
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

Commission file number 0-31106

ChipMOS TECHNOLOGIES (Bermuda) LTD.

(Exact Name of Registrant as Specified in Its Charter)

Bermuda

(Jurisdiction of Incorporation or Organization)

No. 1, R&D Road 1, Hsinchu Science Park

Hsinchu, Taiwan

Republic of China

(Address of Principal Executive Offices)

Shou-Kang Chen

Chief Financial Officer

ChipMOS TECHNOLOGIES (Bermuda) LTD.

No. 1, R&D Road 1, Hsinchu Science Park

Hsinchu, Taiwan

Republic of China

Telephone: (886) 3 563 3988

Facsimile: (886) 3 563 3998

(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contract Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange
on Which Registered

Common Shares, par value US\$0.04 each

The NASDAQ Capital Market

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

As of December 31, 2013, 29,684,530 Common Shares, par value US\$0.04 each, were outstanding (not including 2,093,705 Common Shares held by our subsidiary).

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or (15)(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing.

US GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

TABLE OF CONTENTS

ChipMOS TECHNOLOGIES (Bermuda) LTD.

CAUTIONARY STATEMENT FOR PURPOSES OF “SAFE HARBOR” PROVISIONS		1
Item 1.	Identity of Directors, Senior Management and Advisers	1
Item 2.	Offer Statistics and Expected Timetable	1
Item 3.	Key Information	2
Item 4.	Information on the Company	26
Item 4A.	Unresolved Staff Comments	51
Item 5.	Operating and Financial Review and Prospects	51
Item 6.	Directors, Senior Management and Employees	68
Item 7.	Major Shareholders and Related Party Transactions	76
Item 8.	Financial Information	79
Item 9.	The Offer and Listing	81
Item 10.	Additional Information	82
Item 11.	Quantitative and Qualitative Disclosure about Market Risk	91
Item 12.	Description of Securities Other Than Equity Securities	91
Item 13.	Defaults, Dividend Arrearages and Delinquencies	92
Item 14.	Material Modifications to the Rights of Security Holders and Use of Proceeds	92
Item 15.	Controls and Procedures	92
Item 16A.	Audit Committee Financial Expert	92
Item 16B.	Code of Ethics	92
Item 16C.	Principal Accountant Fees and Services	93
Item 16D.	Exemptions from the Listing Standards for Audit Committees	93
Item 16E.	Purchases of Equity Securities by the Issuer and Affiliated Purchasers	93
Item 16F.	Change in Registrant’s Certifying Accountant	94
Item 16G.	Corporate Governance	94
Item 17.	Financial Statements	96
Item 18.	Financial Statements	96
Item 19.	Exhibits	96

**CAUTIONARY STATEMENT FOR PURPOSES OF THE “SAFE HARBOR” PROVISIONS OF
THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

Except for historical matters, the matters discussed in this Annual Report on Form 20-F are forward-looking statements that are subject to significant risks and uncertainties. These statements are generally indicated by the use of forward-looking terminology such as the words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “may”, “plan”, “project”, “will” or other similar words that express an indication of actions or results of actions that may or are expected to occur in the future. These statements appear in a number of places throughout this Annual Report on Form 20-F and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and our actual results of operations, financial condition and liquidity, and the development of the industries in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this Annual Report on Form 20-F. Important factors that could cause those differences include, but are not limited to:

- the volatility of the semiconductor industry and the market for end-user applications for semiconductor products;
- overcapacity in the semiconductor testing and assembly markets;
- the increased competition from other companies and our ability to retain and increase our market share;
- our ability to successfully develop new technologies and remain a technological leader;
- our ability to maintain control over capacity expansion and facility modifications;
- our ability to generate growth or profitable growth;
- our ability to hire and retain qualified personnel;
- our ability to acquire required equipment and supplies to meet customer demand;
- our ability to raise debt or equity financing as required to meet certain existing obligations;
- the pending criminal indictment of our chairman and chief executive officer;
- our reliance on the business and financial condition of certain major customers;
- the success of any of our future acquisitions, investments or joint ventures;
- the outcome of any pending litigation;
- the outbreak of contagious disease and occurrence of earthquakes, typhoons and other natural disasters, as well as industrial accidents;
- the political stability of the regions to which we conduct operations; and
- general local and global economic and financial conditions.

