "Healthy Working Environment	None of significant deviation

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx listed Companies and Reasons
	Yes	No	Abstract Illustration	
			Certification" and awarded groups and individuals of weight loss performance by the National Health Bureau	
(IV) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	V		(IV) The Company regularly held labor-management meetings and meetings of the employee welfare committee to handle employee's opinions of significant changes in the Company's operation.	None of significant deviation
(V) Does the company provide its employees with career development and training sessions?	V		(V) The Company offered a complete six category of courses, so that each employee at all stages has comprehensive training opportunities, and provided employees with subsidies to participate in external training courses. The Company provided employees with rich and diverse internal and external resources so that employees' careers have opportunities to grow. 1. New employee orientation: to enhance the understanding of the Company's product organization, business direction and core values of understanding and recognition 2. Engineering technology: in line with the strategic direction of to establish engineering and technical	None of significant deviation

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx listed Companies and Reasons
	Yes	No	Abstract Illustration	
			courses in order to lay a professional cornerstone and enhance the knowledge; to establish the Company's BU learning blueprint with the concept of development of engineer's professional ability and to establish systematic training courses, and to promote the effective inheritance of knowledge and experience. 3. Quality management: to promote the Company's quality system. 4. Environmental safety and work health: to make employee acquire qualified license and have related knowledge of right working environmental safety. 5. Leadership management: according to the management's required management behavior and function, in line with the company's annual policy and expectation, and as the base of learning and development planning. 6. Work performance: to provide employee with the training of relevant skills required for work in order to enable them to work fully by using what they learned.	

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx listed Companies and Reasons
	Yes	No	Abstract Illustration	
(VI)Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	V		(VI) Client satisfaction has been one of the key metrics in the ongoing development of the Company. Through client reviews / feedback and annual client satisfaction surveys, we were fully aware of our clients' expectations for the Company and provided the management and related divisions with such information after analysis and integration, and developed countermeasures for shortcomings and improved them. The Company also established a complete client complaint handling system, and an exclusive dedicated unit directly to the client to understand complaints and in the shortest possible time to integrate the resources within the facilities to propose analysis report and effective measures to prevent recurrence of the incident.	None of significant deviation
(VII)Does the company advertise and label its goods and services according to relevant regulations and international standards?	V		(VI) The Company passed many international standards, including ISO/TS16949, ISO9001, QC080000, ISO14001, ISO5001, and ISO27001.	None of significant deviation
(VIII)Does the company evaluate the records of suppliers' impact on the environment and			(VIII) When evaluating new suppliers, the Company follows the purpose of the EICC and the relevant	None of significant deviation

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx listed Companies and Reasons
	Yes	No	Abstract Illustration	
society before taking on business partnerships?			guidelines to investigate whether it has the concept of environmental protection and corporate responsibility, good corporate citizenship, and whether there is any record of environmental and social impact. The supplier would be asked to report and improve the results, and confirm the current actual implementation if the supplier has related records.	
(IX)Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?			(IX) When assessing the major suppliers, CSR will be listed as one of the major considerations for the selection. Upon inclusion of the list of qualified suppliers, the Company would require the suppliers to issue a relevant affidavit and statement indicating that it meets the requirements of the Company and attaches it to the transaction contract. In the event that the suppliers violated corporate social responsibility policy and had a significant impact on the environment and society, the Company would initiate a punitive transfer order or immediately terminate the transaction based on the seriousness of the circumstances.	None of significant deviation

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx listed Companies and Reasons
	Yes	No	Abstract Illustration	
IV. Enhancing Information Disclosure (I) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System?	V		(I) The Company has established a corporate social responsibility website (http://www.chipmos.com.tw/english/csr/overview.aspx) on the Company's website to disclose relevant information of corporate social responsibility with relevance and reliability and provided an electronic version of the "Corporate Social Responsibility Report" and uploaded it to Market Observation Post System to strengthen communication with stakeholders.	None of significant deviation
V.If the company has established the corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", please describe any deviation between the Principles and their implementation: The Company has established Corporate Social Responsibility Best Practice Principles on August 13, 2013 and revised it on March 12, 2015. The relevant operations were in accordance with the purpose of corporate social responsibility.				
VI. Other important information to facilitate better understanding of the company's corporate social responsibility practices: The Company actively participated in social environmental welfare activities, took the initiative to participate in the environmental protection activities organized by the competent authorities, such as beach cleansing, encouraging employees to enter the community to clean the street, helping charity clean the environment, environmental protection propaganda, donation of materials, blood donation, long-term adoption of Hsinchu science park sports park and air quality purification area. For three consecutive years from 2014 to 2016 the Company was awarded "Excellent organization of adoption of air quality purification area" by the Environmental Protection Agency.				

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx listed Companies and Reasons
	Yes	No	Abstract Illustration	
VII. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: 1. The Company's Corporate Social Responsibility Report followed the quality principles required by GRI G4 and was prepared in accordance with the three principles of accountability, responsiveness and responsiveness of the AA 1000 Accountability Principle Standard (APS). To ensure transparency of information disclosure, the report has been verified by the BSI PACIFIC LIMITED and met the GRI G4 core requirements and the AA 1000AS: 2008 TYPE I level. 2.ISO 14001 Environmental management system certificate (Verification agency: TUV NORD) 3.OHSAS 18001 Occupational safety and health management system certificate (Verification agency: TUV NORD) 4.ISO 14064 Greenhouse gas inventory certificate (Verification agency: SGS) 5.ISO 50001 Energy management certificate (Verification agency: SGS) 6. SONY Green Partner certificate (Verification agency: SONY) 7. QC080000 (Verification agency: TUV NORD) 8. ISO/TS 16949 (Verification agency: TUV NORD) 9. ISO9001(Verification agency: TUV NORD) 10. ISO27001(Verification agency: TUV NORD)				

(VI) Ethical Corporate Management:

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
I.Establishment of ethical corporate management policies and programs				
(I) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board and management to implement the policies?	V		(I) The Company has established "Ethical Corporate Management Best Practice Principles" and asked the Board of Directors, the management, and all the employees to comply with it. The Company also disclosed aforementioned on the Company's website.	None of deviation
(II)Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	V		(II) The Company has established "Procedures for Ethical Management and Guidelines for Conduct", "Whistleblower Protection Policy" and "Ethical Work Regulation" and asked the Board of Directors, the management, and all the employees to comply with the foregoing regulations.	None of deviation
(III) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7,of the "Ethical Corporate Management Best-Practice	V		(III) The Company has taken appropriate precautionary measures against the business activities with the risk of bad faith.	None of deviation

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
Principles for TWSE/TPEx Listed Companies"?				
II. Fulfill operations integrity policy				
(I) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		(I) The Company has assessed the integrity records of counterparties and included the terms of integrity conduct in the contracts with them.	None of deviation
(II) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	V		(II) The Company's Audit Office was responsible for promoting corporate integrity and regularly reported its implementation status to the Board of Directors.	None of deviation
(III) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(III) The Company has established conflict prevention policy and provided appropriate statements hotline for employees and external counterparties.	None of deviation
(IV) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	V		(IV) The Company has established an effective accounting system and internal control system, and was regularly checked by internal auditing unit.	None of deviation
(V) Does the company regularly hold internal and external educational trainings on operational	V		(V) The Company has regularly held internal and external education and training of regarding	None of deviation

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
integrity?			corporate integrity.	
III.Operation of intergrity channel				
(I) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		(I) The Company has established "Whistleblower Protection Policy" and established an exclusive dedicated unit to deal with the alleged misconduct.	None of deviation
(II) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	V		(II) The Company has established "Whistleblower Protection Policy" and established an exclusive dedicated unit to deal with the alleged misconduct.	None of deviation
(III) Does the company provide proper whistleblower protection?	V		(III)The Company has established "Whistleblower Protection Policy" and established an exclusive dedicated unit to deal with the alleged misconduct.	None of deviation
IV. Strengthening information disclosure				
(I) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and Market Observation Post System?	V		(I) The Company has disclosed "Ethical Corporate Management Best Practice Principles" and its implementation results on the Company's website and Market Observation Post System.	None of deviation
V.If the company has established the ethical corporate management policies based on the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies," please describe any discrepancy between the policies and their implementation.				

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
The Company disclosed relevant information on Market Observation Post System.				
VI. Other important information to facilitate a better understanding of the company's ethical corporate management policies: (e.g., review and amend its policies) The Company has established Ethical Corporate Management Best Practice Principles and regularly reviewed it.				

(VI) If the Company Has Established Corporate Governance Principles and Related Guidelines, Disclose the Means of Accessing this Information:
The Company disclosed relevant information on Market Observation Post System.

(VII) The Company Shall Disclose Other Significant Information Which May Improve the Understanding of Corporate Governance and Operation:
None.

(IX) Implementation of internal control system

1. Statement of Internal Control

ChipMOS TECHNOLOGIES INC.
Statement of Internal Control

Date: March 9, 2017

In 2016 the Company conducted an internal audit of its internal control system and hereby declares the following:

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

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

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

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

V. Based on the findings of the aforementioned examination, the Company believes it can reasonably assure that the design and implementation of its internal control system as of December 31, 2016 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.

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

VII. This statement was approved by the Board of Directors on March 9, 2017 in the presence of 8 directors, who concurred unanimously.

ChipMOS TECHNOLOGIES INC.

Chairman and President: Shih-Jye Cheng Signature

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

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

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

1. The major resolutions approved by the 24th meeting of the 7th Board of Directors (January 21, 2016) are as follows:
   (1) The merger between the Company and ChipMOS TECHNOLOGIES (Bermuda) LTD.
   (2) Proposal for the Company to increase capital and issue common shares for the merger to participate in issuing American depository shares.
2. The major resolutions approved by the 25th meeting of the 7th Board of Directors (February 4, 2016) are as follows:
   (1) The price for investor to subscribe common shares issued by the Company through private placement after the increase in capital.
   (2) Resolution for the Company to increase its investment in its subsidiary, ChipMOS TECHNOLOGIES (BVI) LTD.
   (3) Resolution for the Company to repurchase treasury shares as the source of shares to be transferred to employees.
3. The major resolutions approved by the 27th meeting of the 7th Board of Director (March 10, 2016) are as follows:
   (1) Adoption of the Company's 2015 report of impairment loss on assets.
   (2) Adoption of the Company's 2015 statement of internal control.
   (3) Adoption of 2015 distribution of compensation to employees, directors, and supervisors.
   (4) Adoption of the Company's 2015 business report and financial statements.
   (5) Adoption of the 2015 earning distribution plan.
   (6) Resolution regarding re-election of the next (8th) directors and independent directors in 2016 annual shareholders' meeting.
   (7) Resolution regarding the nomination of independent director candidates for re-election in 2016 annual shareholders' meeting.
   (8) Resolution to release restrictions under Article 209 of the Company Act regarding non-compete of new director-elect.
   (9) Resolution to convene 2016 annual shareholders' meeting.
   (10) Resolution to reduce capital and cancel redeemed issued new restricted employee

shares.

(11)Resolution to release restrictions under Article 32 of the Company Act regarding non-compete of personnel being appointed as investees' director and Vice President Shou-Kang Chen as the Company's manager.

4. The major resolutions approved by the 28th meeting of the 7th Board of Director (April 18, 2016) are as follows:
   (1) Resolution regarding the evaluation of the independence of Company's CPAs, the engagement of external independent CPAs of 2016 and their service and service fees.
   (2) Resolution regarding the review of the independent director candidate name list for 2016 annual shareholders' meeting.
   (3) Resolution of the Company to issue new restricted employee shares.
5. The major resolutions approved by the 29th meeting of the 7th Board of Director (May 12, 2016) are as follows:
   (1) Company's consoli financial report of 2016 Q1.
   (2) Resolution to reduce capital and cancel redeemed issued new restricted employee shares.
   (3) Resolution for the Company to repurchase treasury shares as the source of shares to be transferred to employees.
   (4) Execution of the Technology Transfer and License Agreement with ChipMOS TECHNOLOGIES (Shanghai) LTD.
6. The major resolutions approved by the 2nd meeting of the 8th Board of Directors (June 21, 2016) are as follows:
   (1) Resolution to convene the 2nd extraordinary shareholders' meeting in 2016.
   (2) Resolution to release restrictions under Article 32 of the Company Act regarding non-compete of Vice President Shou-Kang Chen as the Company's manager.
7. The major resolutions approved by the 3rd meeting of the 8th Board of Directors (July 11, 2016) are as follows:

   Resolution to release restrictions under Article 32 of the Company Act regarding non-compete of Vice President Ming-Cheng Lin as the Company's manager.
8. The major resolutions approved by the 4th meeting of the 8th Board of Directors (August 10, 2016) are as follows:
   (1) Company's consoli financial report of 2016 Q2.
   (2) Resolution to reduce capital and cancel redeemed issued new restricted employee shares.
9. The major resolutions approved by the 6th meeting of the 8th Board of Directors (October 20, 2016) are as follows:
   (1) Resolution to (i) appoint October 31, 2016 as the record date of the merger between the Company and ChipMOS TECHNOLOGIES (Bermuda) LTD. (hereinafter be

referred to as " ChipMOS Bermuda"); and (ii) to increase the capital to issue common shares for the merger to participate in issuing American depository shares and cancel the Company's 522,080,358 common shares held by ChipMOS Bermuda on the record date.

(2) Resolution to dismiss the R&D supervisor, Executive Vice President Li-Chun Li.

(3) Appointment of Chao-Tung So as the new R&D supervisor.

10. The major resolutions approved by the 7th meeting of the 8th Board of Directors (November 10, 2016) are as follows:

(1) Company's consoli financial report of 2016 Q3.

(2) Adjustment of estimated useful life for certain facilities and machinery equipment.

(3) The 2017 audit plan.

(4) Amendments to "Procedures for Ethical Management and Guidelines for Conduct".

(5) Resolution to reduce capital and cancel redeemed issued new restricted employee shares.

(6) Resolution to designate December 3, 2016 as the ex-dividend date.

(7) Resolution to change the number of 8th directors.

11. The major resolutions approved by the 8th meeting of the 8th Board of Directors (November 30, 2016) are as follows:

(1) Resolution to terminate private placement and the Share Subscribe Agreement and relevant transaction documents entered into between the Company and Tsinghua Unigroup and Tibet MaoYeChuangXin Investment LTD. respectively.

(2) Resolution for the Company to authorize its subsidiary ChipMOS TECHNOLOGIES (BVI) LTD. to (i) dispose 54.9758% of ChipMOS TECHNOLOGIES (Shanghai) LTD.'s equity interest held by it, and (ii) increase capital of ChipMOS TECHNOLOGIES (Shanghai) LTD.

(3) Resolution to appoint directors, supervisors, and presidents of ChipMOS TECHNOLOGIES (Shanghai) LTD. and release restrictions under Article 32 of the Company Act regarding non-compete of the foregoing personnel as the Company's manager.

12. The major resolutions approved by the 9th meeting of the 8th Board of Directors (January 19, 2017) are as follows:

(1) Appointment of Lien-Fa Cho as Senior Executive Vice President of the Operation Manufacturing Center and Chief Operating Officer.

(2) Resolution to release restrictions under Article 32 of the Company Act regarding non-compete of Vice President Teng-Yueh Tsai, who is appointed as the Vice President of ChipMOS TECHNOLOGIES (Shanghai) LTD.

(3) Execution of the Second Addendum to Technology Transfer and License Agreement with ChipMOS TECHNOLOGIES (Shanghai) LTD.

13. The major resolutions approved by the 10^{th} meeting of the 8^{th} Board of Directors (March 9, 2017) are as follows:
   (1) Adoption of the Company's 2016 asset impairment report.
   (2) Adoption of the Company's 2016 statement of internal control.
   (3) Adoption of 2016 distribution of compensation to employees, directors, and supervisors.
   (4) Adoption of the Company's 2016 business report and financial statements.
   (5) Adoption of the 2016 earning distribution plan.
   (6) Distribution in cash to shareholders from capital surplus generating from share premium.
   (7) Amendments to the Articles of Incorporation.
   (8) Amendments to the Company's "Operational Procedures for the Acquisition or Disposal of Assets."
   (9) Resolution regarding the evaluation of the independence of Company's CPAs and the engagement of external independent CPAs of 2017.
14. The major resolutions approved by the resolutions of the 11^{th} meeting of the 8^{th} Board of Directors (March 16, 2017) are as follows:
   (1) Company's summary consoli financial forecast for 2017 1Q.
15. The major resolutions adopted by the 1^{st} extraordinary shareholders' meeting in 2016:
   (1) Resolution regarding amendment to Articles of Incorporation
   The Company has completed the registration of change.
   (2) Resolution regarding private placement of common shares
   The extraordinary shareholders' meeting adopted a resolution to proceed with a private placement of common shares on January 28, 2016. After taking subjective and objective factors into consideration, the Company and Tsinghua Unigroup reached a consensus through amicable negotiation and agreed to terminate the Share Subscription Agreement and relevant transaction documents between both parties. Therefore, the Company made an early termination of the private placement and had executed a termination agreement with Tsinghua Unigroup. Both parties agreed to terminate the Share Subscription Agreement and Strategic Alliance Agreement executed on December 11, 2015. The Company also executed a termination agreement with Tibet MaoYeChuangXin Investment LTD. to terminate the Share Subscription Agreement executed on February 25, 2016. This item has been approved by the Audit Committee and adopted by the Board of Directors to terminate the private placement on November 30, 2016 and is hereby reported at the shareholders' meeting.
16. The major resolutions adopted by the 2016 annual shareholders' meeting:
   (I)Matters for Ratification
   (1) Adoption of 2015 financial reports.
   (2) Adoption of 2015 earnings distribution plan.

The Company has completed earrings distribution plan on December 9, 2015.

(II)Matters for Discussion

(1) To re-elect eleven directors of the 8th directors (including independent directors).

The Company has completed the registration of change.

(III)Other Proposals

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

17. The major resolutions adopted by the 2nd extraordinary shareholders' meeting in 2016:

The merger between the Company and ChipMOS TECHNOLOGIES (Bermuda) LTD.

The merger between the Company and its parent company, ChipMOS TECHNOLOGIES (Bermuda) LTD., has been approved by the Financial Supervisory Commission per its letter (Ref. No. Jin-Guan-Zheng-Fa-Tzu 1050040887) October 20, 2016. Each party at its October 20, 2016 meeting of Board of Directors set October 31, 2016 as the record date of the merger. As of the date hereof, both parties have completed the merger and all operations are functioning smoothly.

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

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

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Executive Vice President of New Production Development Management Center	Li-Chun Li	January 19, 2010	January 18, 2017	(1) The Company dismissed his position of R&D supervisor for Li-Chun Li's personal reasons on November 1, 2016, but still maintained his title of executive vice president. (2) He applied for unpaid leave since January 18, 2017 and he was exempted from the title of Executive Vice President by the Company on the date of suspension.

V. Information Regarding Audit Fee

(I) Audit Fee

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
PricewaterhouseCoopers (PwC) Taiwan	Chun-Yuan Hsiao	Chih-Cheng Hsieh	January 1, 2016 ~ December 31, 2016	

Unit: NT$ thousands

Scale \ Fee category		Audit Fee	Non-audit Fee	Total
1	Under NT$2,000,000		V	920
2	NT$2,000,000 ~ NT$4,000,000			
3	NT$4,000,000 ~ NT$6,000,000			
4	NT$6,000,000 ~ NT$8,000,000			
5	NT$8,000,000 ~ NT$10,000,000			
6	Over NT$10,000,000	V		24,820

Unit: NT$ thousands

Accounting Firm	Name of CPA	Audit fee	Non-audit fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
PricewaterhouseCoopers (PwC) Taiwan	Chun-Yuan Hsiao Chih-Cheng Hsieh	23,900 (Note 1)	--	--	--	920 (Note 2)	24,820	January 1, 2016 ~ December 31, 2016	

Note1: Foregoing audit fee includes NT$7,100 thousand for the attestation of financial statements related to the merger filed by the Company with United States SEC.

Note2: The non-audit fee is for the following services: (i) filing application with the Securities and Futures Bureau for the three-year proposed consolidated financial statements in respect of the merger, costed for NT$470 thousand; and (ii) the transfer pricing report, costed for NT$ 450 thousand.

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

(III) When the audit fees paid for the current fiscal year are lower than those for the preceding fiscal year by 15% or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None.

VI. Replacement of CPA

(I) Regarding the Former CPA

<table>
<tr><td>Replacement Date</td><td colspan="4">August 28, 2015</td></tr>
<tr><td>Replacement reasons and explanations</td><td colspan="4">Due to the Company's internal management needs, Chuan-Jhen Jwo and Chia-Hung Wu of Moore Stephens Taiwan were replaced by Chun-Yuan Hsiao and Chih-Cheng Hsieh of PricewaterhouseCoopers (PwC) Taiwan.</td></tr>
<tr><td rowspan="3">Describe whether the Company terminated or the CPA did not accept the appointment</td><td colspan="2">Party
Situation</td><td>CPA</td><td>The Company</td></tr>
<tr><td colspan="2">Termination of appointment</td><td>--</td><td>V</td></tr>
<tr><td colspan="2">No longer accepted (continued) appointment</td><td>--</td><td>--</td></tr>
<tr><td>Other issues (except for unqualified issues) in the audit reports within the last two years</td><td colspan="4">None</td></tr>
<tr><td rowspan="6">Differences with the company</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial reports</td></tr>
<tr><td></td><td colspan="2">Audit scope or step</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td>None</td><td colspan="3">v</td></tr>
<tr><td colspan="4">Remarks/specify details: --</td></tr>
<tr><td>Other Revealed Matters
(The matters which shall be disclosed according to Item 1-4 to 1-7, Paragraph 6, Article 10 of the Regulations)</td><td colspan="4">None</td></tr>
</table>

(II) Regarding the Successor CPA

2015:

Name of Accounting Firm	PricewaterhouseCoopers (PwC) Taiwan
Name of CPA	Chun-Yuan Hsiao Chih-Cheng Hsieh
Date of appointment	August 28, 2015
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	Not applicable
Succeeding CPA’s written opinion of disagreement toward the former CPA	Not applicable

(III) The Former CPA's Reply Letter of Item 1 and 2-3, Subaragraph 6, Article 10 of Regulations Governing Information to be Published in Annual Reports of Public Companies: Not applicable.

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

VIII. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

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

Title	Name	2016		2017 As of March 31	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director/Major shareholder	ChipMOS TECHNOLOGIES (Bermuda) LTD.	(522,080,358)	—	—	—
Major shareholder	Siliconware Precision Industries Co., Ltd.	—	—	—	—
Chairman/ President	Shih-Jye Cheng	240,000	—	—	—
Director	Wen-Ching Lin	—	—	—	—
Director	Yu-Hu Liu	—	—	—	—
Independent director	Chin-Shyh Ou	—	—	—	—
Independent director	Yuh-Fong Tang	—	—	—	—
Independent director	Tai-Haur Kuo	—	—	—	—
Senior Executive Vice President & Chief Operating Officer	LaFair Cho	36,000	—	—	—
Vice President, Memory Production Department	Wu-Hung Hsu	30,000	—	—	—
Vice President, LCDD Production Department	Yuan-Feng Hsu	36,000	—	—	—
Vice President, Wafer Bumping Production Department	Yung-Wen Li	36,000	—	—	—
Vice President, APG Production Department	Kuo-Liang Huang	36,000	—	—	—
Vice President, Strategy and Investor Relations	Wei Wang	21,000	180,000	—	
Vice President, Finance & Accounting Management Center	Shou-Kang, Chen	60,000	—	10,000	—
Vice President, Human Resource Division	Yu-Ying Chen	36,000	—	—	—
Vice President, Q.R.A Center	Teng-Yueh Tsai	36,000	—	—	—

Title	Name	2016		2017 As of March 31	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Vice President, Testing Production Department	Chen-Fang Huang	30,000	—	—	—
Vice President, Marketing Department	Ming-Cheng Lin	(13,000)	—	—	—
Vice President, I.T.M Center	Chang-Lung Li	36,000	—	—	—
Vice President	Yao-Zhou Yang	30,000	—	—	—
Senior Director, New Production Development Management Center	Chao-Tung So	—	—	—	—
Senior Manager, Internal Audit	Chi-Pei Cho	13,000	—	—	—
Special Assistant	Pei-Chuan Ku				

(II) Shares Trading with Related Parties: None.
(III) Shares Pledge with Related Parties): None.

IX. Relationship among the Top Ten Shareholders:

Unit: share

Name	Current Shareholding		Spouse's / minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees of Kinship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
First Bank in its capacity as Master Custodian for Custodial Account of ChipMOS' American Depositary Shares	380,941,160	42.95%	-	-	-	-	None	None	-
Siliconware Precision Industries Co., Ltd.	132,775,000	14.97%	-	-	-	-	None	None	-
Citibank (Taiwan) in its capacity as Master Custodian for Investment Account of GIC Pte Ltd. (Singapore)	39,323,000	4.43%	-	-	-	-	None	None	-
Fubon Life Insurance Co., Ltd.	16,100,000	1.82%	-	-	-	-	None	None	-
Taiwan Life Insurance Co., Ltd.	13,483,000	1.52%	-	-	-	-	None	None	-
Cathay Life Insurance Co., Ltd.	12,639,000	1.43%	-	-	-	-	None	None	-
Tai Shin Bank in its capacity as Master Custodian for Trust Account of ChipMOS' Restricted Shares (2015-1 issued)	11,584,000	1.31%					None	None	-
Investment Account of Government of Singapore Investment Corp.	7,358,000	0.83%	-	-	-	-	None	None	-
Chao-Jung Tsai	6,000,000	0.68%	-	-	-	-	None	None	-
HSBC in custody for Investment Account of UBS	5,832,956	0.66%					None	None	

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

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

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

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

December 31, 2016 (Unit: share)

Investee (Note)	Investment by the Company (A)		Investments by directors, supervisors, managers and directly or indirectly controlled enterprises (B)		Combined investment (A+B)	
	Shares	%	Shares	%	Shares	%
ChipMOS U.S.A., Inc.	3,550,000	100.00%	-	-	3,550,000	100.00%
ChipMOS TECHNOLOGIES (BVI) LTD.	2,370,242,975	100.00%	-	-	2,370,242,975	100.00%
ChipMOS TECHNOLOGIES (Shanghai) LTD.	Note	100.00%	Note	-	Note	100.00%
JMC Electronics Co., Ltd.	19,100,000	21.22%	-	-	19,100,000	21.22%

Note: No issued shares as a limited company.

IV. Capital Raising

I. Capital and Shares

(I) Sources of Capital

1. Process of Capital Formation

Unit: NT$ thousands; thousand shares

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

Month, Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Others
August, 2016	10	970,000	9,700,000	896,796	8,967,963	Cancellation of redeemed new restricted employee shares	None	Note 18
October, 2016	10	970,000	9,700,000	887,121	8,871,213	Merger with ChipMOS TECHNOLOGIES (Bermuda) LTD.	None	Note 19
November, 2016	10	970,000	9,700,000	886,966	8,869,663	annulment of new restricted employee shares	None	Note 20
March, 2017	10	970,000	9,700,000	886,839	8,868,393	Cancellation of redeemed new restricted employee shares	None	Note 21

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

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

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

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

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

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

Note. 7: On December 19, 2005, Chantek Electronic Co., Ltd. was merged into the Company, approved by the letter issued by the Science Park Bureau (Ref. No. Yuan-Shang-Tzu-0940035396).

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

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

Note. 10: On January 9, 2009, the Company cancelled 1,486,257 treasury shares which did not transfer to employees in accordance with the Company Act. After such cancellation, Company's paid-in capital was NT$8,857,606,260, approved by the letter issued by the Science Park Bureau (Ref. No. Yuan-Shang-Tzu-098000010).

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

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

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

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

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

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

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

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

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

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

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

2. Type of Stock

March 28, 2017

Share Type	Authorized Capital			Remark
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	886,839,261	83,160,739	970,000,000	

Note: The shares are listed on stock exchange.

(II) Status of Shareholders

March 28, 2017

Composition of Shareholders / Amount	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions &Natura Persons	Total
Number of shareholders	—	7	79	23,374	104	23,564
Shareholding (shares)	—	48,051,000	195,439,785	177,833,595	465,514,881	886,839,261
Percentage	—	5.42%	22.04%	20.05%	52.49%	100.00%

(III) Distribution of Shareholding

1. Common Shares

March 28, 2017

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (shares)	Percentage (%)
1 ~ 999	5,185	1,487,445	0.17
1,000~ 5,000	13,150	29,504,565	3.33
5,001~ 10,000	2,592	21,842,743	2.46
10,001~ 15,000	674	8,907,147	1.00
15,001~ 20,000	633	12,012,670	1.35
20,001~ 30,000	445	11,786,665	1.33
30,001~ 40,000	243	8,912,813	1.01
40,001~ 50,000	168	7,951,638	0. 9
50,001~ 100,000	262	19,289,352	2.18
100,001~ 200,000	103	14,794,666	1.67
200,001~ 400,000	45	12,180,553	1.37
400,001~ 600,000	18	8,815,800	0.99
600,001~ 800,000	6	4,399,716	0.50
800,001~ 1,000,000	6	5,609,720	0.63
Above 1,000,001	34	719,343,768	81.11
Total	23,564	886,839,261	100.00

2. Preferred Shares: None.

(IV)List of Major Shareholders

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

March 28, 2017

Shareholder's Name	Shareholding (shares)	Shareholding Percentage (%)
First Bank in its capacity as Master Custodian for Custodial Account of ChipMOS' American Depositary Shares	380,941,160	42.95%
Siliconware Precision Industries Co., Ltd.	132,775,000	14.97%
Citibank (Taiwan) in its capacity as Master Custodian for Investment Account of GIC Pte Ltd. (Singapore)	39,323,000	4.43%
Fubon Life Insurance Co., Ltd.	16,100,000	1.82%
Taiwan Life Insurance Co., Ltd.	13,483,000	1.52%
Cathay Life Insurance Co., Ltd.	12,639,000	1.43%
Tai Shin Bank in its capacity as Master Custodian for Trust Account of ChipMOS' Restricted Shares (2015-1 issued)	11,584,000	1.31%
Investment Account of Government of Singapore Investment Corp.	7,358,000	0.83%
Chao-Jung Tsai	6,000,000	0.68%
HSBC in custody for Investment Account of UBS	5,832,956	0.66%

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

Unit: NT$ thousand/thousand shares

Item \ Year		2015	2016	Current Year as of March 31, 2017 (Note 6)
(Note 1)	Highest	52.10	35.50	27.6
	Lowest	26.80	22.65	24.15
	Average	38.65	30.59	25.27
Net Worth per Share	Before Distribution	21.33	19.26	—
	After Distribution	19.33	—	—
Earnings Per Share	Weighted Average Shares	877,402	859,644	—
	Diluted Earnings Per Share	2.54	1.78	

Item		Year	2015	2016	Current Year as of March 31, 2017 (Note 6)
	Adjusted Diluted Earnings Per Share		(0.33)	(0.35)	—
Dividends Per Share	Cash Dividends		2.09224383	(Note 5)	—
	Share Dividend	Dividends from Retained Earnings	—	—	—
		Dividends from Capital Surplus	—	—	—
	Accumulated Undistributed Dividend		—	—	—
Analysis of Return on Investment	Price/Earnings Ratio (Note 2)		15.22	17.19	—
	Price/Dividend Ratio (Note 3)		18.49	(Note 5)	—
	Cash Dividend Yield Rate (Note 4)		0.05	(Note 5)	—

Note 1: The source of foregoing information is the website of Taiwan Stock Exchange.

Note 2: Price/Earnings Ratio = Average Market Price / Earnings Per Share

Note 3: Price/Dividend Ratio = Average Market Price / Cash Dividends Per Share

Note 4: Cash Dividend Yield = Cash Dividends Per Share / Annual Average Market Price

Note 5: On March 9, 2017, the Board of Directors adopted the 2016 earnings distribution plan, stipulated that each share is distributed NT$0.3 cash dividend with another NT$0.7 in cash from the capital surplus generating from share premium to shareholders. This plan has not yet been ratified by the Shareholders' Meeting.

Note 6: As of the date of publication of the annual report, the most recent consolidated financial report dated March 31, 2017 has not yet been approved by the Board of Directors nor reviewed by certified public accountants. Other fields shall be filled with the information of the current year as of the date of publication of the annual report.

(VI) Dividend Policy and Implementation Status

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

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

A proposal on the distribution of dividends shall be submitted by the Board of Directors annually to the Shareholders' Meeting, and be based on factors such as past years' profit, the current and future investment environment, the

Company's capital needs, competition in the domestic and foreign markets, and budgets, with an aim to pursuing shareholders' interests and balancing the dividend distribution and the long-term financial plan of the Company. The distribution of profits of the Company can be made in the form of cash dividends or stock dividends, provided that the cash dividend shall account for at least 10% of the total profit distributed as dividends in the given year.

2. Proposed Distribution of Dividend:

The Company's net profit after tax of 2016 is NT$1,532,291 thousand. On March 9, 2017, the Board of Directors adopted that, after offsetting losses of NT$1,245,490 thousand and setting aside NT$28,680 thousand as special capital reserve, the accumulated distributable profit of 2016 is NT$258,121 thousand; thus, it is proposed that each share is distributed NT$0.3 cash dividend, equals to NT$257,026 thousand in total, with another NT$0.7 in cash from the capital surplus generating from share premium to shareholders, equals to NT$599,727 thousand in total. The proposal will be implemented in accordance with relevant regulations after being ratified by the Shareholders' Meeting on May 26, 2017.

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

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

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

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

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

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

3. Information of proposed distributable compensation adopted by the Board of Directors
   (1) The amount of compensation to employee, directors and supervisors distributed in cash or shares: In 2017, the 10th meeting of the 8th Board of Directors resolved to distribute NT$70,553 thousand as compensation to employees and NT$3,528 thousand as compensation to directors. The foregoing has no difference with the estimated amount of the expense recognized for this year.
   (2) The proportion that the amount of employees' compensation distributed by shares is accounted for the sum of the profit margin after tax provided in the current individual or parent company only financial report and the total amount of employees' compensation: The Company did not distribute employees' compensation by shares.
4. The difference between actual distributed compensation to employees, directors and supervisors (including distributed shares, amount, and price of shares) of the preceding year and recognized compensation to employees, directors and supervisors, and the amount, reasons, and management regarding such difference: No difference.

(IX)Buyback of Treasury Stock:

Treasury stocks: Batch Order	First	Second	Third
Purpose of buy-back	To maintain company's credits and shareholder's equity	To transfer shares to employees	To transfer shares to employees
Timeframe of buy-back	August 11, 2015 to October 10, 2015	February 5, 2016 to April 4, 2016	May 13, 2016 to July 1, 2016
Price range	NT$21.04 to 41.34	NT$22.4 to 40.0	NT$21.88 to 40
Class, quantity of shares bought back	20,000,000 common shares	15,000,000 common shares	15,000,000 common shares
Value of shares bought-back	NT$633,737,195	NT$510,819,237	NT$494,191,524
Quantity of cancelled shares	20,000,000 shares	0 shares	0 shares
Accumulated number of company shares held	0 shares	15,000,000 shares	15,000,000 shares
Percentage of total company shares held (%)	0%	1.67%	3.38%

II. Bonds: None.

III. Preferred Shares: None.

IV. Global Depository Receipts: March 31, 2017

Item \ Date of issuance			November 1, 2016
Date of issuance			November 1, 2016
Place of issuance and transaction			NASDAQ
Total issued amount			Not applicable
Issuance price per unit			Not applicable
Total units issued			25,620,267
Source of representing security			Company's common shares
Amount of representing security			512,405,340
Rights and obligations of ADS holders			As the same as common shares
Trustee			None
Depository bank			Citibank
Custodial bank			First Bank
Unredeemed amount			18,309,958
Allocation of responsibility for payment of relevant fees incurred during the issue period and duration			Borne by the Company
Material covenants of depository agreement and custodial agreement			None
Market price per unit (Note 3)	2016	Highest	USD16.55
		Lowest	USD14.03
		Average	USD15.28
	Current year as of March 31, 2017	Highest	USD17.95
		Lowest	USD14.69
		Average	USD15.68

V. Outstanding balance

(I) Issuance of Employee Stock Options: None.

(II) Issuance of New Restricted Employee Shares:

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

March 31, 2017

Type of new restricted employee shares	First series in 2015 New restricted employee shares	First series in 2016 New restricted employee shares
Date of Effective Registration	June 29, 2015	
Issuance date	August 31, 2015	May 31, 2016
Amount of issued new restricted employee shares	15,752,000 shares	1,548,000 shares
Issued Price (NT$)	NT$0	NT$0
New Restricted Employee Shares as a Percentage of Shares Issued	1.776%	0.175%
Vesting conditions of new restricted employee shares	1. After employees are granted with new restricted employee shares, employees may exercise their right of acceptance according to the following timeline: 1 year of continuous service from the granted date: 30% 2 years of continuous service from the granted date: 30% 3 years of continuous service from the granted date: 40% 2. After the new restricted employee shares are granted to an employee, his/her year performance rating is B+ or higher, and he/she has not violated any laws, the employment contract, the work rules, the "Non-Competition and Non-Disclosure Agreement," or any other agreements with the Company.	
Restricted Rights of New Restricted Employee Shares	1. In the event that the shares are granted to the employee but the vesting conditions have yet to be fulfilled, the employee shall not sell, pledge, assign, donate, or mortgage the new restricted employee shares to other persons or otherwise dispose of them. Once the employee has fulfilled the vesting conditions, the shares shall be transferred from the trust account to the employee's personal depository account pursuant to the provisions of the Custodial Trust Agreement. 2. The shareholder's rights to attend, propose, make statements, vote and to be nominated in the shareholders' meetings shall be exercised pursuant to the Custodial Trust Agreement. 3. Before the vesting conditions are fulfilled, the new restricted employee shares granted to the employee under the Program shall have the same rights as the common shares issued by the Company (including, but not limited to the rights to receive cash dividends, stock dividends, cash (stock) dividends of capital surplus, and any other rights derived from merger, reduction in capital, split-up, and share swap, and other statutory matters) except the shareholder's stock option regarding a cash capital increase.	

	4. If the employee has fulfilled the vesting conditions during the statutory suspension period, including the suspension period for the gratuitous stock dividend, cash dividend, stock option regarding a cash capital increase, or the suspension period regarding the convening of the shareholders' meeting provided in Paragraph 3 of Article 165 of the Company Act, the vesting time and the procedures shall be determined pursuant to the Custodial Trust Agreement. 5. Once the new restricted employee shares are granted to the employee, the shares shall be transferred to the trustee directly. The employee shall not for any reason or through any other means demand that the trustee return the new restricted employee shares before the fulfillment of the vesting conditions.	
Custody Status of new restricted employee shares	Under the trust of Taishin Bank	
Measures to be Taken When Vesting Conditions are not Met	Redeemed by the Company	
Amount of new restricted employee shares redeemed or bought back by the Company	1,272,364share	shares
Amount of Released New Restricted Employee Shares	4,286,636 shares	0 shares
Amount of Unreleased	10,193,000shares	1,328,000 shares
Ratio of Unreleased New Restricted Shares to Total Issued Shares (%)	1.15%	0.150%
Impact on possible dilution of shareholdings	No significant impact on common share holders or equity dilution.	

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

<table>
<tr><th rowspan="2"></th><th rowspan="2">Title</th><th rowspan="2">Name</th><th rowspan="2">Obtained Amount of new restricted employee shares (thousand shares)</th><th rowspan="2">New Restricted Shares as a Percentage of Shares Issued</th><th colspan="4">Released</th><th colspan="4">Unreleased</th></tr>
<tr><th>Amount of shares</th><th>Issued price</th><th>Issued amount</th><th>Released Restricted Shares as a Percentage of Shares Issued</th><th>Amount of shares (thousand shares)</th><th>Issued price</th><th>Issued Amount</th><th>Unreleased Restricted Shares as a Percentage of Shares Issued</th></tr>
<tr><td rowspan="18">Manager</td><td>President</td><td>Shih-Jye Cheng</td><td rowspan="18">2,463,000</td><td rowspan="18">0.28%</td><td rowspan="18">738,000</td><td rowspan="18">0</td><td rowspan="18">0</td><td rowspan="18">0.08%</td><td rowspan="18">1,725,000</td><td rowspan="18">0</td><td rowspan="18">0</td><td rowspan="18">0.19%</td></tr>
<tr><td>Senior Executive Vice President</td><td>LaFair Cho</td></tr>
<tr><td>Special Assistant</td><td>Pei-Chuan Ku</td></tr>
<tr><td>Vice President</td><td>Wu-Hung Hsu</td></tr>
<tr><td>Vice President</td><td>Chen-Fang Huang</td></tr>
<tr><td>Vice President</td><td>Yu-Ying Chen</td></tr>
<tr><td>Vice President</td><td>Kuo-Liang Huang</td></tr>
<tr><td>Vice President</td><td>Shou-Kang Chen</td></tr>
<tr><td>Vice President</td><td>Teng-Yueh Tsai</td></tr>
<tr><td>Vice President</td><td>Wei Wang</td></tr>
<tr><td>Vice President</td><td>Ming-Cheng Lin</td></tr>
<tr><td>Vice President</td><td>Chang-Lung Li</td></tr>
<tr><td>Vice President</td><td>Yao-Zhou Yang</td></tr>
<tr><td>Vice President</td><td>Yung-Wen Li</td></tr>
<tr><td>Vice President</td><td>Yuan-Feng Hsu</td></tr>
<tr><td>Senior Director</td><td>Chao-Tung So</td></tr>
<tr><td>Senior Director</td><td>Dong-Bao Lu</td></tr>
<tr><td>Senior Manager</td><td>Chi-Pei Cho</td></tr>
<tr><td rowspan="10">Employee</td><td>Director</td><td>Guo-Shou Yu</td><td rowspan="10">782,000</td><td rowspan="10">0.09%</td><td rowspan="10">231,000</td><td rowspan="10">0</td><td rowspan="10">0</td><td rowspan="10">0.03%</td><td rowspan="10">551,000</td><td rowspan="10">0</td><td rowspan="10">0</td><td rowspan="10">0.06%</td></tr>
<tr><td>Senior Director</td><td>Jin-Long Fang</td></tr>
<tr><td>Vice Director</td><td>Chi-Zheng Pan</td></tr>
<tr><td>Director</td><td>Wen-Yong Fu</td></tr>
<tr><td>Director</td><td>Rong-Nan Jian</td></tr>
<tr><td>Director</td><td>Chun-Tai Chen</td></tr>
<tr><td>Vice Director</td><td>Zhong-Guo Chu</td></tr>
<tr><td>Senior Manager</td><td>Ching-Rui Lin</td></tr>
<tr><td>Vice Director</td><td>Bi-Lin Gong</td></tr>
<tr><td>Vice Director</td><td>Yu-Fen Pan</td></tr>
</table>

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

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

1. The lead securities underwriter's evaluation opinion regarding the new shares issuance in connection with mergers in the most recent season:

Registration Date of the merger	November 15, 2016
Impact on the Company's business after the merger	ChipMOS TECHNOLOGIES (Bermuda) LTD. is a holding company. Therefore, that the Company merged its parent company did not cause de facto impact on Company's future business, and thus this evaluation does not apply.
Impact on the Company's finance after the merger	After the merger, through the integration of financial resources of both parties, the duplication of investment can be reduced, and the self-owned funds of the two companies and loan amount can be collected and be utilized efficiently. The expansion of operating capital, domestic and foreign funding capacity and fund co-ordination can be flexibly transferred and used, and the benefits of financial leverage can thereby reduce the financial risk of the enterprise.
Impact on the shareholders' equity after the merger	After the merger, due to the operational efficiency resulted from the integration of both parties' resources, the Company can effectively reduce operating costs and expand the scale of the business, which will further bring a positive impact on the Company's shareholders' equity.
Whether expected effects of the merger have shown	The record date of the merger is October 31, 2016. By integrating the Group's resources and simplifying the Group's structure, the duplicated capital investment and wasted resources can be reduced. Relevant logistics management operating costs can also be reduced by means of resource sharing in order to achieve the goal of streamlining operational costs, improving operational efficiency, and enhancing the competitiveness of the Company. The effects of the merger have been shown.

2. Status of implementation in the most recent season: Registration date of the merger is November 15, 2016.

(II) New shares issuance in connection with mergers and acquisitions approved by the Board of Directors in the most recent year and as of the date of publication of the annual report.

1. Basic information of the merged company:

Name		ChipMOS TECHNOLOGIES (Bermuda) LTD.
Address		Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda
Representative		Shih-Jye Cheng
Paid-in capital		NT$31,954 thousand
Major business		Holding company
Major product		
Financial information in the previous year	Total assets	NT$32,908,644 thousand
	Total liabilities	NT$11,983,447 thousand
	Total shareholders' equity	NT$20,925,197 thousand
	Revenue	NT$19,869,391 thousand
	Gross Profit	NT$4,133,808 thousand
	Operating income	NT$2,587,222 thousand
	Current profit	NT$1,875,971 thousand
	Earnings Per Share	NT$34.49 (Note 1)

Note 1: Consolidated financial statements of 2015.

2. Status of new shares issuance in connection with in-progress mergers and acquisitions which shall be disclosed and impact on shareholders' equity: None.

VII. Financing Plans and Implementations: None.

V. Business Overview

I. Business Contents

(I) Business Scope

1. Main Business Contents

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

2. Proportion of Main Products

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

Unit: NT$ thousands; %

Year / Main Products	2014		2016		2016	
	Amount	%	Amount	%	Amount	%
Assembly	7,670,012	36.82	6,270,349	33.29	6,608,197	35.94
Product Testing	3,370,888	16.18	3,293,531	17.48	3,087,179	16.79
Driver IC	5,171,269	24.83	5,396,001	28.64	4,920,302	26.76
Wafer Bumping	4,044,317	19.42	3,369,112	17.89	2,999,457	16.31
Wafer Testing	1,748,645	8.40	1,540,398	8.18	1,777,624	9.67
Subtract: Amounts from Discontinued Operations	(1,176,172)	(5.65)	(1,032,302)	(5.48)	(1,005,166)	(5.47)
Total	20,828,959	100.00	18,837,089	100.00	18,387,593	100.00

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

3. Current Products (Services) of the Company

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

4. New Products (Services) Development

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

(1) Develop assembly technologies of 3D WLCSP (Chip on Wafer) and are implemented for MEMS (Micro-electro-mechanical -systems) products.
(2) Develop assembly technologies of Flip Chip and are implemented for memory and mixed-signal products.
(3) Develop assembly technologies regarding biometrics authentication and are implemented for fingerprint sensor products.
(4) Assembly and testing services of multi-chip integration products, i.e., MCP (multi-chip package) for high density flash memory and integrated multi-chip product.
(5) Stacked-Die packaging services for high density flash memory products.
(6) Wafer Level CSP (Wafer Level Chip-Scale Package) packaging services for consuming and communication products.