Forward-looking statements include, but are not limited to, statements regarding our strategy and future plans, future business condition and financial results, our capital expenditure plans, our capacity expansion plans, our expansion plans in Mainland China, technological upgrades, investment in research and development, future market demand, future regulatory or other developments in our industry. Please see “Item 3. Key Information—Risk Factors” for a further discussion of certain factors that may cause actual results to differ materially from those indicated by our forward-looking statements.

This Annual Report on Form 20-F includes, refers to, or incorporates by reference, as applicable, financial statements and other financial information based on both IFRSs and ROC GAAP, and the information based on ROC GAAP is not comparable to information prepared in accordance with IFRSs.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

[Table of Contents](#)

Item 3. Key Information

Selected Financial Data

The following tables set forth our selected consolidated financial data. Commencing January 1, 2013, the Company prepared its consolidated financial statement in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board. According to Form 20-F Instruction G, the selected consolidated financial data under IFRSs for 2012 and 2013, under US GAAP for 2009 through 2011 and under ROC GAAP for 2009 through 2012 are provided below. The selected consolidated statements of financial position data as of December 31, 2012 and 2013 and our consolidated income statements and cash flows data for the years ended December 31, 2012 and 2013 under IFRSs are derived from our audited consolidated financial statements included herein, and should be read in conjunction with, and are qualified in their entirety by reference to, these audited consolidated financial statements and related notes beginning on page F-1 of this Annual Report on Form 20-F. These audited consolidated financial statements have been audited by Moore Stephens. The selected consolidated balance sheet data as of December 31, 2009, 2010, 2011 and 2012 and the consolidated statement of operations and cash flows data for the years ended December 31, 2009, 2010, 2011 and 2012 under US GAAP or ROC GAAP are derived from our audited consolidated financial statements not included herein.

	Year ended December 31,		
	2012	2013	2013
	NT\$	NT\$	US\$
	(in millions, except per share data)		
Consolidated Income Statements Data:			
IFRSs:			
Revenue	\$ 19,220.5	\$ 19,361.9	\$ 649.1
Cost of revenue	(16,767.9)	(15,922.4)	(533.8)
Gross profit	2,452.6	3,439.5	115.3
Other operating income	127.9	442.4	14.8
Research and development expenses	(505.4)	(564.5)	(18.9)
Sales and marketing expenses	(79.9)	(107.7)	(3.6)
Administrative and general expenses	(637.6)	(699.1)	(23.4)
Other operating expenses	(48.7)	(100.8)	(3.4)
Operating profit	1,308.9	2,409.8	80.8
Finance costs	(228.6)	(183.0)	(6.1)
Other non-operating income (expense), net	(232.5)	289.3	9.6
Profit before tax	847.8	2,516.1	84.3
Income tax	(178.1)	(827.1)	(27.7)
Profit for the year	<u>\$ 669.7</u>	<u>\$ 1,689.0</u>	<u>\$ 56.6</u>
Attributable to:			
Equity holders of the Company	\$ 629.8	\$ 1,335.3	\$ 44.8
Non-controlling interests	39.9	353.7	11.8
	<u>\$ 669.7</u>	<u>\$ 1,689.0</u>	<u>\$ 56.6</u>
Earnings per share:			
Basic	\$ 22.92	\$ 45.55	\$ 1.53
Diluted	\$ 22.25	\$ 44.27	\$ 1.48
Weighted-average number of shares outstanding:			
Basic	27.5	29.3	29.3
Diluted	28.3	30.2	30.2