(II) Industry Overview

1. Current Status and Development of the Industry

2015 revenue of Taiwan IC assembly and testing industry is NT$441.3 billion and the annual growth rate shrank from 10.44% for 2014 to -2.8%. Primarily demand of mobile devices is slow down, and the chip foundry technology of mobile devices is being evaluated toward the 1x nano node process. Meanwhile, the industry capacity of FC CSP is continually expanding to fulfill market's needs. Moreover, Taiwan and Mainland China are now increasing infrastructure investment for the requirement of 4G. Therefore, requirement related to the assembly and testing of MEMS, LCD driver IC, high-end packaging, consuming and memory products is still increasing. In respect of 2016, due to ongoing increase of the effect of the IoT (internet of things) and the recession of the PC market over the past few years, the growth of mid-range and low-end mobile devices has slowed down while wearable devices is now arising. The overall amount of mobile phone and wearable devices is still growing. Therefore, capacities of mid-range and high-end assembly and testing, and flip chip and wafer bumping, which may be applied to the chips in such devices, are also increasing. Application related to smartphones and the IoT is still the main driving force that pushed up the growth of IC assembly and testing industry. Demand of SiP assembly regarding baseband processor of 4G LTE phones and various sensing elements, CMOS image sensor which is now under mass production and healthcare device of Apple and non-Apple parties, and expectations for new products related to internet of things will keep growing over the coming seasons. It is expected that the production value of Taiwan IC assembly and testing industry in 2016 is NT$454.5 billion, which shows an increase of 2.3% as compared to 2015.

Production Value of Taiwan's Semiconductor Industry in Details

Unit: NT$ 0.1 billion

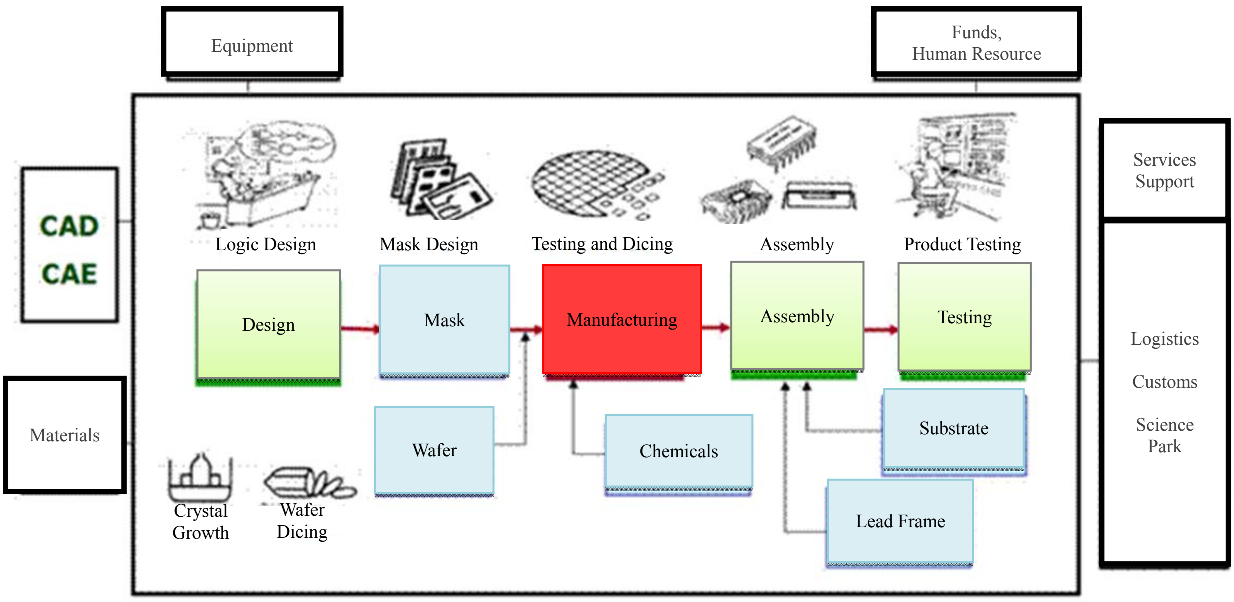
Items	2014	2015			2016(F)		
	Amount	Amount	Proportion	Annual Growth Rate	Amount	Proportion	Annual Growth Rate
IC Design	5,763	5,927	26.18	2.8	6,715	29.66	13.3
IC Manufacturing	11,731	12,300	54.33	4.9	13,005	57.44	5.7
Wafer Foundry	9,140	10,093	44.58	10.4	11,215	49.54	11.1
Memory and IDM	2,591	2,207	9.75	-14.8	1,790	7.91	-18.9
IC Assembly and Testing	4,539	4,413	19.49	-2.8	4,545	20.08	2.3
Production Value of IC Industry	22,033	22,640	100.00	2.8	24,265	100.00	7.2

Source：TSIA、WSTS、IEK of Industrial Technology Research Institute (2016/08)

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

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

Structure of Taiwan's Semiconductor Industry



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

3. Trend of Development and Competition Regarding Products

(1) Trend of Development

A. IC Assembly and Testing Industry`

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

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

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

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

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

c. Assembly and Testing Industry will Show a Trend of "The Big Ones Get Bigger."

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

B. Storage Device Industry

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

Flash will exceed DRAM and become the most major memory product of the world.

C. Flat Panel Display End-Use Industry

a. Development of devices toward ultra high resolution panel.

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

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

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

(2) Competition Status.

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

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

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

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

(III) Status of Technologies and Research and Development

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

(1) Technology level of operating business.

ChipMOS has committed to assembly and testing business for over 30 years which originated from MOSEL's back-end factory from 1986. 18 years has passed since ChipMOS' official independence from MOSEL on 1997. ChipMOS is now one of the top ten assembly and testing vendors in the world.

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

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

A. Materials

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

B. Machine Characteristics

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

C. Electronic Characteristics

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

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

(2) Research and Development

Research and Development Plans Regarding Assembly and Testing Technology in 2016

1. Continua1ly develop Flip Chip assembly technologies and implement applications in memory and mixed-signal products.
2. Continually implement laser stealth dicing technology.
3. Continually enhance the capability & application of multi-chips and module package assembly, including establishment of Stacked-Die package core technologies regarding Cu RDL chips.
4. Continually develop the coreless or thin core substrate assembly capability for thin package technology.
5. Continually develop 12" (300mm) Cu pillar bumping and fine pillar pitch (<50um) process capabilities.
6. Continually develop fingerprint sensor packaging capability and product phase-in.
7. Continually develop 3D WLCSP (Chip on Wafer) packaging capabilities and related product phase-in.
8. Develop Molded 3D WLCSP (Molded CoW) packaging & bumping capabilities to meet the requirements of multi-functional integration package.
9. Develop COF SMT capability.

Research and Development Plans Regarding Assembly and Testing Technology in 2017

1. Develop assembly technologies regarding 5S molded WLCSP.
2. Develop assembly technologies regarding Flip Chip to flexible substrate and implement applications in memory and mixed-signal products.
3. Continually develop assembly technologies regarding next-generation products of biometrics authentication and implement fingerprint sensor products.
4. Continually provide the assembly and testing services of multi-chip integration products, i.e., MCP (multi-chip package) for high density flash memory and integrated multi-chip product.
5. Stacked-Die packaging services for high density flash memory products.
6. Wafer Level CSP (Wafer Level Chip-Scale Package) packaging services for consuming and communication.
7. Develop multi-Cu RDL layers (3P2M) bumping capability and Stacked-Die packaging services regarding Cu RDL chips.
8. Wafer probing services regarding Cu pillar bumping wafers and solder ball bumping wafers.
9. Continue to develop COF SMT capability to meet the requirement of sub-system module.

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

Unit: NT$ thousands

Year / Item	2016	March 31, 2017
A. Research and Development Expenses	838,866	
B. Revenue	18,387,593	
A/B	4.56%	

3. Successfully Developed Technologies or Products during Recent Years

Year	Results of Research and Development	Explanation of Contents
2015	Continually develop coreless or thin core substrate assembly capability for thin chip technology.	Cooperate with strategic supplier and partners to continue the development of thin chip assembly technologies regarding advanced coreless or thin

Year	Results of Research and Development	Explanation of Contents
		core substrate.
	Develop 12" (300mm) WLCSP wafer bumping process capability.	Completely developed 12" (300mm) WLCSP wafer bumping process and capability established.
	Continually develop 12" (300mm) Cu pillar bumping and fine pillar pitch (<50um) process capabilities	Continually develop technologies regarding 12" (300mm) Cu pillar bumping manufacturing process and fine pitch (<50um) Cu pillar wafer manufacturing process.
	Implementation of TDDI testing platform.	Complete the establishment of TDDI wafer testing platform and capacity.
	Develop fingerprint sensor assembly technologies and implement products.	Complete the development of fingerprint sensor assembly technologies and product validation.
	Develop assembly technologies for 3D WLCSP (Chip on Wafer) and implement applications regarding MEMS products.	Continually develop assembly technologies for 3D WLCSP (Chip on Wafer) and it has been implemented into the validation regarding MEMS products.
2016	Development of Cu pillar bumping & Flip Chip assembly technologies.	Completely develop of Cu pillar bumping & Flip Chip assembly technologies and implemented into memory products.
	Develop the capability & the application of multi-chips and module package assembly, including establishment of Stacked-Die package core technologies regarding Cu RDL chips.	Continually enhance the capability & application of multi-chips and module package assembly, including establishment of Stacked-Die package core technologies regarding Cu RDL chips.
	Develop fingerprint sensor packaging capability and product phase-in..	Continually develop fingerprint sensor assembly technologies and product implementation.
	Develop assembly technologies of 3D WLCSP (Chip on Wafer).	Completed the assembly technologies of3D WLCSP (Chip on Wafer) and product implementations.
	Cu RDL wafer and solder bumped wafer probing service.	Establish wafer probing capabilities of Cu RDL wafer and solder bumped wafer

(IV) Long Term and Short Term Business Development Plans.

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

1. Short Term Business Development Plans

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

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

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

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

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

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

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

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

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

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

A. Maintain a high-level profit margin.

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

product portfolio.

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

2. Long Term Business Development Plans

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

A. Focus on special end-use market.

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

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

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

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

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

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

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

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

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

II. Market, Production, and Sales Overview

(I) Market Analysis

1. Market Analysis

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

Unit: NT$ thousands; %

Territory \ Year		2015 Sales	2015 Ratio (%)	2016 Sales	2016 Ratio (%)
Domestic Sales		14,464,408	76.79	13,644,392	74.21
Export Sales	Asia	4,888,702	25.95	5,404,933	29.39
	America	449,677	2.39	249,294	1.36
	Others	66,604	0.35	94,140	0.51
	Subtotal	5,404,983	28.69	5,748,367	31.26
Subtract: Amounts from Discontinued Operations		(1,032,302)	(5.48)	(1,005,166)	(5.47)
Total		18,837,089	100.00	18,387,593	100.00

(2) Market Share

The Company and its subsidiaries are professional IC assembly and testing companies, mainly providing assembly and testing services of memory IC, LCD driver IC and logic/mixed-signal products for IC design houses, integrated devices manufacturers (IDM) and IC fabs. The aforementioned products are primarily applied in computers, storage devices for consumer electronics, and terminal application products for displays. According to statistics of IEK of Industrial Technology Research Institute, the production value of Taiwan IC assembly and testing industry in 2015 is NT$441.3 billion, while the consolidated revenue of Company and its subsidiaries in 2015 is about NT$18.8 billion, accounting for about 4.26% of Taiwan's production value. According to Gartner research data in Taiwan's top ten IC assembly and testing industry revenue information, the Company's annual revenue ranked fourth in Taiwan's assembly and testing industry in 2015. In addition, according to research data of the Gartner research institution, the Company and its subsidiaries' consolidated revenue in 2015 ranked tenth in the global IC assembly and testing industry, accounting for 2.4% of the global market share. The Company and its subsidiaries have many years of experience in assembly and testing and professional R&D technical capabilities to provide adequate capacity scale and full service of back-end processes to meet different needs of clients. In recent years, the Company has a very good performance in terms of business scale, reflecting that the Company and its subsidiaries' products and technology have obtained a high degree of client recognition, and have already occupied a considerably competitive position in the industry.

Major Assembly and Testing Services Vendors of Taiwan in 2015

Unit: US$ millions

2014 Ranking	2015 Ranking	Company Name	2014 Revenue	2015 Revenue	Growth Rate (%)
1	1	ASE	5,170	4,769	-7.76%
2	2	SPIL	2,741	2,612	-4.71%
3	3	PTI	1,321	1,339	1.36%
4	4	ChipMOS	696	606	-12.93%
5	5	Chipbond	575	525	-8.7%
6	6	KYEC	477	478	0.21%
8	7	OSE	317	315	-0.63%
9	8	FATC	304	276	-9.21%
7	9	Walton	331	251	-24.17%

Top 20 Assembly and Testing Services Vendors Worldwide in 2015

Unit: US$ millions

2015 Ranking	Company Name	Country	2015Revenue	2015 Market Share (%)
1	ASE	TW	4,769	18.7%
2	Amkor	USA	2,885	11.3%
3	SPIL	TW	2,612	10.2%
4	JCET	PRC	1,678	6.6%
5	PTI	TW	1,339	5.2%
6	UTAC	SG	878	3.4%
7	STATS ChipPAC	SG	842	3.3%
8	J-Devices	JP	816	3.2%
9	TSHT	PRC	617	2.4%
10	ChipMOS	TW	606	2.4%
11	Chipbond	TW	525	2.1%
12	KYEC	TW	478	1.9%
13	STS	KR	456	1.8%
14	TFME	PRC	370	1.4%
15	Carsem	MY	360	1.4%
16	Unisem	MY	323	1.3%
17	OSE	TW	315	1.2%
18	FATC	TW	276	1.1%
19	AOI	JP	264	1.0%
20	Walton	TW	251	1.0%

Source: Gartner (April 2016)

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

A. Global Semiconductor Market

According to the estimation of WSTS research institute (2016/10), the global semiconductor market in 2016 is expected to decline slightly by 0.1%, while the most significant growth force would come from smartphones, SSD and sensing devices. The global semiconductor market is expected to reach US$335 billion in 2016, declining by 0.1%; it is expected to reach US$346.1 billion in 2017, growing by 3.3%; it is expected to reach US$354 billion in 2018, growing by 2.3%.

Worldwide Semiconductor Industry's Growth Forecast

Autumn 2016	Amounts in US$M				Year on Year Growth in %			
	2015	2016	2017	2018	2015	2016	2017	2018
Americas	68,738	64,237	67,237	69,001	-0.8	-6.5	4.7	2.6
Europe	34,258	32,586	33,352	34,093	-8.5	-4.9	2.3	2.2
Japan	31,102	32,105	32,870	33,446	-10.7	3.2	2.4	1.8
Asia Pacific	201,070	206,025	212,641	217,436	3.5	2.5	3.2	2.3
Total World - $M	335,168	334,953	346,100	353,977	-0.2	-0.1	3.3	2.3
Discrete Semiconductors	18,612	19,399	19,952	20,603	-7.7	4.2	2.9	3.3
Optoelectronics	33,256	32,059	32,976	32,513	11.3	-3.6	2.9	-1.4
Sensors	8,816	10,810	11,746	12,341	3.7	22.6	8.7	5.1
Integrated Circuits	274,484	272,685	281,426	288,519	-1.0	-0.7	3.2	2.5
Analog	45,228	47,379	49,703	51,378	1.9	4.8	4.9	3.4
Micro	61,298	62,719	63,440	64,754	-1.2	2.3	1.2	2.1
Logic	90,753	88,286	90,699	92,379	-1.0	-2.7	2.7	1.9
Memory	77,205	74,301	77,585	80,007	-2.6	-3.8	4.4	3.1
Total Products - $M	335,168	334,953	346,100	353,977	-0.2	-0.1	3.3	2.3

Market Realist Source: WSTS

Source: WSTS (201/Autumn)

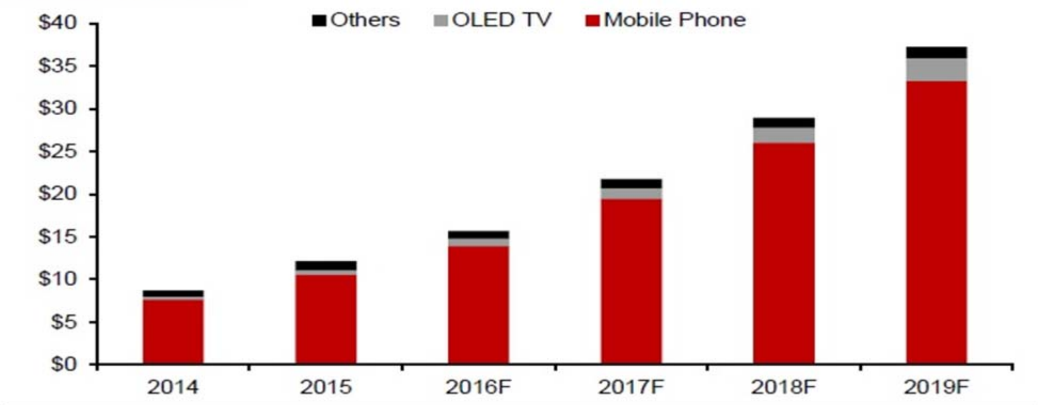
B. IC Assembly and Testing Market

In recent years, the growth of IC market relies on the driving force of the growth of mobile devices, of which the growth of smartphones is the most obvious. Nevertheless, the phenomenon of the slowing down of smartphones' growth has emerged since 2015. In 2016, the annual growth rate of smartphone is 14.4%. The annual growth rate of smartphone fell to 12.9% in 2016. It is estimated that in 2017, the annual growth rate of smartphone would only be 10.6%, and may even fall below double digits, while the growth rate of the entire portable electronic product market would only be 3.0%.

Another trend worthy of attention is the growth of OLED and TDDI IC. The compound annual growth rate of OLED IC in 2016~2019 is expected to achieve 33%, while the market also expects that 2017 will would be a key year for the application of TDDI product.

Fig. 30: OLED's market size

2016-19F CAGR of 33%



Source: IHS, Nomura estimates

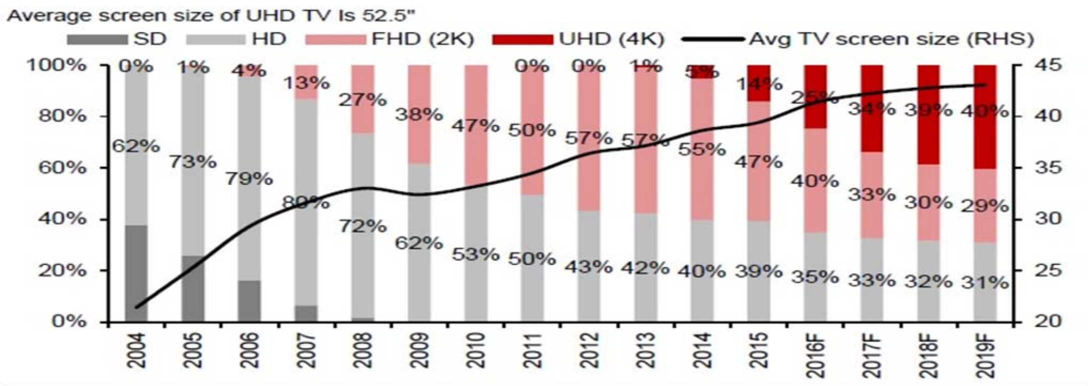
In 2016, LCD TV demand appeared to be unusually weak, and the overall growth rate fell from 9% in 2015 to 4%. It is estimated that the growth rate from 2017 to 2019 would only maintain 3 to 4%.

UHD resolution will also continue to replace FHD as the market mainstream. The estimated penetration rate would increase from 25% in 2016 to 40% in 2019.

Figure 23: Global LCD demand growth, Y/Y, %

%

Source: Display Search, J.P. Morgan estimates.



Source: DisplaySearch, WitsView, Nomura estimates

(4) Competitive Advantages

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

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

B. Equipped with Advanced Process Technology

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

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

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

D. IC Assembly and Testing Turnkey Services

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

E. Establishing Close Long-Term Partnership with Clients

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

F. Solid Financial Structure

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

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

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

(5) Advantages and Disadvantages of Development Prospects and Countermeasures

A. Advantages

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

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

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

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

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

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

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

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

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

B. Disadvantages

(A) Capital Expenditure Gradually Increases

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

Countermeasures:

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

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

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

Countermeasures:

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

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

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

<u>Countermeasures:</u>

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

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

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

Countermeasures:

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

(E) The rising of raw material costs

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

Countermeasures:

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

(F) Horizontal Competition in the Industry:

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

Countermeasures:

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

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

1. The Purposes of Main Products

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

2. The Production Process

- Memory IC Products

Wafer → Assembly → Burn-In → Testing

- LCD Driver IC

Gold → Wafer → Assembly → Testing

(III) The Supply Status of the Main Raw Materials

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

Main Raw Materials	Name of Supplier	Domestic	Foreign	Supply Status
Gold Salt	SOLAR	V		Good
	Metalor		V	Good
Substrate	Ryowa		V	Good
	Unimicron	V		Good
	Simmtech		V	Good
	Subtron	V		Good
Gold Wire	Tanaka		V	Good

Main Raw Materials	Name of Supplier	Domestic	Foreign	Supply Status
	Chroma New Material	V		Good
Lead Frame	SHINKO		V	Good
	CWE	V		Good
	Fusheng Group	V		Good
	Samsung Techwin		V	Good
Molding Compound	Hitachi Chemical		V	Good
	Namics		V	Good
	ShinEtsu		V	Good
	CWE	V		Good

(IV) The Lists of Main Suppliers and Clients

1. The percentage of suppliers who have accounted for more than 10% of the total purchases in the most recent two years, the amount and proportion of purchases from them and the reasons for the change

Unit: NT$ thousands

	2015				2016				2017 Q1(Note)			
Item	Name	Amount	% of Total Annual Net Purchases	Relationship with Issuer	Name	Amount	% of Total Annual Net Purchases	Relationship with Issuer	Name	Amount	% of Total Annual Net Purchases	Relationship with Issuer
1	SOLAR	1,402,328	31.72	None	BOT	1,134,495	22.09	None	-	-	-	-
2	RYOWA	658,792	14.90	None	RYOWA	1,002,604	19.52	None	-	-	-	-
3	Tanaka Group	509,643	11.53	None	SOLAR	504,660	9.83	None	-	-	-	-
	Others	2,254,556	51.00		Others	2,936,102	57.18		-	-	-	-
	Subtract: Amounts from Discontinued Operations	(404,528)	(9.15)		Subtract: Amounts from Discontinued Operations	(442,607)	(8.62)					
	Total	4,420,791	100.00		Total	5,135,254	100.00		-	-	-	-

Note: As of the publication date of the annual report, the most recent consolidated financial statements dated March 31, 2017 has not yet been approved by the Board of Directors and reviewed by certified public accountants.

Reason of Increase / Decrease in Purchases: The reduction in the purchases of SOLAR is due to our strategy of diversifying the risks of suppliers and the increase in our purchases of Bank of Taiwan since 105.

2. The name, the amount and proportion of sales of the clients who have accounted for more than 10% of the total sales in any of the most recent two years, and the reasons for the change

Unit: NT$ thousands

Item	2015				2016				2017 Q1(Note)			
	Name	Amount	% of Total Annual Net Sales	Relationship with Issuer	Name	Amount	% of Total Annual Net Sales	Relationship with Issuer	Name	Amount	% of Total Annual Net Sales	Relationship with issuer
1	Client A	4,307,855	22.87	None	Client A	3,370,285	18.33	None	-	-	-	-
2	Client I	2,935,820	15.58	None	Client I	3,085,190	16.78	None	-	-	-	-
3	Client K	2,386,975	12.67	None	Client K	2,633,431	14.32	None	-	-	-	-
4	Client C	1,761,049	9.35	None	Client C	1,870,675	10.17	None				
	Others	8,477,692	45.01		Others	8,433,178	45.87		-	-	-	-
	Subtract: Amounts from Discontinued Operations	(1,032,302)	(5.48)		Subtract: Amounts from Discontinued Operations	(1,005,166)	(5.47)					
	Total	18,837,089	100.00		Total	18,387,593	100.00		-	-	-	-

Note: As of the publication date of the annual report, the most recent consolidated financial statements dated March 31, 2017 has not yet been approved by the Board of Directors and reviewed by certified public accountants.

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

(V) Production of the Most Recent Two Years

Unit：Capacity/Output: thousands wafers; Production Value：NT$ thousands

Year/Production Value / Major Departments	2015			2016		
	Capacity	Output	Production Value	Capacity	Output	Production Value
Assembly	3,311,181	1,970,176	5,784,197	4,156,467	2,010,549	5,985,479
Product Testing	4,023,360	2,578,056	2,568,569	3,660,783	2,413,212	2,216,263
Driver IC	2,330,829	1,871,164	3,715,577	2,146,943	1,735,058	3,671,112
Wafer Bumping	1,993	1,338	3,005,704	1,885	1,237	3,009,487
Wafer Testing	901	431	823,143	902	536	937,996
Subtract: Amounts from Discontinued Operations	(558,794)	(275,573)	(1,116,047)	(1,425,074)	(409,681)	(1,146,323)
Total	9,109,470	6,145,592	14,781,143	8,541,906	5,750,911	14,674,014

(VI) Sales in the Most Recent Two Years

Unit: Sales Volume ─ thousands wafers; Production Value：NT$ thousands

Yeas/Sales / Major Departments	2015				2016			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Assembly	601,169	2,722,526	1,088,460	3,547,823	655,047	2,828,398	1,399,739	3,779,799
Product Testing	1,964,128	2,626,296	635,361	667,235	2,122,403	2,764,604	261,868	322,575
Driver IC	1,655,039	5,248,832	69,301	147,169	1,477,929	4,316,752	130,515	603,550
Wafer Bumping	1,175	2,697,033	166	672,079	1,089	2,442,106	147	557,351
Wafer Testing	329	1,169,721	96	370,677	640	1,292,532	752	485,092
Subtract: Amounts from Discontinued Operations	(202,220)	(934,669)	(49,318)	(97,633)	(194,650)	(916,378)	(194,205)	(88,788)
Total	4,019,620	13,529,739	1,744,066	5,307,350	4,062,458	12,728,014	1,598,816	5,659,579

III. Employees Status

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

Year		2015	2016	Current Year as of March 31, 2017
Number of Employees	Direct Staff	3553	3244	3557
	Engineering	2105	1962	2228
	Management	410	354	414
	Total	6068	5560	6199
Average Age		34.9	36.98	35.99
Average Seniority		6.6Y	6.8Y	7.1Y
Academic qualifications	Ph.D.	0.1	0.1	0.1
	Master	5.8	7.1	6.7
	Bachelor	63.2	64.7	61.6
	High School	27.6	27.6	25.8
	Degree of Lower Levels	3.3	0.4	5.7

IV. Environmental Expenditure Information

1. Explanations regarding the total amount of the Company's losses and imposed fines due to our pollution of the environment, and disclosure of our future countermeasures and other possible expenses of the most recent year and as of the publication date of the annual report:

In March 2016, the Zhubei plant was respectively fined T$4,158,000 and NT$243,000, a total of NT$4,401,000 as penalty, due to the following two facts: The leakage of HCL liquid produced steams causing the failure of the PLC of waste water management panel, resulting in the erroneous discharging of waste water. When the incident occurred, we immediately dispatched vacuum trucks to suck out the waste water in addition to filing the emergency notification to the competent authorities in accordance with the law; Differences occurred between the actual status of pipelines and the reported and approved version. With regard to the reasons for these fines, in addition to making immediate improvements, we have invested funds in upgrading our existing operating equipment and environment monitoring to prevent similar issues ever occurring again, thus reducing our risks.

V. Industrial Relations

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

1. Employee Welfare Measures

The Company provides annual plans for diversified employee welfare activities such as travel subsidy, club activities, film appreciation, arts and cultural activities, family day, etc. We also provide other measures to take care of the employees' living needs, such as shuttle bus to work, dormitories, meals, group security, marriage, funeral, birth, hospitalization, birthday and other welfare allowances.

2. Employee Training Programs

We created appropriate training courses for the employees in accordance with the seniority and titles of employees respectively for our organizational strategy, the employees' operational requirements and their personal development, etc.; we also set up a library in our plants to encourage our staff to develop reading habits, and create an organization learning culture.

3. The Status and Implementation of the Retirement System

The Company contributes labor pension monthly to the individual accounts of labor pension, and holds a pension management committee regularly to review the income and expenditure of pension in accordance with laws.

4. The Agreement between the Employer and the Employees and the Status of other Employee Entitlements

The Company has formulated various internal rules and regulations and held regular meetings of the Labor-Management Conference and the Welfare Committee to listen to the views of the employees and enhance the harmony between the labor and the employer.

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

VI. Material Contracts

Categories of Contracts	Parties	Term	Main Purpose	Restrictions
OEM Services Agreement	Company A	2012/10/01 to 2017/12/31	To provide assembly and testing services for Company A	1. Capacity arrangement. 2. Product defect-free rate agreement. 3. Indemnity clauses for IP infringements.
Contract Assembly Agreement	Company I	Effective on 2007/11/13 and may be terminated according to the terms of the agreement.	To provide wafer assembly services for Company I.	1. Product quality and defect-free rate agreement. 2. Indemnity clauses for IP infringements.
Contract Assembly Agreement	Company I	Effective on 2004/07/01 and may be terminated according to the terms of the agreement.	To provide wafer assembly services for Company I.	1. Quality and Product defect-free rate agreement. 2. Indemnity clauses for IP infringements.
IC OEM Services Agreement	Company K	From 2015/01/01 to 2019/12/31	To provide wafer assembly services including assembly, reliability tests, marking/remarking, and testing for Company K.	1. Warranty against defects. 2. Indemnity clauses for IP infringements. 3. Liability limitation agreement.
Certificate of Commitment for Service	Company C	From 2016/01/01 to 2018/12/31	To provide wafer processing services for Company C.	1. Product defect-free rate agreement. 2. Indemnity clauses for IP infringements.
IC Processing and Assembly Contract	Company M	Effective on 2010/01/01 and may be terminated according to the terms of the agreement.	To provide IC assembly services for Company M.	1. Product defect-free rate agreement. 2. Indemnity clauses for IP infringements.
IC Assembly and Testing Contract	Company G	From 2016/07/01 to 2018/06/30	To provide IC assembly and testing services for Company G.	1. Product defect-free rate agreement. 2. Indemnity clauses for IP infringements.
Service Agreement	Asahi Kasei Microdevices Corporation	Effective on 2013/07/01 and may be terminated according to the terms of the agreement.	To provide IC assembly and testing services for AKM.	1. Product quality and defect-free rate agreement. 2. Indemnity clauses for IP infringements.
Technology Transfer Agreement	ChipMOS TECHNOLOGIES (Shanghai) LTD.	From 2012/08/01 to 2022/ 07/31	To grant ChipMOS TECHNOLOGIES (Shanghai) LTD. a license to use patents.	1. Royalty agreement. 2. Liability clauses.
Technology Transfer and License Agreement	ChipMOS TECHNOLOGIES (Shanghai) LTD.	From 2016/12/23 to 2039/12/22	To grant ChipMOS TECHNOLOGIES (Shanghai) LTD. a license to use patents.	1. Royalty agreement. 2. Liability clauses.
Joint Credit Facility Agreement	Land Bank of Taiwan; Bank of Taiwan; Cooperative Bank;	Effective from 2016/05/16 to the date in which the Company performed all	The banks jointly provided a loan for the Company. The total loan amount is	1. The Company made a commitment that it shall not perform specific actions except with the

Categories of Contracts	Parties	Term	Main Purpose	Restrictions
	Taishin International Bank; Chang Hwa Bank; Hua Nan Bank; Yuanta Bank; Ta Chong Commercial Bank; Shin Kong Commercial Bank; Bank Of Panshin.	obligations of the credit facility agreement.	NT$13.2 billion.	consent of the banks group, and it shall comply with relevant agreements including the financial matters. 2. Collaterals are provided to secure the loan.
Land Lease Agreement	Southern Taiwan Science Park Bureau	From 1997/09/01 to 2017/08/31	To lease lands from the Southern Taiwan Science Park Bureau.	1. Punitive damage clauses. 2. Rent agreement 3. Early termination clause.
Land Lease Agreement	Hsinchu Science Park Bureau	From 2014/08/01 to 2034/07/31	To lease lands from the Hsinchu Science Park Bureau.	1. Punitive damage clauses. 2. Rent and joint liability agreement 3. Early termination clause.
Agreement and Plan of Merger	ChipMOS Bermuda	Effective on 2016/01/21	ChipMOS Bermuda merged with and into the Company.	Merger price and its adjustment.
Supply and Precious Metals Recovery Contract	Solar Applied Materials Technology Corporation	From 2016/09/01 to 2017/12/31	To supply materials required for the gold bumping business.	Price calculation and delivery period.
Supply Agreement	Ryowa Co., Ltd.	From 2014/09/01 to 2019/08/31	To supply materials required for the IC assembly business.	1. Payment terms. 2. Warranty and liability clauses.

VI. Financial Information

I Condensed Balance Sheet and Statements of Comprehensive Income

(I) Condensed Balance Sheet

1. Based on ROC GAAP

(1) Consolidated Financial Statements

Unit: NT$ thousands

Item \ Year		Financial Summary for The Last Five Years				
		2012	2013	2014	2015	2016
Current assets		14,709,523	Not Applicable			
Funds and investments		1,368,115				
Fixed assets		12,218,745				
Intangible assets		178,890				
Other assets		790,612				
Total assets		29,265,885				
Current liabilities	Before distribution	5,705,361				
	After distribution	6,126,788				
Long-term liabilities		6,829,277				
Other liabilities		633,175				
Total liabilities	Before distribution	13,167,813				
	After distribution	13,589,240				
Capital Stock		8,428,553				
Capital surplus		1,615,083				
Retained earnings	Before distribution	3,303,407				
	After distribution	2,881,980				
Unrealized gain (loss) on financial instruments		256,511				
Cumulative translation adjustment		(21,326)				
Treasury Stock		-				
Minority interests	Before distribution	2,566,475				
	After distribution	2,566,475				
Net loss not recognized as pension cost		(50,631)				
Total equity	Before distribution	16,098,072				
	After distribution	15,676,645				

Source: Consolidated financial reports of the last five years had been audited by certified public accountants.

(2) Parent company only Financial Statements

Unit: NT$ thousands

Item \ Year		Financial Summary for The Last Five Years				
		2012	2013	2014	2015	2016
Current assets		$ 12,307,347				
Funds and investments		1,945,708				
Fixed assets		10,184,847				
Intangible assets		84,636				
Other assets		646,599				
Total assets		25,169,137				
Current liabilities	Before distribution	5,281,682				
	After distribution	5,703,109				
Long-term liabilities		5,719,000				
Other liabilities		636,858				
Total liabilities	Before distribution	11,637,540				
	After distribution	12,058,967				
Capital Stock		8,428,553	Not Applicable			
Capital surplus		1,615,083				
Retained earnings	Before distribution	3,303,407				
	After distribution	2,881,980				
Unrealized gain (loss) on financial instruments		256,511				
Cumulative translation adjustment		(21,326)				
Treasury Stock		—				
Net loss not recognized as pension cost		(50,631)				
Total ' equity	Before distribution	13,531,597				
	After distribution	13,110,170				

Source: Parent company only financial reports of the last 5 years had been audited by certified public accountants.

2. Based on International Financial Reporting Standards (IFRSs)

(1) Consolidated Financial Statements

Unit: NT$ thousands

Item \ Year		Financial Summary for The Last Five Years (Note 1)					Financial information of the current year as of March 31, 2017 (Note 2)
		2012	2013	2014 (after adjustment)	2015 (after adjustment)	2016	
Current assets		14,636,589	16,812,284	20,509,379	18,108,392	16,966,634	-
Property, plant and equipment		12,586,051	12,923,517	13,604,115	14,211,560	13,497,218	-
Intangible assets		-	-	-	-	-	-
Other assets		2,029,245	312,952	533,619	697,915	832,108	-
Total assets		29,251,885	30,048,753	34,647,113	33,017,867	31,295,960	-
Current liabilities	Before distribution	5,706,819	7,181,194	8,343,771	6,186,136	4,664,500	-
	After distribution	6,128,246	8,218,738	10,342,996	7,978,689	Note 2	-
Non-current liabilities		7,686,721	4,920,786	5,497,189	5,596,570	10,357,946	-
Total liabilities	Before distribution	13,393,540	12,101,980	13,840,960	11,782,706	15,022,446	-
	After distribution	13,814,967	13,139,524	15,840,185	13,575,259	Note 2	-
Equity attributable to equity holders of the Company		13,309,068	15,440,368	18,184,468	19,107,629	16,273,514	-
Capital Stock		8,428,553	8,428,553	8,646,193	8,962,066	8,869,663	-
Capital surplus		1,498,900	1,732,588	2,272,838	3,755,849	6,888,826	-
Retained earnings	Before distribution	3,146,430	5,014,404	7,229,363	6,773,369	1,424,638	-
	After distribution	2,725,003	3,976,860	5,230,138	4,980,816	Note 2	-
Other equity		235,185	264,823	36,074	(383,655)	98,041	-
Treasury Stock		-	-	-	-	(1,007,654)	-
Non-controlling interests		2,549,277	2,506,405	2,621,685	-	-	-
Predecessors' interests under common control		-	-	-	2,127,532	-	-
Total equity	Before distribution	15,858,345	17,946,773	20,806,153	21,235,161	16,273,514	-
	After distribution	15,436,918	16,909,229	18,806,928	19,442,608	Note 2	-
Note 1: The last five years financial information had been audited by certified public accountants. Note 2: As of the date of publication, earnings distribution plan of Y2016 has not yet been ratified by the Shareholders' Meeting, thus the amount after distribution is unlisted.							

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

Note 2: As of the date of publication o, the most recent consolidated financial report dated March 31, 2017 has not yet been approved by the Board of Directors nor reviewed by certified public accountants.

Note 3: As of the date of publication, earnings distribution plan of Y2016 has not yet been ratified by the Shareholders' Meeting, thus the amount after distribution is unlisted.

(2) Parent Company Only Financial Statements

Unit: NT$ thousands

Item		Financial Summary for The Last Five Years (Year) 2012	2013	2014 (after adjustment)	2015 (after adjustment)	2016
Current assets		12,231,700	12,483,069	17,009,945	16,990,860	13,822,667
Property, plant and equipment		10,412,431	10,922,913	11,474,812	13,558,502	13,495,686
Intangible assets		-	-	-	-	-
Other assets		2,459,721	2,461,250	2,768,569	2,2 30,865	3,474,259
Total assets		25,103,852	25,867,232	31,253,326	32,780,227	30,792,612
Current liabilities	Before distribution	5,281,682	6,102,332	7,668,360	6,037,162	4,079,615
	After distribution	5,703,109	7,139,876	9,667,585	7,829,715	Note 2
Non-current liabilities		6,513,102	4,324,532	5,400,498	5,507,904	10,439,483
Total liabilities	Before distribution	11,794,784	10,426,864	13,068,858	11,545,066	14,519,098
	After distribution	12,216,211	11,464,407	15,068,083	13,337,619	Note 2
Equity attributable to equity holders of the Company		13,309,068	15,440,368	18,184,468	19,107,629	16,273,514
Capital Stock		8,428,553	8,428,553	8,646,193	8,962,066	8,869,663
Capital surplus		1,498,900	1,732,588	2,272,838	3,755,849	6,888,826
Retained earnings	Before distribution	3,146,430	5,014,404	7,229,363	6,773,369	1,424,638
	After distribution	—	3,976,860	5,230,138	4,980,816	Note 2
Other equity		235,185	264,823	36,074	(383,655)	98,041
Treasury Stock		-	-	-	-	(1,007,654)
Non-controlling interests		-	-	-	-	-
Predecessors' interests under common control		-	-	-	2,127,532	-
Total equity	Before distribution	13,309,068	15,440,368	18,184,468	21,235,161	16,273,514
	After distribution	12,887,641	14,402,824	16,185,243	19,442,608	Note 2

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

Note 2: As of the date of publication o, t earnings distribution plan of Y2016 has not yet been ratified by the Shareholders' Meeting, thus the amount after distribution is unlisted

(II) Condensed Statements of Comprehensive Income

1. Based on ROC GAAP

(1)Consolidated Financial Report

Unit: NT$ thousands

Item \ Year	Financial Summary for The Last Five Years				
	2012	2013	2014	2015	2016
Revenue	19,220,560	Not Applicable			
Gross profit	2,543,961				
Operating profit(Loss)	1,433,007				
Non-operating income	481,261				
Non-operating expenses a	(580,945)				
Continuing operations income(Loss) before tax	1,333,323				
Income(Loss) from continuing operations, after tax	1,208,294				
Income(Loss) from discontinued operations	-				
Extraordinary income(Loss)	-				
Accumulative effect of changes in accounting principle	-				
Net income	1,208,294				
Earnings per share (after tax)	1.33				

Source: Consolidated financial reports of the last five years had been audited a by certified public accountants.

(2) Parent company only Financial Report

Unit: NT$ thousands

Item \ Year	Financial Summary for The Last Five Years				
	2012	2013	2014	2015	2016
Revenue	16,995,004	Not Applicable			
Gross profit	2,347,180				
Operating income	1,422,820				
Non-operating income and profit	267,904				
Non-operating expenses and losses	(492,455)				
Continuing operations' income before tax	1,198,269				
Income from continuing operations, net of tax	1,119,395				
Income from discontinued operations	-				
Extraordinary gain or losses	-				
Cumulative effect of changes in accounting principle	-				
Current Profit	1,119,395				
Earnings per share	1.33				

Source: Parent company only financial reports of the last five years had been audited by certified public accountants.

2. Based on International Financial Reporting Standards (IFRSs)

(1) Consolidated Financial Report

Unit: NT$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)					Current Year as of March 31, 2017 (Note 2)
	2012	2013	2014 (after adjustment)	2015	2016	
Revenue	19,220,560	19,361,930	22,005,131	18,837,089	18,387,593	-
Gross profit	2,517,640	3,392,708	5,179,320	4,151,575	3,642,121	-
Operating profit	1,404,693	2,126,187	3,777,632	2,648,427	1,998,575	-
Non-operating income (expense)	(17,199)	1,224,933	1,017,102	197,629	(298,140)	-
Profit before income tax	1,387,494	3,351,120	4,794,734	2,846,056	1,700,435	-
Profit for the year from continuing operations	1,253,255	2,702,200	3,836,037	2,010,346	1,348,385	-
Loss for the year from discontinued operations	-	-	-	(34,233)	(122,105)	-
Profit for the year	1,253,255	2,702,200	3,836,037	1,976,113	1,226,280	-
Other comprehensive loss ,net	495,678	78,294	(599,681)	(47,200)	(236,421)	-
Total comprehensive income for the year	1,748,933	2,780,494	3,236,356	1,928,913	989,859	-
Total comprehensive income for the year profit(loss) attributable to: equity holders of the Company	1,163,748	2,323,254	3,326,314	2,230,469	1,532,292	-
Total comprehensive income for the year profit(loss) attributable to :predecessors' interests under common control	-	-	-	(291,429)	(306,012)	-
Total comprehensive income for the year profit(loss) attributable to : non-controlling interests	89,507	378,946	509,723	37,073	-	-

Item \ Year	Financial Summary for The Last Five Years (Note 1) 2012	2013	2014 (after adjustment)	2015	2016	Current Year as of March 31, 2017 (Note 2)
Comprehensive income attributable to :equity holders of the Company	1,335,687	2,319,039	3,087,848	2,205,275	1,295,871	-
Comprehensive income attributable to :predecessors' interests under common control	-	-	-	(291,429)	(306,012)	-
Comprehensive income attributable to: non-controlling interests	413,246	461,455	148,508	15,067	-	-
Earnings per share-basic :equity holders of the Company	1.38	2.76	3.87	2.54	1.78	-
Earnings per share-basic :predecessors' interests under common control	-	-	-	(0.33)	(0.35)	-

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

Note 2: As of the date of publication, the most recent consolidated financial report dated March 31, 2017 has not yet been approved by the Board of Directors nor reviewed by certified public accountants.