Table of Contents

	Year ended December 31,			
	2009	2010	2011	2012
	NT\$	NT\$	NT\$	NT\$
Consolidated Statement of Operations Data:				
ROC GAAP:				
Net revenue:				
Related parties ⁽¹⁾	\$ 668.9	\$ 2,033.3	\$ 379.0	\$ —
Others	11,481.4	15,176.4	17,831.9	19,220.5
Total net revenue	12,150.3	17,209.7	18,210.9	19,220.5
Cost of revenue	(15,661.5)	(16,564.0)	(16,549.2)	(16,638.5)
Gross profit (loss)	(3,511.2)	645.7	1,661.7	2,582.0
Operating expenses:				
Research and development	(375.3)	(412.7)	(409.8)	(492.8)
General and administrative	(657.8)	(677.6)	(651.9)	(625.6)
Sales and marketing	(561.2)	(64.4)	(66.5)	(78.4)
Total operating expenses	(1,594.3)	(1,154.7)	(1,128.2)	(1,196.8)
Income (Loss) from operations	(5,105.5)	(509.0)	533.5	1,385.2
Other income (expenses), net	116.7	2,320.6	(455.8)	(464.4)
Income (Loss) before income tax and non-controlling interests	(4,988.8)	1,811.6	77.7	920.8
Income tax benefit (expense)	420.7	99.3	(45.5)	(131.5)
Income (Loss) before non-controlling interests	(4,568.1)	1,910.9	32.2	789.3
Net (income) loss attributable to non-controlling interests	149.4	(266.2)	(47.4)	(67.5)
Net income (loss) attributable to ChipMOS	\$ (4,418.7)	\$ 1,644.7	\$ (15.2)	\$ 721.8
Earnings (Loss) per share ⁽²⁾ :				
Basic	\$ (223.35)	\$ 68.61	\$ (0.57)	\$ 26.27
Diluted	\$ (230.15)	\$ 67.38	\$ (0.57)	\$ 25.50
Weighted-average number of shares outstanding ⁽²⁾ :				
Basic	19.8	24.0	26.6	27.5
Diluted	22.3	26.8	26.6	28.3

[Table of Contents](#)

	Year ended December 31,		
	2009	2010	2011
	NT\$	NT\$	NT\$
(in millions, except per share data)			
Consolidated Statement of Operations Data:			
US GAAP:			
Net revenue	\$ 12,150.3	\$ 17,209.7	\$ 18,210.9
Cost of revenue	(15,691.0)	(16,634.9)	(16,612.5)
Gross profit (loss)	(3,540.7)	574.8	1,598.4
Other operating income	97.2	5,039.6	120.6
Operating expenses	(1,726.5)	(2,670.6)	(1,307.5)
Income (Loss) from operations	(5,170.0)	2,943.8	411.5
Non-operating income (expenses), net	2.2	(1,197.4)	(301.9)
Income (Loss) before income tax and non-controlling interests	(5,167.8)	1,746.4	109.6
Net income (loss) attributable to ChipMOS	<u>\$ (4,550.3)</u>	<u>\$ 1,616.9</u>	<u>\$ 46.1</u>
Earnings (Loss) per share ⁽²⁾ :			
Basic	\$ (230.00)	\$ 67.45	\$ 1.73
Diluted	\$ (236.60)	\$ 66.35	\$ 1.71
Weighted-average number of shares outstanding ⁽²⁾ :			
Basic	19.8	24.0	26.6
Diluted	20.8	26.8	26.9

- (1) Related parties include Mosel Vitelec Inc., or Mosel, Siliconware Precision Industries Co. Ltd., or Siliconware Precision, ProMOS Technologies Inc., or ProMOS and DenMOS Technology Inc., or DenMOS. Commencing April 1, 2011, Mosel and its direct and indirect subsidiaries are no longer related parties of the Company as collectively, they hold less than 10% interest in ChipMOS Bermuda and are no longer considered as having significant influence on the Company. Commencing April 1, 2011, Siliconware Precision held less than 10% interest in ChipMOS Bermuda and was no longer a major shareholder of the Company.
- (2) The outstanding shares and per share information reflect the reverse stock split of the Company's common stock with a ratio of 1-for-every-4 shares effective on January 21, 2011.

[Table of Contents](#)