(2) Parent Company Only Financial Report

Unit: NT$ thousands

Item \ Year	Financial Summary for The Last Five Years				
	2012	2013	2014 (after adjustment)	2015 (after adjustment)	2016
Revenue	16,995,004	17,255,088	19,544,911	18,275,095	18,389,205
Gross profit	2,338,184	3,155,954	4,649,865	3,955,276	3,643,246
Operating income	1,412,924	2,076,797	3,453,376	2,546,351	2,020,291
Total Non-operating income(expense)	(161,310)	730,926	590,695	206,612	(442,959)
Profit before income tax	1,251,614	2,807,723	4,044,071	2,752,963	1,577,332
Profit for the year from continuing operations	1,163,748	2,323,254	3,326,314	1,939,040	1,226,280
Loss from discontinued operations	-	-	-	-	-
Profit for the year	1,163,748	2,323,254	3,326,314	1,939,040	1,226,280
Other comprehensive income(Loss),net	171,939	(4,215)	(238,467)	(25,194)	(236,421)
Total comprehensive income for the year	1,335,687	2,319,039	3,087,847	1,913,846	989,859
Total comprehensive income(loss), for the year attributable to :equity holders of the Company	-	-	-	2,230,469	1,532,292
Total comprehensive income(loss), for the year attributable to :predecessors' interests under common control	-	-	-	(291,429)	(306,012)
Profit attributable to non-controlling interests	-	-	-	-	-
Comprehensive income attributable to :equity holders of the Company	-	-	-	2,205,275	1,295,871
Comprehensive income attributable to: predecessors' interests under common control	-	-	-	(291,429)	(306,012)
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share-basic :equity holders of the Company	1.38	2.76	3.87	2.54	1.78
Earnings per share -basic :predecessors' interests under common control	-	-	-	(0.33)	(0.35)

3. Circumstances and reasons of the financial information re-editing: None.

Auditors’ Opinions from 2012 to 2016:

(III)

Year	Accounting firm	CPA	Audit opinion
2012	Moore Stephens Taiwan	Si-Chi Kuo, Chia-Hung Wu	Unqualified opinion
2013	Moore Stephens Taiwan	Si-Chi Kuo, Chia-Hung Wu	Unqualified opinion
2014	Moore Stephens Taiwan	Chia-Hung Wu, Chuan-Jhen Jwo	Unqualified opinion
2015	PricewaterhouseCoopers (PwC) Taiwan	Chun-Yuan Hsiao, Chih-Cheng Hsieh	Modified unqualified opinion
2016	PricewaterhouseCoopers (PwC) Taiwan	Chun-Yuan Hsiao, Chih-Cheng Hsieh	Unqualified opinion

II Financial Analysis for the Most Recent 5 Years

(I) Financial Analysis- Based on International Financial Reporting Standards (IFRSs)

1. Consolidated Financial Reports

Item	Year	Financial Summary for The Last Five Years（Note1）				Current Year as of March 31, 2017 (Note 2)
		2013	2014 (after adjustment)	2015	2016	
Financial structure	Debt ratio	40.27	39.95	38.21	48.00	-
	Ratio of long-term capital to property, plant and equipment	176.95	193.35	175.92	197.31	-
Solvency	Current ratio	234.12	245.80	270.33	363.74	-
	Quick ratio	211.51	222.23	238.79	320.43	-
	Interest earned ratio (times)	19.57	37.15	23.54	12.76	-
Operating ability	Accounts receivables turnover ratio (times)	4.70	4.89	4.53	4.58	-
	Average collection period	78	75	81	80	-
	Inventory turnover (times)	9.53	9.91	8.89	7.77	-
	Accounts payables turnover (times)	17.29	16.56	17.70	19.23	-
	Average days insales	38	37	41	47	-
	Property, plant and equipment turnover (times)	1.52	1.66	1.43	1.33	-
	Total asset turnover (times)	0.65	0.68	0.61	0.57	-
Profitability	Return on total assets (%)	9.62	12.20	7.24	4.19	-
	Return on stockholders' equity (%)	15.99	19.80	11.36	6.54	-
	Pre-tax income to paid-in capital (%)	39.76	55.45	31.94	19.17	-
	Profit ratio(%)	13.96	17.43	11.41	6.67	-
	Earnings per share (equity holders of the Company)（NT$）	2.76	3.87	2.54	1.78	-
	Earnings per share (predecessors' interests under common control)（NT$）	-	-	(0.33)	(0.35)	-
Cash flow	Cash flow ratio (%)	80.24	72.25	93.94	76.08	-
	Cash flow adequacy ratio (%)	156.32	157.94	130.13	113.18	-
	Cash reinvestment ratio (%)	7.74	6.70	4.74	2.39	-
Leveraging	Operating leverage	2.55	1.77	2.17	2.62	-
	Financial leverage	1.09	1.04	1.05	1.08	-

(1) Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)Debt ratio: Mainly due to increase in bank loan fornon-current portion of Y2016
(2) Current ratio and quick ratio: Mainly due to decrease in short term bank loan and bank loan for current portion of Y2016.
(3) Interest earned ratio: Mainly due to decrease in profit of Y2016.
(4) Return on total assets ratio: Mainly due to decrease in profit of Y2016
(5) Return on stockholders' equity ratio: Mainly due to decrease in profit of Y2016.
(6) Pre-tax income to paid-in capital Ratio: Mainly due to decrease in profit of Y2016
(7) Profit ratio: Mainly due to decrease in profit of Y2016.
(8) Earnings per share: Mainly due to decrease in profit of Y2016.
(9) Cash reinvestment ratio: Mainly due to decrease in net cash flows from operating activities as compared to Y2015 resulting from the decrease in profit of Y2016.
(10) Operating leverage: Mainly due to decrease in revenue and increae in operating expense which resulting for profit decrease in 2016.

Note 1: The last five years financial information had been audited by certified public accountants.
Note 2: As of the date of publication of the annual report, the most recent consolidated financial report dated March 31, 2017 has not yet been approved by the Board of Directors nor reviewed by certified public accountants.

2. Parent Company Only Financial Report

item \ Year		2013	2014 (after adjustment)	2015	2016
Financial structure	Debt ratio	40.31	41.82	37.71	47.15
	Ratio of long-term capital to property, plant and equipment	180.95	205.54	183.73	197.94
Solvency	Current ratio	204.56	221.82	258.25	338.82
	Quick ratio	181.91	200.18	228.83	290.41
	Interest earned ratio (times)	18.77	35.01	23.04	11.91
Operating ability	Accounts receivables turnover ratio (times)	4.81	4.99	4.63	4.72
	Average collection period	76	73	79	77
	Inventory turnover (times)	9.43	9.90	8.93	8.07
	Accounts payables turnover (times)	17.74	16.91	18.20	20.19
	Average days in sales	39	37	41	45
	Property, plant and equipment turnover (times)	1.62	1.75	1.46	1.36
	Total asset turnover (times)	0.68	0.68	0.59	0.58
Profitability	Return on total assets (%)	9.63	11.99	7.54	4.24
	Return on stockholders' equity (%)	16.16	19.82	11.96	6.54
	Pre-tax income to paid-in capital (%)	33.31	46.77	31.29	17.78
	Profit ratio(%)	13.46	17.02	12.20	6.67
	Earnings per share (equity holders of the	2.76	3.87	2.54	1.78

item \ Year		2013	2014 (after adjustment)	2015	2016
	Company)（NT$）				
	Earnings per share (predecessors' interests under common control)（NT$）	-	-	(0.33)	(0.35)
Cash flows	Cash flow ratio (%)	87.87	74.74	95.04	101.48
	Cash flow adequacy ratio (%)	152.43	157.10	133.25	141.4
	Cash reinvestment ratio (%)io (%)	8.73	7.57	4.88	3.19
Leveraging	Operating leverage	2.42	1.75	2.11	2.53
	Financial leverage	1.08	1.04	1.05	1.08

(1) Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)Debt ratio: Mainly due to increase in bank loan for non-current portion of Y2016.
(2) Current ratio and quick ratio: Mainly due to decrease in short term bank loan and bank loan for current portion of Y2016.
(3) Interest earned ratio: Mainly due to decrease in profit of Y2016
(4) Return on total assets ratio: Mainly due to decrease in profit of Y2016
(5) Return on stockholders' equity ratio: Mainly due to decrease in profit of Y2016.
(6) Pre-tax income to paid-in capital Ratio: Mainly due to decrease in profit in Y2016.
(7) Profit ratio: Mainly due to decrease in profit of Y2016.
(8) Earnings per share: Mainly due to decrease in profit of Y2016.
(9) Cash reinvestment ratio: Mainly due to decrease in net cash flows from operating activities as compared to Y2015 resulting from decrease in profit of Y2016.
(10) Operating leverage: Mainly due to decrease in revenue and increae in operating expense which resulting for profit decrease in Y2016.

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

Note 1: The computation formulas used in financial analysis are listed as follows (the opening balance of fixed assets and total assets turnover are computed based on CPA-audited IFRS on December 31, 2012).

Note 2: The following computation formulas shall be listed at the end of this Statement of the annual report:

1. Financial Structure
   (1) Debt ratio = total liabilities / total assets
   (2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment
2. Solvency
   (1) Current ratio = current assets / current liabilities
   (2) Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities
   (3) Interest earned ratio = income before income tax and interest expenses / current interest expenses
3. Operating ability
   (1) Accounts receivable turnover (times) = net sales / average account receivables (including accounts receivable and notes receivable arising from business operations) for each period
   (2) Average collection period= 365 / account receivables turnover ratio
   (3) Inventory turnover (times) = cost of goods sold / average inventory
   (4) Accounts payable turnover (times) = cost of goods sold /average account payables (including accounts payable and notes payable arising from business operations) for each period
   (5) Average days in sale = 365 / inventory turnover rate
   (6) Property, plant and equipment turnover (times) = net sales / of property, plant and equipment
   (7) Total asset turnover (times) = net sales / total assets
4. Profitability
   (1) Return on total assets = [net income + interest expenses (1- effivtive rate)] / average total assets
   (2) Return on stockholders' equity = net income / average stockholders' equity

(3) Profit ratio = net income / net sales

(4) Earnings per share = (income attributable to owners of the parent company–preferred stock dividends) / weighted average number of shares outstanding(Note 3)

5. Cash flow

(1) Cash flow ratio = Net cash provided by operating activities / current liabilities

(2) Cash flow adequacy ratio = five years sum of cash from operation / (five years sum of capital expenditures + inventory increase + cash dividend)

(3) Cash reinvestment ratio = (Net cash flow from operating activities – cash dividend) / gross property, plant and equipment + long-term investment + other non-current assets + working capital) (Note 4)

6. Leveraging:

(1) Operating leverage = (net revenue – variable operating costs and expenses) / operating income (Note 5)

(2) Financial leverage = operating income / (operating income- interest expenses)

(II) Financial Analysis - Based on ROC Financial Accounting Standards

1. Consolidated Financial Report

Item \ Year			Financial Summary for The Last Five Years				
			2012	2013	2014	2015	2016
Financial structure	Debt ratio		44.99	Not Applicable			
	Ratio of long-term capital to fixed assets		187.64				
Solvency	Current ratio		257.82				
	Quick ratio		225.95				
	Interest earned ratio (times)		6.85				
Operating ability	Account receivables turnover (times)		4.86				
	Average collection period		75				
	Inventory turnover (times)		9.81				
	Account payables turnover (times)		16.50				
	Average days in sales		37				
	Fixed assets turnover (times)		1.47				
	Total assets turnover (times)		0.67				
Profitability	Return on total assets (%)		4.88				
	Return on shareholders' equity (%)		7.97				
	Ratio to issued capital (%)	Operation income	17.00				
		Pre- tax income	15.82				
	Profit ratio (%)		6.29				
	Earnings per share (NT$)		1.33				
Cash flow	Cash flow ratio (%)		86.74				
	Cash flow adequacy ratio (%)		150.81				
	Cash reinvestment ratio (%)		7.53				
Leveraging	Operating leverage		4.26				
	Financial leverage		1.19				

Source: Consolidated financial report had been audited certified public accountants.

2. Parent Company Only Financial Report

Item			Year: 2012	2013	2014	2015	2016
			Financial Summary for The Last Five Years				
Financial structure	Debt ratio		46.24	Not Applicable			
	Ratio of long-term capital to fixed assets		189.01				
Solvency	Current ratio		233.02				
	Quick ratio		202.78				
	Interest earned ratio (times)		6.64				
Operating ability	Account receivables turnover (times)		5.18				
	Average collection period		70.52				
	Inventory turnover (times)		9.47				
	Account payables turnover (times)		16.53				
	Average days in sales		38.52				
	Fixed assets turnover (times)		1.55				
	Total assets turnover (times)		0.69				
Profitability	Return on total assets (%)		5.24				
	Return on stockholders' equity (%)		8.75				
	Ratio to issued capital (%)	Operation income	16.88				
		Pre-tax Income	14.22				
	Profit ratio (%)		6.59				
	Earnings per share (NT$)		1.33				
Cash flow	Cash flow ratio (%)		85.91				
	Cash flow adequacy ratio (%)		138.98				
	Cash reinvestment ratio (%)		8.47				
Leveraging	Operating leverage		6.67				
	Financial leverage		1.18				

Note 1: The following computation formulas shall be listed at the end of this Statement of the annual report:

1. Financial Structure
   (1) Debt ratio = total liabilities / total assets
   (2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment
2. Solvency
   (1) Current ratio = current assets / current liabilities
   (2) Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities
   (3) Interest earned ratio = income before income tax and interest expenses / current interest expenses
3. Operating ability
   (1) Accounts receivable turnover (times) = net sales / average account receivables (including accounts receivable and notes receivable arising from business operations) for each period

(2) Average collection period= 365 / account receivables turnover ratio
(3) Inventory turnover (times) = cost ofgood sold / average inventory
(4) Accounts payable turnover (times) = cost of good sold /average account payables (including accounts payable and notes payable arising from business operations) for each period
(5) Average days insale = 365 / inventory turnover rate
(6) Fixed asset turnover (times) = net sales / of property, plant and equipment
(7) Total asset turnover (times) = net sales / total assets

4. Profitability
(1) Return on total assets = [net income + interest expenses (1- effivtive rate)] / average total assets
(2) Return on stockholders' equity = net income / average stockholders' equity
(3) Profit ratio = net income / net sales
(4) Earnings per share = (income attributable to owners of the parent company–preferred stock dividends) / weighted average number of shares outstanding(Note 3)

5. Cash flow
(1) Cash flow ratio = Net cash provided by operating activities / current liabilities
(2) Cash flow adequacy ratio = five years sum of cash from operation / (five years sum of capital expenditures + inventory increase + cash dividend)
(3) Cash reinvestment ratio = (Net cash flow from operating activities – cash dividend) / gross property, plant and equipment + long-term investment + other non-current assets + working capital) (Note 4)

6. Leveraging:
(1) Operating leverage = (net revenue – variable operating costs and expenses) / operating income (Note 5)
(2) Financial leverage = operating income / (operating income- interest expenses)

III Audit Committee’s Report for the Most Recent Year

Audit Committee's Review Report

In respect of Company's Financial Reports for year 2016, PricewaterhouseCoopers (PwC) Taiwan was retained to issue an audit report. The Financial Reports have been reviewed and determined to be correct and compliant by this Audit Committee. According to Article 219 of the Company Act, we hereby submit the foregoing report.

ChipMOS TECHNOLOGIES INC.

Audit Committee: Chin-Shyh Ou

March 9, 2017

Audit Committee's Review Report

In respect of Company's Financial Reports for year 2016, PricewaterhouseCoopers (PwC) Taiwan was retained to issue an audit report. The Financial Reports have been reviewed and determined to be correct and compliant by this Audit Committee. According to Article 219 of the Company Act, we hereby submit the foregoing report.

ChipMOS TECHNOLOGIES INC.

Audit Committee: Yuh-Fong Tang

March 9, 2017

Audit Committee's Review Report

In respect of Company's Financial Reports for year 2016, PricewaterhouseCoopers (PwC) Taiwan was retained to issue an audit report. The Financial Reports have been reviewed and determined to be correct and compliant by this Audit Committee. According to Article 219 of the Company Act, we hereby submit the foregoing report.

ChipMOS TECHNOLOGIES INC.

Audit Committee: Tai-Haur Kuo

March 9, 2017

Audit Committee's Review Report

In respect of Company's Financial Reports for year 2016, PricewaterhouseCoopers (PwC) Taiwan was retained to issue an audit report. The Financial Reports have been reviewed and determined to be correct and compliant by this Audit Committee. According to Article 219 of the Company Act, we hereby submit the foregoing report.

ChipMOS TECHNOLOGIES INC.

Audit Committee: Cho-Lien Chang

March 9, 2017

Audit Committee's Review Report

In respect of Company's Financial Reports for year 2016, PricewaterhouseCoopers (PwC) Taiwan was retained to issue an audit report. The Financial Reports have been reviewed and determined to be correct and compliant by this Audit Committee. According to Article 219 of the Company Act, we hereby submit the foregoing report.

ChipMOS TECHNOLOGIES INC.

Audit Committee: Kuei-Ann Wen

March 9, 2017

IV. Financial Report of the Most Recent Year

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.

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.

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.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the footnote disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Chun-Yuan Hsiao　　　　Chih-Cheng Hsieh

for and on behalf of PricewaterhouseCoopers, Taiwan

March 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

(Continued)

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)

			Years ended December 31, 2016		2015 (Adjusted)	
	Items	Notes	Amount	%	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

(Continued)

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

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) <u>Employee share-based payment</u>

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) <u>Pensions</u>

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

Pledged asset	Purpose	Carrying amount December 31, 2016	Carrying amount 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.

Foreign exchange risk

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

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

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

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

	December 31, 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):

Held company name	Marketable securities type and name	Relationship with the company	General ledger account	As of December 31, 2016 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

V. Parent Company Only Financial Report of the Most Recent Year

AUDIT REPORT OF INDEPENDENT ACCOUNTANTS

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

Opinion

We have audited the accompanying parent company only balance sheets of ChipMOS TECHNOLOGIES INC. (the "Company") as of December 31, 2016 and 2015, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of the other independent accountant, as described in the *Other matters* section of our report, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers".

Basis for opinion

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

Key audit matters

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

Capital reorganization

Description

Please refer to Notes 4(23) and 6(29) to the parent company only financial statements for the information on the accounting policies and the capital reorganization transaction.

ChipMOS TECHNOLOGIES (Bermuda) LTD. (“ChipMOS Bermuda”) was the former parent company of 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 a capital reorganization within the group and the accounting treatment was accounted for using 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, evaluation process, and determination of the consideration of the Merger.
2. 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 with 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 the Merger disclosure details in the financial statements.

Provisions for deficiency compensation

Description

Please refer to Note 4(17) to the parent company only financial statements for the accounting policies on provisions; Note 5(1) for uncertainty of accounting estimate and assumptions of provisions; and Note 6(10) for details of the provisions for deficiency compensation.

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

How our audit addressed the matter

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

1. Interviewed 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.

Other matters

The report of the other independent accountants

We did not audit the financial statements of a certain investee company accounted for using the equity method. Those financial statements were audited by the other independent accountants whose report thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements and the information on the investee disclosed in Note 13 was based solely on the report of the other independent accountants. Investments in this investee company amounted to NT$369,329 thousand and NT$346,268 thousand, both representing 1% of total 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 comprehensive income for the years then ended, respectively.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers”, and for such internal controls as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company’s financial reporting process.

Independent accountant’s responsibilities for the audit of the financial statements

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

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

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

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

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

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

Chun-Yuan Hsiao	Chih-Cheng Hsieh

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

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

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

	Assets	Notes	December 31, 2016 Amount	%	(Adjusted) December 31, 2015 Amount	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 7,297,146	24	$ 10,459,388	32
1150	Notes receivable, net		1,753	-	1,394	-
1170	Accounts receivable, net	6(2)	4,138,491	14	3,651,309	11
1180	Accounts receivable - related parties		57	-	129	-
1200	Other receivables		254,966	1	96,382	-
1210	Other receivables - related parties	7	82,734	-	1,020,806	3
130X	Inventories, net	6(3)	1,877,982	6	1,533,860	5
1410	Prepayments		97,261	-	162,381	1
1476	Other current financial assets	8	72,277	-	65,211	-
11XX	**Total current Assets**		13,822,667	45	16,990,860	52
	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)	3,012,366	10	1,984,408	6
1600	Property, plant and equipment, net	6(6) and 8	13,495,686	44	13,558,502	41
1840	Deferred tax assets	6(27)	249,806	1	166,267	1
1920	Refundable deposits		20,435	-	20,927	-
1990	Other non-current assets		181,692	-	49,303	-
15XX	**Total non-current assets**		16,969,945	55	15,789,367	48
1XXX	**Total assets**		$ 30,792,612	100	$ 32,780,227	100

(Continued)

ChipMOS TECHNOLOGIES INC.
PARENT COMPANY ONLY 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(7)	$ -	-	$ 1,148,875	3
2170	Accounts payable	6(8)	825,062	3	635,787	2
2200	Other payables	6(9)	1,962,372	6	2,321,859	7
2220	Other payables - related parties	7	3,016	-	3,202	-
2230	Current tax liabilities		89,870	-	253,435	1
2250	Current provisions	6(10)	80,719	-	96,903	-
2310	Advance receipts		1,324	-	1,111	-
2320	Bank loans - current portion	6(11) and 8	1,062,285	4	1,548,688	5
2355	Current lease obligations payable		11,291	-	-	-
2399	Other current liabilities		43,676	-	27,302	-
21XX	**Total current liabilities**		4,079,615	13	6,037,162	18
	Non-current liabilities					
2540	Bank loans - non - current portion	6(11) and 8	9,687,720	32	4,985,832	15
2570	Deferred tax liabilities	6(27)	92,543	-	-	-
2613	Long-term lease obligations payable	6(12)	29,311	-	-	-
2630	Long-term deferred revenue	6(13), 7 and 9	81,537	-	1,172	-
2640	Net defined benefit liability - non - current	6(14)	546,968	2	519,471	2
2645	Guarantee deposits		1,404	-	1,429	-
25XX	**Non-current liabilities**		10,439,483	34	5,507,904	17
2XXX	**Total Liabilities**		14,519,098	47	11,545,066	35
	Equity					
	Capital stock					
3110	Capital stock - common stock	6(15)(16)	8,869,663	29	8,962,066	27
	Capital surplus	6(17)				
3200	Capital surplus		6,888,826	22	3,755,849	12
	Retained earnings	6(18)				
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(19)				
3400	Other equity interest		98,041	-	(383,655)	(1)
3500	**Treasury stock**		(1,007,654)	(3)	-	-
35XX	**Equity attributable to predecessor under common control**		-	-	2,127,532	6
3XXX	**Total equity**		16,273,514	53	21,235,161	65
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 30,792,612	100	$ 32,780,227	100

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

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

	Items	Notes	2016 Amount	2016 %	2015 (Adjusted) Amount	2015 (Adjusted) %
			Years ended December 31,			
4000	**Revenue**	6(20)	$ 18,389,205	100	$ 18,275,095	100
5000	**Cost of revenue**	6(3)(25)	(14,745,959)	(80)	(14,319,819)	(78)
5900	**Gross profit**		3,643,246	20	3,955,276	22
	Operating expenses	6(25)(26)				
6100	Selling expenses		(114,584)	(1)	(125,840)	(1)
6200	General & administrative expenses		(781,992)	(4)	(684,702)	(4)
6300	Research and development expenses		(838,866)	(5)	(724,829)	(4)
6000	**Total operating expenses**		(1,735,442)	(10)	(1,535,371)	(9)
6500	**Other income(expense), net**	6(21)	112,487	1	126,446	1
6900	**Operating profit**		2,020,291	11	2,546,351	14
	Non-operating income (expenses)					
7010	Other income	6(22) and 7	59,248	-	61,132	-
7020	Other gains and losses	6(23)	(194,225)	(1)	263,213	2
7050	Finance costs	6(24)	(179,116)	(1)	(143,079)	(1)
7070	Share of (loss) profit of subsidiaries, associates and joint ventures accounted for using equity method	6(5)	(128,866)	(1)	25,346	-
7000	**Total non-operating income (expenses)**		(442,959)	(3)	206,612	1
7900	**Profit before income tax**		1,577,332	8	2,752,963	15
7950	Income tax expense	6(27)	(351,052)	(2)	(813,923)	(5)
8000	**Profit for the year from continuing operations**		1,226,280	6	1,939,040	10
8200	**Profit for the year**		$ 1,226,280	6	$ 1,939,040	10
	Other comprehensive income					
8311	Net actuarial losses	6(14)	($ 43,383)	-	($ 41,758)	-
8330	Share of other comprehensive loss of associates and joint ventures 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(27)	7,375	-	7,099	-
8310	**Components of other comprehensive loss that will not be reclassified to profit or loss**		(36,141)	-	(34,824)	-
8361	Exchange differences on translation of foreign operations	6(19)	(200,280)	(1)	9,630	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss**		(200,280)	(1)	9,630	-
8300	**Other comprehensive loss, net**		($ 236,421)	(1)	($ 25,194)	-
8500	**Total comprehensive income for the year**		$ 989,859	5	$ 1,913,846	10
	Profit (loss), attributable to：					
	Equity holders of the Company		$ 1,532,292	8	$ 2,230,469	12
	Predecessors' interests under common control	6(29)	(306,012)	(2)	(291,429)	(2)
			$ 1,226,280	6	$ 1,939,040	10
	Comprehensive income attributable to：					
	Equity holders of the Company		$ 1,295,871	7	$ 2,205,275	12
	Predecessors' interests under common control	6(29)	(306,012)	(2)	(291,429)	(2)
			$ 989,859	5	$ 1,913,846	10
	Earnings per share-basic	6(28)				
9710	Equity holders of the Company		$	1.78	$	2.54
	Predecessors' interests under common control		(	0.35)	(	0.33)
9750	**Earnings per share-basic**		$	1.43	$	2.21
	Earnings per share-diluted	6(28)				
9810	Equity holders of the Company		$	1.76	$	2.51
	Predecessors' interests under common control		(	0.35)	(	0.33)
9850	**Earnings per share-diluted**		$	1.41	$	2.18

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

ChipMOS TECHNOLOGIES INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital stock - common stock	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Unappropriated retained earnings	Other equity interest: Financial statement translation differences of foreign operations	Other equity interest: Others	Treasury stock	Equity attributable to predecessors' interests under common control	Total equity
Year 2015 (Adjusted)										
Balance at January 1, 2015		$ 8,646,193	$ 2,272,838	$ 582,927	$ 6,646,436	$ 36,074	$ -	$ -	$ 2,490,693	$ 20,675,161
Appropriation and distribution of prior year's earnings：										
Legal reserve		-	-	331,863	(331,863)	-	-	-	-	-
Cash dividends - the Company	6(18)	-	-	-	(1,999,225)	-	-	-	1,159,018	(840,207)
Cash dividends - predecessors' interests under common control		-	-	-	-	-	-	-	(125,293)	(125,293)
Share-based payment		-	51,233	-	-	-	-	-	123,168	174,401
Restricted shares		156,550	397,296	-	-	-	(447,323)	-	-	106,523
Repurchase of shares	6(16)	-	-	-	-	-	-	(633,737)	(1,228,625)	(1,862,362)
Cancellation of shares	6(16)	(200,000)	(56,823)	-	(376,914)	-	-	633,737	-	-
Acquisition of the interest of a subsidiary		359,323	1,091,305	-	(275,500)	17,964	-	-	-	1,193,092
Profit (loss) for the year		-	-	-	2,230,469	-	-	-	(291,429)	1,939,040
Other comprehensive (loss) income for the year	6(19)	-	-	-	(34,824)	9,630	-	-	-	(25,194)
Balance at December 31, 2015		$ 8,962,066	$ 3,755,849	$ 914,790	$ 5,858,579	$ 63,668	($ 447,323)	$ -	$ 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)	$ -	$ 2,127,532	$ 21,235,161
Appropriation and distribution of prior year's earnings：										
Legal reserve		-	-	223,047	(223,047)	-	-	-	-	-
Cash dividends	6(18)	-	-	-	(1,792,553)	-	-	-	-	(1,792,553)
Share-based payment		-	56,689	-	-	-	-	-	(128,602)	(71,913)
Restricted shares		4,347	10,755	-	14	-	247,119	-	-	262,235
Repurchase of shares	6(16)	-	-	-	-	-	-	(1,007,654)	-	(1,007,654)
Profit (loss) for the year		-	-	-	1,532,292	-	-	-	(306,012)	1,226,280
Other comprehensive loss for the year	6(19)	-	-	-	(36,141)	(200,280)	-	-	-	(236,421)
Effect of capital reorganization	6(29)(31)	(96,750)	3,065,533	-	(5,052,343)	434,857	-	-	(1,692,918)	(3,341,621)
Balance at December 31, 2016		$ 8,869,663	$ 6,888,826	$ 1,137,837	$ 286,801	$ 298,245	($ 200,204)	($ 1,007,654)	$ -	$ 16,273,514

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

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

	Notes	Years ended December 31, 2016	(Adjusted) 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 1,577,332	$ 2,752,963
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(6)(25)	3,089,825	2,807,440
Allowance (reversal) for doubtful accounts	6(2)	87	(7,311)
Interest expense	6(24)	144,545	127,189
Interest income	6(22)	(51,045)	(55,858)
Share-based payments	6(15)(26)	356,463	206,167
Share of profit (loss) of subsidiaries and associates accounted for using equity method	6(5)	128,866	(25,346)
Donation		127	-
Gain on disposal of property, plant and equipment	6(6)(21)	(8,780)	(8,314)
Impairment loss on financial assets carried at cost	6(4)(23)	-	8,584
Impairment loss on property, plant and equipment	6(6)(21)	8,198	1,460
Amortization of intercompany transactions		4,120	685
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(359)	(443)
Accounts receivable		(487,269)	888,496
Accounts receivable - related parties		72	56,025
Other receivables		33,452	15,462
Other receivables - related parties		(46,678)	(24,798)
Inventories		(344,122)	3,151
Prepayments		40,606	78,596
Other current financial assets		-	(9,880)
Other non-current assets		(132,389)	-
Changes in operating liabilities			
Accounts payable		189,275	(305,329)
Other payables		(265,340)	116,548
Other payables - related parties		(186)	20,458
Advance receipts		213	43
Current provisions		(16,184)	(17,467)
Current lease obligations payable		16,375	(14,065)
Net defined benefit liability - non-current		(15,887)	(15,044)
Long-term deferred revenue		80,365	36
Cash inflow generated from operations		4,301,682	6,599,448
Interest received		55,333	53,562
Dividend received		5,730	-
Interest paid		(145,227)	(127,624)
Income tax paid		(498,239)	(1,217,256)
Net cash flows from operating activities		3,719,279	5,308,130

(Continued)

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

	Notes	Years ended December 31, 2016	(Adjusted) 2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in other receivables - related parties		$ 984,750	($ 984,750)
Acquisition of investments accounted for using equity method	6(5)	(1,467,675)	(330,830)
Acquisition of property, plant and equipment	6(31)	(3,049,643)	(4,053,601)
Proceeds from disposal of property, plant and equipment		972	10,692
Decrease in refundable deposits		492	1,220
Increase in other current financial assets		(7,066)	(7,822)
Net cash flows used in investing activities		(3,538,170)	(5,365,091)
CASH FLOWS FROM FINANCING ACTIVITIES			
Prepaid cost of issuing new shares		-	(22,406)
Payments on short-term bank loans		(1,148,875)	(595,244)
Proceeds from long-term bank loans		10,300,000	2,000,000
Payments on long-term bank loans		(6,060,000)	(1,440,000)
Decrease in refundable deposits		(25)	(1,539)
Cash dividend paid - the Company	6(18)	(1,792,553)	(840,207)
Cash dividend paid - predecessors' interests under common control		-	(125,293)
Payments on repurchase of shares	6(16)(31)	(1,007,654)	(1,441,359)
Acquisition of a subsidiary	6(5)	-	38,818
Cash paid in respect of share-based payment		(292,623)	(7,873)
Cash paid for reorganization	6(29)(31)	(3,341,621)	-
Net cash flows used in financing activities		(3,343,351)	(2,435,103)
Net decrease in cash and cash equivalents		(3,162,242)	(2,492,064)
Cash and cash equivalents at beginning of year		10,459,388	12,951,452
Cash and cash equivalents at end of year		$ 7,297,146	$ 10,459,388

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

ChipMOS TECHNOLOGIES INC.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 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 is primarily engaged in the research, development, manufacture 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") merged with and into the Company, with the latter being the surviving company (the "Merger"). On November 1, 2016, the Company's American Depositary Shares ("ADSs") were listed on the NASDAQ Global Select Market.

2. THE AUTHORIZATION OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

The accompanying parent company only financial statements were authorized for issuance by the Board of Directors on March 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 ("IFRS") 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 the FSC effective from 2017 are as follows:

New, Revised or Amended Standards and Interpretations	Effective date issued by International Accounting Standards Board ("IASB")
Amendments to IFRS 10, IFRS 12 and International Accounting Standardsb("IAS") 28 "Investment Entities:Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants "	January 1, 2016

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
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 Company’s financial condition and operating results based on the Company’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
Amendment to IFRS 4 on applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
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 Considerarion”	January 1, 2018
Annual Improvements to IFRSs 2014－2016 Cycle － Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards”	January 1, 2018

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
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 to the Company’s financial condition and operating result based on the Company’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 designates 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 the impairment losses of debt instruments. The 12 months expected credit losses or lifetime expected credit losses (i.e. interest income calculated on the gross carrying amount of the asset before impairment losses occur) 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 allowances) 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 a hedged item and the hedge ratio of the 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. <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>

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

(1) <u>Statement of compliance</u>

The parent company only financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

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

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

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

B. The preparation of the parent company only financial statements in conformity with IFRSs, International Accounting Standards ("IASs"), and interpretations of IFRSs and IASs as endorsed by FSC requires the use of certain critical accounting estimates. It also requires management to exercise the judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing 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.

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

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(a) Liabilities that are expected to be 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.

(5) Cash equivalents

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

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

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

(a) Hybrid (combined) contracts; or

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

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

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

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

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

(7) 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.

(8) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

(a) Financial assets measured at amortized cost

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

(b) Financial assets measured at cost

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

(9) <u>Derecognition of financial assets</u>

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

(10) <u>Inventories</u>

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

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

(11) Investments accounted for using equity method – subsidiaries and associates

A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Unrealized gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.

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

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

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

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

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

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

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

K. According to "Rules Governing the Preparation of Financial Statements by Securities Issuers", profit for the year and other comprehensive income for the year reported in the parent company only financial statements, shall be equal to profit for the year and other comprehensive income attributable to owners of the parent reported in the consolidated financial statements, equity reported in the parent company only financial statements shall be equal to equity attributable to owners of parent reported in the consolidated financial statements.

(12) <u>Property, plant and equipment</u>

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

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

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

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

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

(13) Leased assets / operating leases (lessee)

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

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

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

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

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

(14) Impairment of non-financial assets

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

(15) Loans

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

(16) Notes and accounts payable

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

(17) Provisions

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

(18) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

C. Termination benefits

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

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

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

(19) Employee share-based payment

A. For equity-settled share-based payment arrangements, the 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 Company recognizes the fair value of the dividends received by employees who are expected to resign during the vesting period as a compensation cost at the date the dividends were declared.

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

(20) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% income tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders 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 balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

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

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

(21) Share capital

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

(22) Dividends

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

(23) Revenue recognition

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

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

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

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

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

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

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

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

(24) Capital reorganization

A. On October 31, 2016, the Company merged with its former parent company, ChipMOS Bermuda, through 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 restated retrospectively. The assets and liabilities acquired from ChipMOS Bermuda was measured using the book value method, and any differences between the consideration given by the Company and the aggregate book value of the assets and liabilities of ChipMOS Bermuda were first accounted for as addition (deduction) in capital surplus arising from share premium, and if 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 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 parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

Provisions for deficiency compensation

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

(2) Critical accounting estimates and assumptions

A. Revenue recognition

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

B. Causes and effects of accounting estimate change

By considering the Company's experience on using similar property, plant and equipment in prior periods as well as by referring to the experience from peer industries, on November 10, 2016, the Board of Directors approved to change the estimated useful lives of certain properties from 11 years to 16 years and certain equipment from 2-6 years to 2-8 years effectively from November 1, 2016, in order to better reflect economic benefits from consumption of those property and equipment. The impact on depreciation 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	$ 470	$ 480
Checking accounts and demand deposits	3,692,176	5,057,499
Time deposits	3,604,500	5,401,409
	$ 7,297,146	$ 10,459,388

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

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

(2) Accounts receivable, net

	December 31, 2016	December 31, 2015
Accounts receivable	$ 4,138,578	$ 3,651,309
Less: Allowance for doubtful accounts	(87)	-
	$ 4,138,491	$ 3,651,309

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

B. The Company’s accounts receivable that were neither past due nor impaired were fully 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	$ 37,103
1-2 months	728	207
2-3 months	183	1
3-4 months	245	-
> 4 months	2,013	337
	$ 27,310	$ 37,648

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

(a) As of December 31, 2016 and 2015, the Company'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 Company were pledged to others.

(3) Inventories

	December 31, 2016	December 31, 2015
Raw materials	$ 1,787,810	$ 1,395,522
Work in process	190,823	173,107
Finished goods	54,190	52,409
	2,032,823	1,621,038
Less: Allowance for impairment losses	(154,841)	(87,178)
	$ 1,877,982	$ 1,533,860

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

		2016		2015
Cost of goods sold	$	14,671,198	$	14,282,864
Loss on abandonment		7,098		27,751
Allowance (reversal) for inventory valuation and obsolescence loss		67,663		9,204
	$	14,745,959	$	14,319,819

No inventories of the Company 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 loss	(	69,920)	(	69,920)
	$	9,960	$	9,960

A. Based on the Company'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 Company 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 Company participated in the capital increase in cash of JMC in January 2015 and increased its accumulated ownership to 21%. As the result, the Company 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 Company 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 Company was pledged to others.

(5) Investments accounted for using equity method

	2016	2015
January 1	$ 1,984,408	$ 2,370,822
Addition of investments accounted for using equity	1,467,675	4,890,471
Merger of investments accounted for using equity	-	(5,331,918)
Share of profit or loss of investments accounted for using equity method	(128,866)	25,346
Earnings distribution of investments accounted for using equity method	(5,730)	-
Amortization of intercompany transactions	(104,708)	1,747
Changes in capital surplus	-	511
Changes in other equity interest - exchange differences from translation of foreign operations	(200,280)	27,594
Other comprehensive income of investments accounted for using equity method	(133)	(165)
December 31	$ 3,012,366	$ 1,984,408

Subsidiaries	December 31, 2016	December 31, 2015
ChipMOS TECHNOLOGIES (BVI) LTD. (“ChipMOS BVI”)	$ 2,399,381	$ 1,392,238
ChipMOS U.S.A., INC. (“ChipMOS USA”)	243,656	245,902
	2,643,037	1,638,140
Associate		
JMC	369,329	346,268
	$ 3,012,366	$ 1,984,408

A. Subsidiaries

(a) Information about the Company’s subsidiaries is provided in Note 4(3) of its consolidated financial statements for 2016.

(b) On November 30, 2016, the Company’s Board of Directors approved ChipMOS BVI to dispose 54.98% of its equity shares in the subsidiary ChipMOS TECHNOLOGIES (Shanghai) LTD. (“ChipMOS Shanghai”) to Tibet Unigroup Guowei Investment Co., Ltd. and other strategic investors. The equity transfer is expected to be completed in the first quarter of 2017.

(c) On June 17, 2015, the Company’s subsidiary ThaiLin Semiconductor Corp. (“ThaiLin”) was merged with and into the Company, with the latter being the surviving company. The Company issued 35,932 thousands of ordinary shares and paid $1,444,224 in cash in exchange for 52% of ThaiLin’s outstanding shares. Following the merger, ChipMOS BVI, originally a wholly-owned subsidiary of ThaiLin, became a wholly-owned subsidiary of the Company. In June 2016, the Company increased the cash capital of ChipMOS BVI by US$45 million.

(d) In June 2015, the Company increased the cash capital of ChipMOS USA by US$7million.

B. Associate

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

(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 December 31, 2016	Shareholding ratio December 31, 2015	Nature of relationship	Method of measurement
JMC	Kaohsiung Taiwan	21%	21%	None	Equity method

(b) Summarized financial information

Balance Sheet

	JMC December 31, 2016	JMC 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	JMC 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	Other	Construction in progress and equipment to be inspected	Total
January 1, 2016							
Cost	$ 452,738	$ 9,335,878	$44,304,030	$3,248,655	$2,135,617	$ 685,520	$60,162,438
Accumulated depreciation and impairment	-	(4,845,705)	(37,028,687)	(2,958,663)	(1,770,881)	-	(46,603,936)
	$ 452,738	$ 4,490,173	$ 7,275,343	$ 289,992	$ 364,736	$ 685,520	$13,558,502
2016							
January 1	$ 452,738	$ 4,490,173	$ 7,275,343	$ 289,992	$ 364,736	$ 685,520	$13,558,502
Additions	-	131,778	727,588	320,021	187,824	1,756,052	3,123,263
Disposals	-	(51)	(86,196)	(1,228)	(581)	-	(88,056)
Reclassification	-	43,333	1,366,518	12,190	23,030	(1,445,071)	-
Depreciation expense	-	(587,478)	(2,145,621)	(186,992)	(169,734)	-	(3,089,825)
Impairment loss	-	-	-	-	(8,198)	-	(8,198)
December 31	$ 452,738	$ 4,077,755	$ 7,137,632	$ 433,983	$ 397,077	$ 996,501	$13,495,686
December 31, 2016							
Cost	$ 452,738	$ 9,490,601	$43,676,084	$3,531,610	$2,376,679	$ 996,501	$60,524,213
Accumulated depreciation and impairment	-	(5,412,846)	(36,538,452)	(3,097,627)	(1,979,602)	-	(47,028,527)
	$ 452,738	$ 4,077,755	$ 7,137,632	$ 433,983	$ 397,077	$ 996,501	$13,495,686

	Land	Buildings	Machinery and equipment	Tools	Other	Construction in progress and equipment to be inspected	Total
January 1, 2015							
Cost	$ 152,963	$ 7,678,079	$36,128,330	$2,965,552	$2,042,865	$ 1,057,878	$50,025,667
Accumulated depreciation and impairment	-	(4,009,455)	(30,120,068)	(2,689,297)	(1,732,035)	-	(38,550,855)
	$ 152,963	$ 3,668,624	$ 6,008,262	$ 276,255	$ 310,830	$ 1,057,878	$11,474,812
2015							
January 1	$ 152,963	$ 3,668,624	$ 6,008,262	$ 276,255	$ 310,830	$ 1,057,878	$11,474,812
Additions	-	131,443	578,215	132,595	179,587	2,265,782	3,287,622
Acquisition of ThaiLin	299,775	730,627	489,785	32,140	57,450	-	1,609,777
Disposals	-	-	(2,881)	-	(1,928)	-	(4,809)
Reclassification	-	522,328	2,118,373	36,014	(38,575)	(2,638,140)	-
Depreciation expense	-	(562,849)	(1,916,411)	(187,012)	(141,168)	-	(2,807,440)
Impairment loss	-	-	-	-	(1,460)	-	(1,460)
December 31	$ 452,738	$ 4,490,173	$ 7,275,343	$ 289,992	$ 364,736	$ 685,520	$13,558,502
December 31, 2015							
Cost	$ 452,738	$ 9,335,878	$44,304,030	$3,248,655	$2,135,617	$ 685,520	$60,162,438
Accumulated depreciation and impairment	-	(4,845,705)	(37,028,687)	(2,958,663)	(1,770,881)	-	(46,603,936)
	$ 452,738	$ 4,490,173	$ 7,275,343	$ 289,992	$ 364,736	$ 685,520	$13,558,502

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:

	2016	2015
Amount of interest capitalized	$ 12,921	$ 19,382
Range of the interest rates for capitalization	1.7456%	1.7814%

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

(7) Short-term bank loans

	December 31, 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

(8) Accounts payable

	December 31, 2016	December 31, 2015
Accounts payable	$ 367,688	$ 347,702
Estimated accounts payable	457,374	288,085
	$ 825,062	$ 635,787

(9) Other payables

	December 31, 2016	December 31, 2015
Salaries and bonuses payable	$ 443,993	$ 434,847
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	517,328
Share appreciation rights	-	135,145
Other expense payable	862,963	876,323
Total	$ 1,962,372	$ 2,321,859

(10) 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).

(11) 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 Company 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 Company 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.

(12) Lease obligations payable

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

(13) Long-term deferred revenue

	December 31, 2016	December 31, 2015
Long-term deferred revenue	$ 81,537	$ 1,172

Long-term deferred revenue represents royalties received in advance, and is amortized to revenue over the contract period. Detailed information is provided in Note 7(2)J.

(14) Pensions

A. Defined Benefit Plans

(a) 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.

(b) The amounts recognized in the balance sheet 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)

(c) 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	($ 723,602)	$ 282,701	($ 440,901)
Current service cost	(471)	-	($ 471)
Interest (expense) income	(16,903)	6,811	(10,092)
	(740,976)	289,512	(451,464)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	872	872
Financial assumption movement effect	(59,023)	31,311	(27,712)
Experience adjustments	3,322	-	3,322
	(55,701)	32,183	(23,518)
Pension fund contribution	-	24,023	24,023
Paid pension	21,023	(21,023)	-
	(68,512)	-	(68,512)
December 31	($ 844,166)	$ 324,695	($ 519,471)

(d) 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.

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

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

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

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

	Discount rate		Future salary increase	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 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 analyzing 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 unchange from previous period.

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

(g) 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. Defined contribution plans

Effective July 1, 2005, the Company 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 contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2016 and 2015 were $174,096 and $158,029, respectively.

(15) Share-based payments

Employee stock option plan / Share appreciation rights plan

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

B. Before the Merger, the Company's share-based payment arrangements acquired from former parent company were as follows:

Types of arrangement	Grant date	Quantity granted (shares/units)	Contract period	Vesting conditions
Employee stock option plan	2006 to 2015	3,952,711	2001 to 2024	As granted or certain % after first year
Share appreciation rights	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	1,251,306	12.75
Granted during the period	-	-	42,496	19.91
Forfeited during the period	(25,084)	15.35	(59,751)	16.33
Acquisition during the period	-	-	49,110	7.87
Exercised during the period	(97,715)	7.21	(220,911)	8.15
Expired during the period	(49,500)	20.57	-	-
Early settled during the	(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

	Ten months ended October 30,2016		2015	
	Number of rights	Weighted-average exercise price (in US$)	Number of rights	Weighted-average exercise price (in US$)
Share appreciation rights plan				
Outstanding at January 1	588,596	14.07	680,046	11.94
Granted during the year	37,500	19.55	124,510	19.27
Forfeited during the year	(9,785)	15.16	(36,290)	14.88
Acquisition during the year	-	-	3,799	7.3
Exercised during the year	(123,033)	11.26	(180,358)	9.48
Expired during the year	-	-	(3,111)	2.55
	(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 employee 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 plan	2010	41,406	3.06
Employee stock option plan and share appreciation rights plan	2011	242,335	5.151~6.222
Employee stock option plan and share appreciation rights plan	2012	127,825	11.1095~11.1435
Employee stock option plan and share appreciation rights plan	2013	770,221	9.2225~14.0675
Employee stock option plan and share appreciation rights plan	2014	239,286	19.38~20.3405
Employee stock option plan and share appreciation rights plan	2015	153,806	18.59~19.907

F. The fair value of stock options granted 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 share 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 share during this period.

Restricted shares

G. On July 14, 2015, the Board of Directors approved the issuance of restricted shares and the record dates for the shares issuance were July 21, 2015 and May 10, 2016. 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	Vesting period	Vesting condition
Restricted stock award agreement	2015/7/21	15,752	(707)	(410)	3 years	Meet service and performance conditions
Restricted stock 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 $206,167, respectively.

(16) 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(29). 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(29))	512,405	-
Cancellation of shares for capital reorganization (Note 6(29))	(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.

E. The Board of Directors approved the issuance of restricted shares on July 14, 2015. (Refer to Note 6(15)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.

(17) Capital surplus

Pursuant to the R.O.C. Company Act, any capital surplus arising from paid-in capital in excess of par value on issuance of ordinary shares and donations can be used to cover accumulated deficit 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 reorgnization	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
Disposal of treasury shares	(56,823)	-	-	-	-	(56,823)
December 31	$ 2,501,767	$397,296	$ -	$ 7,304	$849,482	$ 3,755,849

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as a legal reserve. 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 dividend 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 deficit 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 June 3, 2015, respectively. Cash dividend amounted to $1,999,225 were declared in year 2014, including $1,159,018 was distributed to the Company's former parent company, ChipMOS Bermuda. Please refer to Notes 4(24) and 6(29) 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 and directors' and supervisors' remuneration is provided in Note 6(26).