	As of December 31,		
	2012	2013	2013
	NT\$	NT\$ (in millions)	US\$
Consolidated Statements of Financial Position Data:			
IFRSs:			
Non-current assets:			
Available-for-sale financial assets	\$ 11.6	\$ 8.6	\$ 0.3
Property, plant and equipment	12,475.3	12,811.9	429.5
Other non-current assets	726.2	330.4	11.1
	<u>13,213.1</u>	<u>13,150.9</u>	<u>440.9</u>
Current assets:			
Inventories	1,687.9	1,519.4	50.9
Accounts and notes receivable	4,120.1	4,114.6	137.9
Other current assets	914.7	450.6	15.1
Cash and cash equivalents	8,863.6	13,372.8	448.3
	<u>15,586.3</u>	<u>19,457.4</u>	<u>652.2</u>
Total assets	<u>\$28,799.4</u>	<u>\$32,608.3</u>	<u>\$1,093.1</u>
Equity and liabilities:			
Equity attributable to equity holders of the Company	11,593.6	13,564.7	454.7
Non-controlling interests	3,995.7	7,024.9	235.5
Total equity	<u>15,589.3</u>	<u>20,589.6</u>	<u>690.2</u>
Non-current liabilities:			
Bank loans—non-current portion	6,739.9	3,889.0	130.4
Other non-current liabilities	566.2	584.7	19.6
	<u>7,306.1</u>	<u>4,473.7</u>	<u>150.0</u>
Current liabilities:			
Accounts payable	890.1	956.8	32.1
Payable to contractors and equipment suppliers	484.6	858.2	28.8
Other payables	1,669.2	1,541.4	51.6
Other current liabilities	265.8	527.1	17.6
Bank loans—current portion	2,227.8	2,874.8	96.4
Short-term bank loans	366.5	786.7	26.4
	<u>5,904.0</u>	<u>7,545.0</u>	<u>252.9</u>
Total liabilities	<u>13,210.1</u>	<u>12,018.7</u>	<u>402.9</u>
Total equity and liabilities	<u>\$28,799.4</u>	<u>\$32,608.3</u>	<u>\$1,093.1</u>

[Table of Contents](#)

	As of December 31,			
	2009	2010	2011	2012
	NT\$	NT\$	NT\$	NT\$
	(in millions)			
Consolidated Balance Sheet Data:				
ROC GAAP:				
Current assets:				
Cash and cash equivalents	\$ 3,884.8	\$ 7,143.3	\$ 7,357.9	\$ 9,319.0
Restricted cash and cash equivalents	243.8	546.8	285.1	174.5
Financial assets at fair value through profit and loss	119.0	3.0	—	—
Investment with no active market	100.0	—	—	—
Notes receivable	27.9	14.0	5.7	5.0
Accounts receivable				
—related parties ⁽¹⁾	0.2	258.0	—	—
—third parties	2,441.8	2,816.0	3,666.5	3,992.2
Other receivables				
—related parties ⁽¹⁾	—	66.4	—	—
—third parties	130.1	182.0	73.2	149.9
Inventories	862.1	1,279.8	1,533.9	1,687.9
Deferred income tax, net	356.4	278.7	76.6	77.8
Prepaid expenses and other current assets	265.1	202.3	92.3	131.8
Total current assets	8,431.2	12,790.3	13,091.2	15,538.1
Long-term investments	220.0	10.5	39.1	11.6
Property, plant and equipment—net	20,769.0	17,273.0	13,896.1	12,108.0
Intangible assets—net	102.8	94.2	100.5	178.9
Other assets	833.2	1,147.0	1,154.2	912.8
Total assets	30,356.2	31,315.0	28,281.1	28,749.4
Current liabilities:				
Short-term bank loans	2,363.3	1,494.7	546.9	366.5
Current portion of long-term loans	1,553.9	4,925.7	684.0	2,227.8
Convertible notes	—	65.8	—	—
Accounts payable	738.0	690.1	1,130.8	890.1
Payables to contractors and equipment suppliers	201.2	790.6	415.4	484.6
Other payables	696.1	896.7	1,081.5	1,008.4
Current portion of capital leases payable	821.2	822.0	—	—
Accrued expenses and other current liabilities	525.7	990.9	830.9	767.0
Total current liabilities	6,921.5	10,697.5	4,712.2	5,775.6
Long-term liabilities	13,475.2	6,566.4	8,579.6	6,829.3
Other liabilities	7.3	7.7	6.0	175.4
Total liabilities	20,404.0	17,271.6	13,297.8	12,780.3
Total equity (including non-controlling interests)	\$ 9,952.2	\$ 14,043.4	\$ 14,983.3	\$ 15,969.1

[Table of Contents](#)

	As of December 31,		
	2009	2010	2011
	NT\$	NT\$ (in millions)	NT\$
Consolidated Balance Sheet Data:			
US GAAP:			
Current assets:			
Cash and cash equivalents	\$ 3,884.8	\$ 7,143.3	\$ 7,357.9
Restricted cash and cash equivalents	243.8	546.8	285.1
Financial assets at fair value through profit and loss	119.0	3.0	—
Available-for-sale financial assets	100.0	—	—
Notes receivable	27.9	14.0	5.7
Accounts receivable			
—related parties ⁽¹⁾	0.2	258.0	—
—third parties	2,441.8	2,816.0	3,666.5
Other receivables			
—related parties ⁽¹⁾	—	66.4	—
—third parties	130.1	182.0	73.2
Inventories	863.1	1,280.9	1,534.9
Deferred income tax, net	350.2	272.5	70.4
Prepaid expenses and other current assets	265.1	202.3	92.3
Total current assets	8,426.0	12,785.2	13,086.0
Long-term investments	220.0	10.5	39.1
Property, plant and equipment—net	20,474.4	16,924.1	13,501.0
Intangible assets—net	102.8	94.2	100.5
Other assets	893.2	1,221.1	1,237.6
Total assets	30,116.4	31,035.1	27,964.2
Current liabilities:			
Short-term bank loans	2,363.3	1,494.7	546.9
Current portion of long-term loans	1,553.9	4,925.7	684.0
Convertible notes	—	65.8	—
Accounts payable	738.0	690.1	1,130.8
Payables to contractors and equipment suppliers	201.2	790.6	415.4
Other payables	696.1	896.7	1,081.5
Current portion of capital leases payable	821.2	822.0	—
Accrued expenses and other current liabilities	525.7	990.9	830.9
Total current liabilities	6,921.5	10,697.5	4,712.2
Long-term liabilities	13,475.2	6,566.4	8,579.6
Other liabilities	286.1	398.6	383.5
Total liabilities	20,682.8	17,662.5	13,675.3
Total equity (including non-controlling interests)	\$ 9,433.6	\$ 13,372.6	\$ 14,288.9

(1) Related parties include Mosel, Siliconware Precision, ProMOS and DenMOS. Commencing April 1, 2011, Mosel and its direct and indirect subsidiaries are no longer related parties of the Company as collectively, they hold less than 10% interest in ChipMOS Bermuda and are no longer considered as having significant influence on the Company. Commencing April 1, 2011, Siliconware Precision held less than 10% interest in ChipMOS Bermuda and was no longer a major shareholder of the Company.

[Table of Contents](#)

	Year ended December 31,		
	2012	2013	2013
	NT\$	NT\$	US\$
(in millions)			
Consolidated Statement of Cash Flows Data:			
IFRSs:			
Capital expenditures	\$ 2,817.9	\$ 3,624.9	\$ 121.5
Depreciation and amortization	4,631.8	3,294.9	110.5
Net cash generated from (used in):			
Operating activities	4,527.0	6,223.2	208.6
Investing activities	(2,599.8)	(3,005.6)	(100.7)
Financing activities	(312.3)	1,305.2	43.7
Net increase in cash and cash equivalents	\$ 1,614.9	\$ 4,522.8	\$ 151.6

	Year ended December 31,			
	2009	2010	2011	2012
	NT\$	NT\$	NT\$	NT\$
(in millions)				
Consolidated Statement of Cash Flows Data:				
ROC GAAP:				
Capital expenditures	\$ 3,479.7	\$ 4,237.3	\$ 2,319.3	\$ 2,776.6
Depreciation and amortization	6,524.6	6,281.6	5,677.6	4,631.9
Net cash provided by (used in):				
Operating activities	781.0	8,688.9	5,898.0	4,735.3
Investing activities	(1,042.5)	(2,454.2)	(3,250.7)	(2,594.9)
Financing activities	(2,503.8)	(2,959.5)	(2,464.6)	(162.7)
Effect of exchange rate changes on cash	(1.8)	(16.8)	31.9	(16.6)
Net increase (decrease) in cash and cash equivalents	\$(2,767.1)	\$ 3,258.4	\$ 214.6	\$ 1,961.1

	Year ended December 31,		
	2009	2010	2011
	NT\$	NT\$	NT\$
(in millions)			
Consolidated Statement of Cash Flows Data:			
US GAAP:			
Net cash provided by (used in):			
Operating activities	\$ 1,633.4	\$ 8,504.0	\$ 6,179.6
Investing activities	(1,042.5)	(2,454.2)	(3,250.7)
Financing activities	(2,503.8)	(2,959.5)	(2,464.6)
Net increase (decrease) in cash and cash equivalents	\$(1,912.9)	\$ 3,090.3	\$ 464.3

[Table of Contents](#)