(19) Other equity interest

	2016		
	Financial statements translation difference of foreign operations	Unearned employee awards	Total
January 1	$ 63,668	($ 447,323)	($ 383,655)
Currency translation			
- The Company	(200,280)	-	(200,280)
Employee restricted shares			
- The Company	-	247,119	247,119
Capital reorganization	434,857	-	434,857
December 31	$ 298,245	($ 200,204)	$ 98,041

	2015		
	Financial statements translation difference of foreign operations	Unearned employee awards	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)

(20) Revenue

	2016	2015
Testing	$ 4,587,054	$ 3,983,872
Assembly	5,881,882	5,526,110
LCDD	4,920,302	5,396,001
Bumping	2,999,967	3,369,112
	$ 18,389,205	$ 18,275,095

(21) Other income (expenses), net

	2016	2015
Gain on disposal of property, plant and equipment	$ 8,780	$ 8,314
Impairment on property, plant and equipment	(8,198)	(1,460)
Gain on disposal of scrapped material	30,476	31,870
Gain on disposal of items purchased on behalf of others	49,814	22,736
Royalty income	13,443	13,784
Others	18,172	51,202
	$ 112,487	$ 126,446

(22) Other income

	2016	2015
Interest revenue	$ 51,045	$ 55,858
Rental revenue	8,203	5,274
	$ 59,248	$ 61,132

(23) Other gains and losses

	2016	2015
Foreign exchange gains (losses), net	($ 194,846)	$ 260,314
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)
	($ 194,225)	$ 263,213

(24) Finance costs

	2016	2015
Interest expense		
Bank loans	$ 157,254	$ 145,989
Lease obligations payable	212	582
Less: Amounts capitalized in qualifying assets	(12,921)	(19,382)
	144,545	127,189
Finance expense	34,571	15,890
Finance cost	$ 179,116	$ 143,079

(25) Expenses by nature

	2016	2015
Changes in finished goods and work in process of inventories	($ 19,497)	($ 6,755)
Raw materials and supplies used	3,346,600	3,271,596
Employee benefit expenses	5,291,792	5,084,844
Depreciation expenses on property, plant and equipment	3,089,826	2,807,440
Other expenses	4,772,680	4,698,065
Cost of revenue and operating expenses	$ 16,481,401	$ 15,855,190

(26) Employee benefit expenses

	2016	2015
Salaries	$ 4,105,370	$ 4,067,653
Labor and health insurance	346,819	336,103
Pension	183,293	168,592
Share-based payments	356,463	206,167
Other personnel expenses	299,847	306,329
	$ 5,291,792	$ 5,084,844

Note: The number of employees of the Company as of December 31, 2016 and 2015 were 5,560 and 5,553, respectively.

A. In accordance with the Company's Articles of Incorporation, employees' compensation is based on the current year's earnings, which should first be used to cover accumulated deficits, if any, and then 10% of the remaining balance distributed as employees' compensation, including distribution 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 amount 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".

(27) 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	$ 330,146	$ 711,446
Income tax on unappropriated retained earnings	-	98,012
Prior year income tax under (over) estimation	4,527	(1,488)
Total current tax	334,673	807,970
Deferred tax:		
Relating to origination and reversal of temporary differences	16,379	5,953
Total deferred tax	16,379	5,953
Income tax expense	$ 351,052	$ 813,923

(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	$ 268,271	$ 468,004
Expenses added disallowed by tax regulation	(2,190)	2,640
Tax exempted income expense by tax regulation	21,801	(6,259)
Temporary difference not recognized as deferred tax assets	1,306	3,844
Withholding tax	57,337	249,170
Prior year income tax under (over) estimation	4,527	(1,488)
Income tax on unappropriated retained earnings	-	98,012
Income tax expense	$ 351,052	$ 813,923

Retained earnings decreased by $5,052,343 due to the capital reorganization, and accordingly the Company did not recognize the additional 10% tax on respective undistributed earnings. Information about the capital reorganization for the year ended December 31, 2016 is provided in Note 6 (29).

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	Recognised in other compehensive 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 income	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	Recognised in other compehensive income	December 31
Deferred tax assets				
Loss on inventories	$ 13,262	$ 1,561	$ -	$ 14,823
Property, plant and equipment	4,580	(908)	-	3,672
Provision	20,417	(3,944)	-	16,473
Deferred income	59,554	(9,131)	-	50,423
Net defined benefit libilities	74,953	4,667	7,099	86,719
Unrealized exchange losses (gains)	(7,645)	1,802	-	(5,843)
Total	$ 165,121	($ 5,953)	$ 7,099	$ 166,267
Information presented on balance sheet:				
Deferred tax assets	$ 165,121			$ 166,267

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

	December 31, 2016	December 31, 2015
Deductible temporary differences	$ 38,632	$ 38,632

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

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

G. 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.

(28) Earnings per share

	2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (In thousands)	Earnings per share (in dollars)
Basic earnings per share			
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			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus		3,035	
Restricted employee shares		4,122	
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		
	Amount after tax	Weighted average number of ordinary shares outstanding (In thousands)	Earnings per share (in dollars)
Basic earnings per share			
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			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus		10,867	
Restricted employee shares		27	
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

(29) 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 represents 20 shares of the Company's ordinary shares) and US$3.71 in cash. The Company paid US$101,657 thousands 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 thousands shares originally held by ChipMOS Bermuda. After the Merger, the Company's shares net decreased by 9,675 thousand shares. When cancelling treasury stock, the Company deducted capital surplus equal to the proportion of cancelled shares. Due to the deficit in capital surplus, the Company deducted unappropriated retained earnings by $5,052,343.

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

(30) Operating lease commitments

A. The Company 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. Future aggregate minimum lease obligations payable under the aforementioned leases are as follows:

	December 31, 2016	December 31, 2015
Less than one year	$ 33,821	$ 43,990
Over one year but less than five years	134,201	126,907
Over five years	176,897	194,962
	$ 344,919	$ 365,859

(31) Supplemental cash flow information

Investing activities with partial cash payments

A. Property, plant and equipment

	2016	2015
Purchase of property, plant and equipment	$ 3,123,263	$ 3,287,622
Add: Opening balance of payable on equipment	517,328	1,280,592
Opening balance of payable on lease	-	53,765
Less: Ending balance of payable on equipment	(550,346)	(517,328)
Ending balance of payable on lease	(40,602)	-
Effect of business combination	-	(51,050)
Cash paid during the year	$ 3,049,643	$ 4,053,601

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

A. Revenue

	2016	2015
Subsidiaries	$ 1,613	$ 132,872

There is no significant difference on the price and terms between related party transactions and non-related party transactions.

B. Royalty income

	2016	2015
Subsidiaries	$ 13,443	$ 13,784

C. Outsourcing expense

	2016	2015
Subsidiaries	$ -	$ 39,430

D. Commission

	2016	2015
Subsidiaries	$ 41,666	$ 42,863

E. Rental expense

	2016	2015
Subsidiaries	$ -	$ 6,054

F. Other receivables

	December 31, 2016	December 31, 2015
Subsidiaries	$ 82,734	$ 36,056

G. Other payables

	December 31, 2016	December 31, 2015
Subsidiaries	$ 3,016	$ 3,202

H. Property transactions

Disposal of property, plant and equipment

	2016		2015	
	Selling price	Gain (Loss) on disposal	Selling price	Gain (Loss) on disposal
Subsidiaries	$ 194,166	$ 106,795	$ 4,288	$ 4,211

I. Financing provided to related parties

Other receivables-related parties	December 31, 2016	December 31, 2015
Subsidiaries	$ -	$ 984,750

Interest income	2016	2015
Subsidiaries	$ 13,202	$ 1,108

The repayment date of the financing provided to subsidiary is within one year. Interest is calculated quarterly with an annual rate of 2.4%. The amount has been collected in July 2016.

J. Patent licensing agreement

(a) In October 2011, ChipMOS Bermuda and ChipMOS Shanghai entered into a patent licensing agreement which has a term of 10 years starting from August 1, 2012. Under the agreement, ChipMOS Shanghai will pay ChipMOS Bermuda a royalty in the aggregate total of RMB 27,400 thousand, which was accounted as Long-term deferred revenue and payable in 40 quarterly installments of RMB 685 thousand. During January 1 to October 30, 2016 and for the year ended December 31, 2015, ChipMOS Bermuda recognized royalty income of $11,334 and $13,784, respectively. During November 1 to December 31, 2016, the Company recognized royalty income of $2,109.

(b) In May 2016, the Company and ChipMOS Shanghai entered into a patent licensing agreement. Under the agreement, ChipMOS Shanghai will pay the Company a licensing fee in the aggregate total of RMB 2,500 thousand which was accounted for as long-term deferred revenue and recognized royalty income for 10 years from the effective date. However, as the related production lines of ChipMOS Shanghai is still in the trial stage, the Company has not recognized royalty income for the year ended December 31, 2016.

(3)Key management personnel compensation

	2016	2015
Short-term employee benefits	$ 139,778	$ 179,683
Post-employment compensation	3,335	2,149
Share-based payments	100,028	87,479
	$ 243,141	$ 269,311

8. PLEDGED ASSETS

Pledged asset	Purpose	Carrying amount December 31, 2016	Carrying amount December 31, 2015
Property, plant and equipment	Bank loan		
- 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(30).

(2) Information relating to transactions with related parties, please refer to Note 7(2)J.

(3) 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.

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

	December 31, 2016	December 31, 2015
Property, plant and equipment	$ 1,615,460	$ 1,132,522

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 its shares in its subsidiary, ChipMOS Shanghai. The equity transfer is expected to be completed in the first quarter of 2017.

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

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

	December 31, 2016	December 31, 2015
Total liabilities	$ 14,519,098	$ 11,545,066
Total assets	30,792,612	32,780,227
Liabilities to assets ratio	47.15%	35.22%

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

(3) Financial instruments

A. The Company's carrying amount of financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets, guarantee deposits, bank loans, accounts payable and other payables) are approximate to their fair values. The fair value of the financial instruments 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 Company's risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities.

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

The Company identifies, measures and manages the aforementioned risks based on policy and risk appetite.

C. Significant financial risks and degrees of financial risks

(a) Market risk

The Company's market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks comprise foreign currency risk, interest rate risk, and other price risks.

In practice, the risk variable rarely changes individually, and the change of each risk variable is usually correlative. The following sensitivity analysis did not consider the interaction of each risk variable.

Foreign exchange risk

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

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

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

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

	December 31, 2016		
	Foreign currency (In thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 178,396	32.2500	$ 5,753,271
JPY:NTD	517,114	0.2756	142,517
Financial liabilities			
Monetary items			
USD:NTD	$ 7,887	32.2500	$ 254,356
JPY:NTD	550,456	0.2756	151,706

	December 31, 2015		
	Foreign currency (In thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 212,047	32.8250	$ 6,960,443
JPY:NTD	1,328,417	0.2727	362,259
Financial liabilities			
Monetary items			
USD:NTD	$ 44,317	32.8250	$ 1,454,706
JPY:NTD	825,049	0.2727	224,991

v. The total exchange gain (loss), including realized and unrealized gains (losses) arising from significant foreign exchange variations on monetary items held by the Company for the years ended December 31, 2016 and 2015, amounted to ($194,846) and $260,314, respectively.

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

	December 31, 2016		
	Change in exchange rate	Effect on prfoit (loss)	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	5%	$ 287,664	$ -
JPY:NTD	5%	7,126	-
Financial liabilities			
Monetary items			
USD:NTD	5%	$ 12,718	$ -
JPY:NTD	5%	7,585	-

	December 31, 2015		
	Change in exchange rate	Effect on prfoit (loss)	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	5%	$ 348,022	$ -
JPY:NTD	5%	18,113	-
Financial liabilities			
Monetary items			
USD:NTD	5%	$ 72,735	$ -
JPY:NTD	5%	11,250	-

Interest rate risk

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

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

iii. Analysis of debt with floating interest rates is based on the assumption that the outstanding debt at the end of the reporting period is outstanding throughout the period. The degree of variation the Company used to report to internal management is increase or decrease by 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 Company's profit approximately by $108,000 and $77,089, respectively, mainly due to the Company's floating rate on bank loans.

(b) Credit risk

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

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

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

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

(c) Liquidity risk

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

ii. The primary source of liquidity for the Company is from bank loans. See Notes 6(7) and (11) for details of the unused credit lines of the Company as of December 31, 2016 and 2015.

iii. The table below summarizes the maturity profile of the Company's non-derivative financial liabilities based on the earliest repayment dates and contractual undiscounted payments, including principal and interest. The Company does not consider the probability of early repayments requested by the banks.

	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
December 31, 2016					
Non-derivative financial liabilities					
Accounts payable	$ 825,062	$ -	$ -	$ -	$ 825,062
Other payables (including related parties)	1,965,388	-	-	-	1,965,388
Long-term bank loans (including current portion)	1,272,266	4,605,936	5,504,353	-	11,382,555
Lease obligations payable	12,000	30,000	-	-	42,000
Guarantee deposits	-	-	-	1,404	1,404
	$ 4,074,716	$ 4,635,936	$ 5,504,353	$ 1,404	$ 14,216,409

	Less than 1 year		1 to 3 years		3 to 5 years		More than 5 years		Total
December 31, 2015									
Non-derivative financial liabilities									
Short-term bank loans	$	1,151,040	$	-	$	-	$	-	$ 1,151,040
Accounts payable		635,787		-		-		-	635,787
Other payables (including related parties)		2,325,061		-		-		-	2,325,061
Long-term bank loans (including current portion)		1,658,830		2,920,605		2,213,357		-	6,792,792
Guarantee deposits		-		-		-		1,429	1,429
	$	5,770,718	$	2,920,605	$	2,213,357	$	1,429	$ 10,906,109

The difference between the floating interest rates and the 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 actually 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):

Held company name	Marketable securities type and name	Relationship with the company	General ledger account	As of December 31, 2016 Shares / Units	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: None

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

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

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

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

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

				Transaction			
Number	Company name	Counterparty	Relationship	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenue 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.):

Investor	Investee	Location	Main business activities	Original investment amount: Ending balance	Original investment amount: Beginning balance	Shares held as of December 31, 2016: Shares / Units	Shares held as of December 31, 2016: Ownership (%)	Shares held as of December 31, 2016: 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 sale of semiconductors, circuies, 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 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.

ChipMOS TECHNOLOGIES INC.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand and petty cash		$ 470
Bank savings:		
Checking accounts		687
Demand deposits	USD 47,976 thousand, exchange rate 32.25	2,001,734
Demand deposits – foreign currency	JPY 517,114 thousand, exchange rate 0.2756	1,689,755
Time deposits	Interest rates: 0.13%~1.62%.	3,604,500
		$ 7,297,146

ChipMOS TECHNOLOGIES INC.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Name of the clients	Description	Amount	Footnote
Non-related parties:			
Company A		$ 847,878	
Company B		501,851	
Company C		439,286	
Company D		427,788	
Company E		334,499	
Others		1,587,276	None of the individual customers' owing balances exceed 5% of the ending balance of this account.
		4,138,578	
Less:			
Allowance for impairment losses		(87)	
		$ 4,138,491	

ChipMOS TECHNOLOGIES INC.
STATEMENT OF INVENTORIES
DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Description	Amount - Cost	Amount - Market value	Footnote
Raw material		$ 1,787,810	$ 1,618,204	
Work in progress		190,823	314,767	
Finished goods		54,190	84,815	
Total		2,032,823	$ 2,017,786	
Less: allowance for impairment losses		(154,841)		
Inventory - net		$ 1,877,982		

ChipMOS TECHNOLOGIES INC.
STATEMENT OF CHANGES IN FINANCIAL ASSETS CARRIED AT COST - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

	Balance as of January 1, 2016		Increases		Decreases		Balance as of December 31, 2016			
Name	Shares (in thousands)	Book value	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Book value	Collateral or pledge	Remark
Tashee Golf & Country Club (Note 1)	-	$ 10	-	$ -	-	$ -		$ 10	None	
CTJ	56	28,584	-	-	-	-	56	28,584	None	
RYOWA CO., LTD.	-	9,950	-	-	-	-	-	9,950	None	
VIGOUR TECHNOLOGY Corporation	2,361	41,336	-	-	-	-	2,361	41,336	None	
Total		79,880		-		-		79,880		
Less: accumulated impairment		(69,920)		-		-		(69,920)		
		$ 9,960		$ -		$ -		$ 9,960		

Note 1: Preferred share.

ChipMOS TECHNOLOGIES INC.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

	Balance as of January 1, 2016		Increases (Note 1 and Note 2)		Decreases (Note 3)		Other Adjustments (Note 4)	Balance as of December 31, 2016			Market price or Equity		
Name	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Amount	Shares (in thousands)	Percentage of ownership	Amount	Unit Price	Total price	Collateral of pledge
JMC	19,100	$ 346,268	-	$ 28,924	-	($ 5,730)	($ 133)	19,100	21%	$ 369,329	$ 37	$ 706,318	None
ChipMOS BVI	578,478	1,392,238	1,791,765	1,467,675	-	(264,560)	(195,972)	2,370,243	100%	2,399,381	2	2,399,381	None
ChipMOS USA	3,550	245,902	-	2,062		-	(4,308)	3,550	100%	243,656	69	243,656	None
Total		1,984,408		1,498,661		(270,290)	(200,413)			3,012,366			
Less: accumulated impairment		-		-	-	-	-			-			
		$ 1,984,408		$ 1,498,661		($ 270,290)	($ 200,413)			$ 3,012,366			

Note 1: Includes stock split of 1,229,265 thousand shares and increase in long-term investment of 562,500 thousand shares.

Note 2: Includes increase in long-term investment in ChipMOS BVI of $1,467,675 and recognized investment gains of $30,986.

Note 3: Includes amortization of downstream transactions of $104,708, cash dividend paid by JMC of $5,730 and recognized investment losses of $159,852.

Note 4: Includes other adjustments of exchange differences from translation of foreign operations of ($200,280) and recognition of remeasurements of defined benefit plans of ($133).

ChipMOS TECHNOLOGIES INC.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Balance as of January 1, 2016	Additions	Disposals	Reclassifications	Balance as of December 31, 2016	Collateral
Cost						
Land	$ 452,738	$ -	$ -	$ -	$ 452,738	See Note 8
Buildings and auxiliary equipment	9,335,878	131,778	(20,388)	43,333	9,490,601	See Note 8
Machinery and equipment	44,304,030	727,588	(2,579,796)	1,224,262	43,676,084	See Note 8
Tools	3,248,655	320,021	(48,618)	11,552	3,531,610	None
Others	2,135,617	187,824	(112,686)	165,924	2,376,679	None
Construction in progress and equipment to be inspected	685,520	1,756,052	-	(1,445,071)	996,501	None
	60,162,438	$ 3,123,263	($ 2,761,488)	$ -	60,524,213	
Accumulated depreciation						
Buildings and auxiliary equipment	(4,845,705)	(587,478)	$ 20,337	$ -	(5,412,846)	
Machinery and equipment	(36,861,076)	(2,145,621)	2,437,207	142,256	(36,427,234)	
Tools	(2,958,663)	(186,992)	47,390	638	(3,097,627)	
Others	(1,536,856)	(169,734)	112,105	(142,894)	(1,737,379)	
	(46,202,300)	($ 3,089,825)	$ 2,617,039	$ -	(46,675,086)	
Accumulated impairment						
Machinery and equipment	(167,611)	-	$ 56,393	-	(111,218)	
Others	(234,025)	(8,198)	-	-	(242,223)	
	(401,636)	($ 8,198)	$ 56,393	$ -	(353,441)	
Book value	$ 13,558,502				$ 13,495,686	

ChipMOS TECHNOLOGIES INC.
LONG-TERM BANK LOANS
FOR THE YEAR ENDED DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Creditor	Description	Amount	Period	Range of interest rate	Collateral	Footnote
Land Bank and others	Secured bank loans	$ 8,300,000	2016/6/30~2021/6/30	1.7895%	See Note 8	
	Non-secured bank loans	2,500,000				
	Less: Fee on syndicated bank loan	(49,995)				
	Less: Current portion	(1,062,285)				
		$ 9,687,720				

ChipMOS TECHNOLOGIES INC.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Quantity (in thousands)	Amount	Footnote
Testing			
Memory	1,795,659	$ 3,650,980	
Logic/mixed-signal	397,790	944,661	
Total testing		$ 4,595,641	
Assembly			
Memory	1,197,406	$ 5,305,250	
Logic/mixed-signal	661,277	597,685	
Total assembly		$ 5,902,935	
LCDD			
Total LCDD	1,608,448	$ 4,947,175	
Bumping			
Total bumping	1,237	$ 3,003,320	
Less: sales allowance		(59,866)	
Net operating revenue		$ 18,389,205	

ChipMOS TECHNOLOGIES INC.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Amount
Raw material at January 1, 2016	$ 1,395,522
Raw material purchased	4,953,392
Less: Raw material at December 31, 2016	(1,787,810)
Raw material sold	(15,232)
Transfer to research and development expenses	(15,688)
Transfer to manufacturing expenses	(1,138,670)
Scrap of raw material	(44,737)
Customer borrowings	(177)
Consumption of raw material for the year	3,346,600
Direct labor	2,177,299
Manufacturing expenses	9,065,598
Manufacturing costs of the year	14,589,497
Add: Work in progress at January 1, 2016	173,107
Less: Work in progress at December 31, 2016	(190,823)
Costs of finished goods for the year	14,571,781
Add: Finished goods at January 1, 2016	52,409
Less: Finished goods at December 31, 2016	(54,190)
Production costs for the year	14,570,000
Deficiency compensation	85,966
Raw material sold	15,232
Scrap of raw material	7,098
Impairment losses on inventories	67,663
Total operating costs	$ 14,745,959

ChipMOS TECHNOLOGIES INC.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Item	Amount	Footnote
Sales and marketing expenses		
Services fees	$ 41,666	
Wages and salaries	43,528	
Others	29,390	None of the individual item exceeds 5% of this account
	$ 114,584	
Administrative and general expenses		
Wages and salaries	$ 418,799	
Professional service expenses	246,555	
Others	116,638	None of the individual item exceeds 5% of this account
	$ 781,992	
Research and development expenses		
Wages and salaries	$ 608,151	
Insurance fees	46,911	
Others	183,804	None of the individual item exceeds 5% of this account
	$ 838,866	

VI. Explanations Regarding Impacts on Company's Financial Status in the Event that the Company or its Affiliates Have Financial Difficulties: None.

VII.Review of Financial Status, Financial Performance, and Risk Management

I Analysis of Financial Status:(consolidated financial statements)

Explanation regarding the major reasons of significant changes in assets, liabilities and shareholders' equity in the most recent 2 years (deviation over 20% and changes in amount exceeding NT$10 million) and future countermeasures:

Unit: NT$ thousands

Item \ Year	2016	2015 (after adjustment)	Change	
			Amount	%
Current asset	16,966,634	18,108,392	(1,141,758)	(6.31)
Property, plant and equipment,net	13,497,218	14,211,560	(714,342)	(5.03)
Other assets	832,108	697,915	134,193	19.23
Total assets	31,295,960	33,017,867	(1,721,907)	(5.22)
Current liabilities	4,664,500	6,186,136	(1,521,636)	(24.60)
Non-current liabilities	10,357,946	5,596,570	4,761,376	85.08
Total liabilities	15,022,446	11,782,706	3,239,740	27.50
Capital stock	8,869,663	8,962,066	(92,403)	(1.03)
Capital surplus	6,888,826	3,755,849	3,132,977	83.42
Retained earnings	1,424,638	6,773,369	(5,348,731)	(78.97)
Treasury stock	(1,007,654)	-	(1,007,654)	(100.00)
Other equity	98,041	(383,655)	481,696	(125.55)
Equity attributable to owners of the parent	16,273,514	19,107,629	(2,834,115)	(14.83)
Equity attributable to predecessors' interests under common control	-	2,127,532	(2,127,532)	(100.00)

Analysis for changes exceeding 20%:

1. Current liabilities decrease was mainly due to decrease in short-termbank loan and bank loan for current portion.
2. Non-current liabilities increase was mainly due to the increase in bank loan for non current portion.
3. Capital surplus increae was mainly due to premiums derived from issuance of new shares during the merger with ChipMOS TECHNOLOGIES (Bermuda) LTD. in Y2016.
4. Retained earnings decreae was mainly due to the insufficiency in offset against the cancellation of treasury shares during the merger with ChipMOS TECHNOLOGIES (Bermuda) LTD. in Y2016 upon capital surplus, thus further offset was made upon retained earnings.
5. Other equity increae was mainly due to employees' unearned compensation cost under the issuance of restricted employee shares.
6. Predecessors' interests under common control decrease was mainly due to the merger with ChipMOS TECHNOLOGIES (Bermuda) LTD.

II Analysis of Financial Performance (consolidated financial statements)

(I) Operating Results Comparative Analysis: Major reasons regarding significant changes in revenue, operating income and pre-tax income during the most recent 2 years

Unit: NT$ thousands

Year / Item	2016	2015 (after adjustment)	Increase (decrease) amount	% of change
Revenue	18,387,593	18,837,089	(449,496)	(2.39)
Cost of revenue	(14,745,472)	(14,685,514)	(59,958)	0.41
Gross profit	3,642,121	4,151,575	(509,454)	(12.27)
Operating expenses	(1,733,852)	(1,608,199)	(125,653)	7.81
Other income(expenses) net	90,306	105,051	(14,745)	(14.04)
Operating profit	1,998,575	2,648,427	(649,852)	(24.54)
Non-operating income(expense),net	(298,140)	197,629	(495,769)	(250.86)
Profit before **income** tax	1,700,435	2,846,056	(1,145,621)	(40.25)
Income tax expenses	(352,050)	(835,710)	483,660	(57.87)
Loss for the year from discontinued operations	(122,105)	(34,233)	(87,872)	256.69
Profit for the year	1,226,280	1,976,113	(749,833)	(37.94)
Other comprehensive loss, net	(236,421)	(47,200)	(189,221)	400.89
Total comprehensive income for the year	989,859	1,928,913	(939,054)	(48.68)

Analysis for changes exceeding 20%:

1. Operating profit, profit before income tax and profit for the year decrease were mainly due to the decrease in revenue and increase in the loss of net foreign currency exchange, and i operating expensesncrease.
2. Non-operating income(expense) decrease was mainly due to the decrease in gain of foreign currency exchange.
3. Other comprehensive loss increase was mainly due to the increase in translation difference of financial statements of foreign operating organizations resulted from exchange rate changes.

(II) **Effect of changes on the company's future business and Future response actions** :

Please refer to A. Letter to Shareholders.

III Analysis of Cash Flow

(I) Cash Flow Analysis for the Current Year

Unit: NT$ thousands

Item	2016	2015	Increase (decrease) ratio
Cash flow ratio (%)	76.08%	93.94%	(19.01%)
Cash flow adequacy ratio (%)	113.18%	130.13%	(13.03%)
Cash reinvestment ratio (%)	2.39%	4.74%	(49.58%)
Analysis and explanation for changes exceeding 20%: Cash reinvestment ratio: Mainly due todecrease in net cash flows from operating activities as compared to Y2015 resulting from the decrease in profit of Y2016.			

(II) Remedial Plan for Liquidity Shortage: None

(III) Company's Cash Liquidity Analysis for the Coming Year

Unit: NT$ thousands

Opening cash balance	Net cash flow provided by operating activities	Annual cash outflow	Cash balance amount	Remedial actions for cash deficit	
				Investment plan	Financial plan
7,297,146	6,867,120	6,532,311	7,631,955	—	—
1. Analysis on the cash flow changes for the Coming Year : (1) Operating activities $6,867,120: Due to estimation of the gaining of operating profit. (2) Investing activities ($4,177,490): Due to the increase in equipment purchase. (3) Financing activities ($2,354,821): Due torepayment of borrowing and payment of cash dividends. 2. Remedial action for cash deficit and liquidity analysis: Not applicable.					

IV Major Capital Expenditure Items

Major Capital Expenditure Items and Source of Capital :

Unit:NT$ thousants

Project	Actual or expected source of funds	Total actual funding need	Actual or expected status of use	
			2016	2017
Plant and equipment	Capital increase by cash or Loan	9,619,751	4,690,995	4,928,756

V Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

The Company's investments in the most recent year, accounted for under the equity method, were all made for long-term strategic purposes and to enhance its international market competitiveness. Each investment was made with prudent evaluation. The Company recognized the loss of NT$128,866 thousand on equity method reinvestment in 2016 (NT$28,924 thousand of investment gain on a consolidated basis). The investment cause for profit mainly due to w the Company invested under the equity method, which had scale econoimes and the implement of management system. But some iinvestment was loss mainly due to the reason that such investees is now in developing and expanding stage and thus their capacity utilization have not yet reached scale economies The Company will continue to give guidance in accelerating investees to reach the profit goal.

VI Analysis of Risk Management

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

(1) Interest rate

The Company and its subsidiaries' risk of changes in interest rate arise mainly from borrowings used to support the operating activities. However, as the Company acquired better rates at the time of such borrowings, and thus rate changes are not expected to produce much impact on the Company's operations. The Company will keep an eye on the interest rate fluctuation, maintain good rapport with correspondent banks, and assess loan interest rate and average market interest rate periodically to lower the impact of interest rate changes on the Company's profit.

(2) Exchange rate

A. Impact of exchange rate on the Company's revenue and profit

The major customers of the Company and its subsidiaries are denominated in US dollars, while the major raw material and machinery equipment are mainly denominated in US dollars or Japanese yen. Therefore, accounts receivable charge against accounts payable will bring part of nature hedge effect. However, exchange gain or loss may arise when exchanging such funds to New Taiwan Dollars. Thus, exchange rate changes may have impacts on the Company's revenue and profit.

B. Countermeasures

The exchange rate fluctuation of foreign currency assets liabilities of the Company and its subsidiaries is based in nature hedge, supplemented with the related hedge management measures as follows to serve as short-term response:

(A) The finance department will monitor international exchange rate changes from time to time, and gather the related information of exchange rate changes at all times to grasp the trend of international exchange rate changes. The finance department will also conduct timely exchange pursuant to the Company's needs of funds to lower the risk exposure of exchange rate changes.

(B) With the characteristic of nature hedge, the Company will use foreign currency liabilities to balance foreign assets. Further, the Company will also use bank loan and other methods to adjust the ratio of foreign currency assets and liabilities. Such actions may help the Company to lower the impact of exchange rate changes.

(3) Inflation

The Company and its subsidiaries will keep constant watch of market price fluctuation of raw material and keep looking for substitutive materials. Also, the Company and its subsidiaries will provide relevant information to Company's management team as a basis for review and decision making. The Company and its subsidiaries will also keep good interactive relationship with suppliers and customers to enhance the response to cost changes, and proceed with further negotiate regarding purchases and prices in order to avoid adverse impact of inflation on the Company.

(II) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to

High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions:

The Company does not engage in any high-risk, high-leverage investment. The Company's derivatives transactions are strictly for hedging the risk of exchange rate changes of the Company's assets and liabilities denominated in foreign currency and are all under the Company's control. Every banking transaction is handled in accordance with the operation process of derivatives transactions provided in our "Operational Procedures for Acquisition and Disposal of Assets" and "Authority Table of Finance Operation Authorization and Approval."

The Board of Directors resolved the lending of capital of US$30,000 thousand to ChipMOS TECHNOLOGIES (Shanghai) LTD. (hereinafter referred to as "ChipMOS Shanghai") on October 26, 2015, and ChipMOS Shanghai issued a US$30,000 thousand cashier's check as collateral. The life of the loan was a year counted from the actual employed date on December 15, 2015. However, ChipMOS Shanghai had paid off US$30,000 thousand on July 20, 2016. The relevant procedures are handled in accordance with the "Operational Procedures for Loaning Funds to Others."

As of the date of publication of this annual report, the Company and its subsidiaries have not lent loans nor make endorsement/guarantee to others.

(III) Future Research & Development Projects and Corresponding Budget:

(1) R&D projects in the future

The Company and its subsidiaries have been established in line with "R&D-based" objective, focusing on advanced R&D and production problem solving of assembly and testing business. Every year we will devote in R&D regarding various issues in mechanism, material, electronic and other related domain in order to provide customers with all round information. 3C products have to be possessed of the characters of light, thin, short and small for mobile platform and prevalence stretching over different applicable electronic products, such as touch panel controller IC, power management IC, biometrics authentication (such as fingerprint sensor) etc. Therefore, further advanced multi-chip assembly technologies have become a basic equipment to achieve full-scale integration.

The assembly and testing houses need build upthe state of the art capabilities and develop the R&D technologies to provide customers with effective solutions and to maintain the market competitiveness. Thus, the Company and its subsidiaries are keeping enhancing investments in core technologies and working toward R&D in advanced technologies regarding assembly and testing. The Company and its subsidiaries have put a lot of effort on R&D over decades, and the achievement should be attributed to the professional skills of the engineers and their accumulated experiences. Their appropriate control of materials and improvement in equipment also helped in reducing production costs. In addition, the Company and its subsidiaries conducted anindustry researchinstidutite &university co-development project to jointly research and develop in next generation advanced assembly and testing technologies, The Company and its subsidiaries willa;ign customer's product development schedule and technology development roadmap by more aggressive R&D development resource. Meanwhile, the involved R&D resource also could enhance the core technology capability and expand the new busineee opportunity . Based on the foregoing, the Company and its subsidiaries have the self-confidence to be the pioneer in the assembly and testing industry.

(2) New products (services) planned to be developed

The Group not only plans to keep increasing capacity of assembly and testing services for high-end memory, but also plans to expand capability and capacity regarding the assembly and testing services for the following products:

A. Develop assembly technologies regarding 5S molded WLCSP;

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

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

D. Continuely provide the assembly and testing services of multi-chip intergration product, ie., MCP(multi-chip package) for high desity flash memory abd intergrated multi-chip product;

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

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

G. Develop multi-Cu RDL layers (3P2M) bumping capability and Stacked-Die packaging services regarding Cu RDL chips;H. Wafer probing services regarding Cu pillar bumping wafers and solder ball bumping wafers;

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

(3) Estimated R&D expenditure

The estimated R&D expenditure of the Company and its subsidiaries are gradually recognized in accordance with the developing progress of new products and technologies, and will maintain a certain rate of growth based on future operating conditions to ensure the competitiveness of the Company and its subsidiaries.

(IV) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales:

The Company and its subsidiaries' financial status are not affected by major changes in domestic and foreign government policies and laws in recent years. Nevertheless, since the rules and regulations of the Company and its subsidiaries are stipulated and enforced with the relative laws and regulations, if there is any amendment, the Company and its subsidiaries will amend and renew their rules and regulations in accordance with such amendment.

(V) Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales:

The industry, products and technologies which the Company and its subsidiaries now engaged are changing rapidly, requiring the Company to not only introduce advanced process technologies but also enhance the partnership of the strategic alliance with upstream and downstream vendors of the supply chain. The Company and its subsidiaries shall devote to acquiring and developing advanced process technologies, obtain strategic cooperative alliance with major material suppliers and customers, and enhance marketing channel to make a diverse development in products and customers. As for financial operation, the Company and its subsidiaries shall aim at the characteristic of business to strengthen the management of cash flow and to maintain adequate financial structure to disperse operating risks.

(VI) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company’s Response Measures:

The Company and its subsidiaries have maintained an excellent corporate image for operating with integrity and complying with the relevant laws and regulations. As of the current date, there has been no event that adversely impact in the corporate image of the Company and its subsidiaries.

(VII) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.

(VIII) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans:

In order to build a world-class assembly and testing base, the Company and its subsidiaries developed and upgraded advance technologies to provide customers with turnkey service including assembly and testing of memory IC, LCD driver IC, logic/mixed-signal IC, wafer bumping manufacturing and other products in order to meet the customers' demands of one purchase to solve all needs, and shorten the delivery time while saving transportation costs, indirectly saving customers' operating costs, strengthening each other's competitiveness to jointly create a win-win situation. Thus, in order to satisfy the needs of customers from China and to enhance competitiveness, the Company expanded the present plant of ChipMOS TECHNOLOGIES (Shanghai) LTD. as an assembly and testing facility to manufacture driver IC in 2016.

Expansion of the facilities of the Company and its subsidiaries has been completely and prudently evaluated by responsible departments. Investment recovery and possible risks have also been taken into consideration.

(IX) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:

(1) Purchases

The Company and its subsidiaries duly evaluate the financial and operating status of our major suppliers. Purchases of major raw materials are generally purchased from two or more suppliers except in the event that such materials shall be purchased from suppliers certified or designated by customers. Our suppliers are all well-known manufacturers from home or abroad. We keep long-term partnership with all the suppliers in order to assure a steady purchase. We also develop substitute materials and suppliers to increase the flexibility of supply sources. In view of the impact of the serious earthquake in northeast Japan on the material supply, we take the location of suppliers' manufacturing facilities into account in order to disperse risks of purchase concentration and to enhance the integrity and reliability of supply chain.

(2) Sales

The Company and its subsidiaries are the second largest assembly and testing house for LCD display driver IC in Taiwan and have deeply ploughed the assembly and testing services in semiconductor back-end processes industry. The major business lies in providing assembly and testing services for MF/HF memory, high density memory, LCD display driver IC, communication IC, and logic/mixed-signal IC etc. The major customers include semiconductor design companies, integrated device manufacturers and semiconductor IC Fabs at home and abroad. Income attributable to the top 10 customers of the Company and its subsidiaries respectively account for 81.2%, 81.6% and 83.4% of the net revenue for each year from 2014 to 2016. Sales made to the top 10 customers in each season were very stable and no sales made to any singular customer or group account for over 30% of all sales. Therefore, the Company and its subsidiaries do not run the risk of over-concentration in sales. Further, the Company and its subsidiaries will not only keep providing fine services for solutions and technical support to customers, but will also maintain a well and long-term relationship with existing customers. We will also further devote to win new customers that engage in logic/mixed-signal IC and consumer IC products in order to reduce risks associated with sales concentration.

(X) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%:

Due to the sturdy management team and cooperative strategic alliance partners, the Company maintains solid operating achievements. In order to simplify the construction of the Group to reduce operating costs and to enhance competitiveness, the Company had merged with our first majority shareholder, ChipMOS TECHNOLOGIES (Bermuda) LTD. In order to perform the merger and made payment of the merger price, the Company issued 25,620,267 units of American Depositary Receipt (hereinafter referred to as "ADR") on NASDAQ to shareholders. Per unit represents 20 common shares of the Company, thus the total ADR represent 512,405 thousand common shares of the Company.

There was no material adverse impact or risk on the Company regarding the above mentioned share transfer.

(XI) Effects of, Risks Relating to and Response to the Changes in Management Rights:

In the most recent year and as of the date of publication of this annual report, there was no such situation. This section is thus not applicable.

(XII) Litigation or Non-litigation Matters:

1. Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.:
2. Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings::

Advanced Semiconductor Engineering Inc. (hereinafter referred to as "ASE Inc.") acquired 25% equity of Siliconware Precision Industries Co., Ltd. (hereinafter referred to as "SPIL"), the major shareholder holding more than 10% of Company's total outstanding shares, through public tender offer in September, 2015. However, such public tender offer of ASE Inc. was considered to be void for violating relative laws. Thus, SPIL filed a law suit in October, 2015 to Taiwan Kaohsiung District Court for disavowal of ASE Inc. as SPIL's shareholder. However, such action was dismissed by the court's ruling in June, 2016.

(XIII) Other Major Risks None.

VII **Special Disclosure**: None.

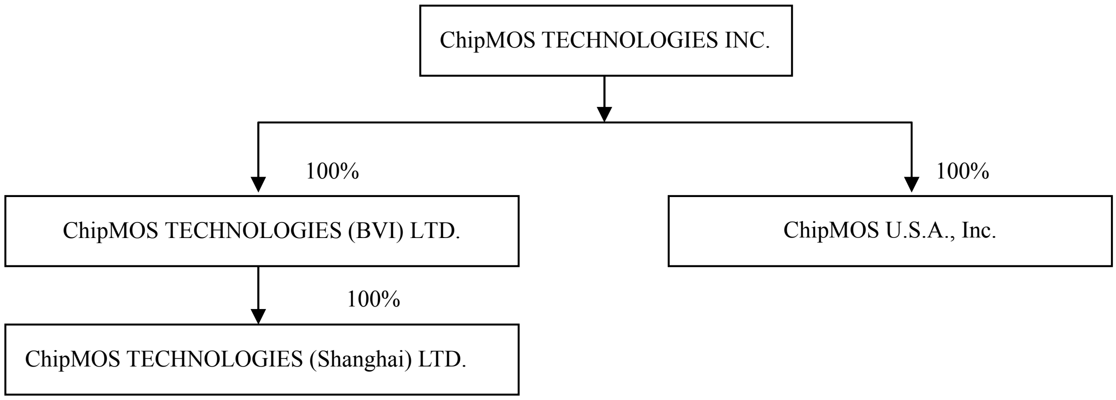
VIII. Other Special Disclosure

I Summary of Affiliated Companies

(I) Consolidated Business Report of Affiliated Companies:

1. Affiliated Companies Chart

December 31, 2016



2. Affiliated Companies Profile

December 31, 2016

Company Name	Date of Incorporation	Place of registration	Paid-in Capital	Major Business or Products
ChipMOS U.S.A., Inc.	October 25, 1999	San Jose, USA	US$7,100 thousand (NT$217,918 thousand)	Research, development, and sale of products related to semiconductor, circuit and electronic.
ChipMOS TECHNOLOGIES (BVI) LTD.	January 29, 2002	British Virgin Islands	NT$5,868,930 thousand	Holding Company
ChipMOS TECHNOLOGIES (Shanghai) LTD.	June 7, 2002	Shanghai, China	RMB1,394,827 thousand (NT$6,012,818 thousand)	IC assembly and testing services

3. Shareholders in Common of the Company and Its Subsidiaries with Deemed Control and Subordination: None.

4. Business Scope of the Company and Its Affiliated Companies:

Business scope of the Company and its affiliates include the R&D, design, manufacturing, professional processing and sales of assembly and testing. A few affiliates engage in investment business only in order to create a greatest benefit for the Company and its affiliated companies through mutual support of technologies, production, marketing and services.

5. Roster of Directors, Supervisors and Presidents of Affiliated Companies

December 31, 2016

Unit: share / %

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
ChipMOS U.S.A., Inc.	Chairman	Representative of ChipMOS TECHNOLOGIES INC.: Li-Chun Li	3,550,000	100%
	President/Director	Representative of ChipMOS TECHNOLOGIES INC.: Shih-Fan Cheng		
	Director	Representative of ChipMOS TECHNOLOGIES INC.: Shih-Jye Cheng		
	Director	Representative of ChipMOS TECHNOLOGIES INC.: Yung-Wen Li		
	Director	Representative of ChipMOS TECHNOLOGIES INC.: Shou-Kang Chen		
	Director	Representative of ChipMOS TECHNOLOGIES INC.: LaFair Cho		
	Director	Representative of ChipMOS TECHNOLOGIES INC.: Yu-Chiao Su		
ChipMOS TECHNOLOGIES (BVI) LTD.	Chairman	Representative of ChipMOS TECHNOLOGIES INC.: LaFair Cho	2,370,242,975	100%
	Director	Representative of ChipMOS TECHNOLOGIES INC.: Pei-Chuan Ku		
ChipMOS TECHNOLOGIES (Shanghai) LTD.	Chairman	Representative of ChipMOS TECHNOLOGIES (BVI) LTD.: LaFair Cho	Note	100%
	President/Director	Representative of ChipMOS TECHNOLOGIES (BVI) LTD.: Yao-Zhou Yang		
	Director	Representative of ChipMOS TECHNOLOGIES (BVI) LTD.: Shou-Kang Chen		
	Director	Representative of ChipMOS TECHNOLOGIES (BVI) LTD.: Kuo-Liang Huang		
	Director	Representative of ChipMOS TECHNOLOGIES (BVI) LTD.: Pei-Chuan Ku		
	Supervisor	Representative of ChipMOS TECHNOLOGIES (BVI) LTD.: Yu-Chiao Su		

Note: No issued shares as a limited company.

6. Business Overview of Affiliated Companies

December 31, 2016

Unit: NT$ thousands

Company Name	Capital	Total Assets	Total Liabilities	Net worth	Revenue	Operating income	Current profit (net of tax)	Earnings per share (NT$) (net of tax)
ChipMOS U.S.A., Inc.	217,918	243,920	263	243,657	41,670	2,381	2,062	0.58
ChipMOS TECHNOLOGIES (BVI) LTD.	5,868,930	2,521,949	-	2,521,949	Note 1	(765)	(160,339)	(0.07)
ChipMOS TECHNOLOGIES (Shanghai) LTD.	6,012,818	3,308,867	867,983	2,440,884	1,005,167	(170,180)	(159,123)	Note 2

Note 1: No operating activities as a holding company.
Note 2: No need to calculate earnings per share as a limited company.

(II) Consolidated Financial Statements of Affiliated Companies:

As for 2016 (January, 1 2016 to December 31, 2016), the companies which the Company shall incorporate into the consolidated financial statements of affiliated companies pursuant to the "Regulations Governing the Preparation of Consolidated Business Report, Consolidated Financial Statements and Affiliation Report of Affiliated Companies" are equivalent to those shall be incorporated into the consolidated financial statements pursuant to IFRS 10. Further, the relevant information that shall be disclosed in the consolidated financial statements of affiliated companies has been disclosed in the above consolidated financial statements. Thus, the Company will not prepare the consolidated financial statements of affiliated companies.

(III) Affiliation Report: Not applicable.

II Status of Company's Private Placement in the Most Recent Year and Up to the Date of Publication of the Annual Report:

The extraordinary shareholders' meeting adopted a resolution to proceed with a private placement of common shares on January 28, 2016. After taking subjective and objective factors into consideration, the Company and Tsinghua Unigroup reached a consensus through amicable negotiation and agreed to terminate the Share Subscription Agreement and relevant transaction documents between both parties. Therefore, the Company made an early termination of the private placement and had executed a termination agreement with Tsinghua Unigroup. Both parties agreed to terminate the Share Subscription Agreement and Strategic Alliance Agreement executed on December 11, 2015. The Company also executed a termination agreement with Tibet MaoYeChuangXin Investment LTD. to terminate the Share Subscription Agreement executed on February 25, 2016. This item has been approved by the Audit Committee and adopted by the Board of Directors to terminate the private placement on November 30, 2016 and is hereby reported at the shareholders' meeting.

III Holding or Disposal of Shares of the Company by Subsidiaries in the Most Recent Year and Up to the Date of Publication of the Annual Report: None.

IV Other Necessary Supplement: None.

IX. Any Event that Have Significant Impacts on Shareholders' Rights or Security Prices as Stated in Item 2 of Paragraph 2 of Article 36 of Securities and Exchange Law in the Most Recent Year and Up to the Date of Publication of the Annual Report: None.

ChipMOS TECHNOLOGIES INC.

Chairman: Shih-Jye Cheng