Exchange Rates

References to “US\$” and “US dollars” are to United States dollars and references to “NT\$” and “NT dollars” are to New Taiwan dollars. This Annual Report on Form 20-F contains translations of certain NT dollar amounts into US dollars at specified rates solely for the convenience of the reader. Unless otherwise noted, all translations from NT dollars to US dollars and from US dollars to NT dollars were made at the noon buying rate in The City of New York for cable transfers in NT dollars per US dollar as certified for customs purposes by the Federal Reserve Bank of New York as of December 31, 2013, which was NT\$29.83 to US\$1.00. We make no representation that the NT dollar or US dollar amounts referred to in this Annual Report on Form 20-F could have been or could be converted into US dollars or NT dollars, as the case may be, at any particular rate or at all. On April 18, 2014, the noon buying rate was NT\$30.17 to US\$1.00.

The following table sets out, for the years and the months indicated, information concerning the number of NT dollars for which one US dollar could be exchanged based on the noon buying rate for cable transfers in NT dollars as certified for customs purposes by the Federal Reserve Bank of New York.

	NT dollars per US dollar noon buying rate			
	Average	High	Low	Period-end
2009	33.02	35.21	31.95	31.95
2010	31.50	32.43	29.14	29.14
2011	29.38	30.67	28.50	30.27
2012	29.56	30.28	28.96	29.05
2013	29.68	30.20	28.93	29.83
October	29.38	29.49	29.32	29.42
November	29.52	29.65	29.37	29.59
December	29.72	30.03	29.53	29.83
2014				
January	30.14	30.31	29.90	30.31
February	30.31	30.37	30.25	30.29
March	30.40	30.65	30.24	30.45
April (through 18, 2014)	30.17	30.29	29.99	30.17

Sources: Federal Reserve Bank of New York.

Risk Factors

Risks Relating to Economic Conditions and the Financial Markets

The global credit and financial markets crisis could materially and adversely affect our business and results of operations.

Disruptions in global credit and financial markets may occur that cause diminished liquidity and limited availability of credit, reduced consumer confidence, reduced economic growth, increased unemployment rates and uncertainty about economic stability. Limited availability of credit in financial markets may lead consumers and businesses to postpone spending. This in turn may cause our customers to cancel, decrease or delay their existing and future orders with us. Financial difficulties experienced by our customers or suppliers as a result of these conditions could lead to production delays and delays or defaults in payment of accounts receivable. Continuing credit markets disruption restricts our access to capital and limits our ability to fund operations or to refinance maturing obligations as they become due through additional borrowing or other sources of financing. We are not able to predict the duration or extent of disruptions in global credit and financial markets that occurred in and since 2009 and through 2013. These conditions increase the difficulty of accurately forecasting and planning our business activities. If these conditions and uncertainties continue or if credit and financial markets and confidence in economic conditions further deteriorate, our business and results of operations could be materially and adversely affected.

Risks Relating to Our Industry

Because we depend on the highly cyclical semiconductor industry, which is characterized by significant and sometimes prolonged downturns from time to time, our revenue and earnings may fluctuate significantly, which in turn could cause the market price of our common shares to decline.

Because our business is, and will continue to be, dependent on the requirements of semiconductor companies for independent testing and assembly services, any downturn in the highly cyclical semiconductor industry may reduce demand for our services and adversely affect our results of operations. All of our customers operate in this industry and variations in order levels from our customers and in service fee rates may result in volatility in our revenue and earnings. For instance, during periods of decreased demand for assembled semiconductors, some of our customers may even simplify, delay or forego final testing of certain types of semiconductors, such as dynamic random access memory or DRAM, further intensifying our difficulties. From time to time, the semiconductor industry has experienced significant, and sometimes prolonged, downturns which have adversely affected our results of operations. In 2009, the semiconductor industry, especially the assembly and testing services for DRAM products sector, continued to experience the significant downturn that began in fourth quarter of 2008, and which has adversely affected our business. This industry downturn started to recover from the second quarter of 2009, and our revenue for 2010 increased 42% from 2009 levels. Our revenue for 2011 increased 6% from 2010 levels. Our revenue for 2012 increased 6% from 2011 levels. Our revenue for 2013 increased 0.7 % from 2012 levels and generated a profit of NT\$1,335.3 million (US\$44.8 million) in 2013. We cannot give any assurances that there will not be any downturn in the future or that any future downturn will not affect our results of operations.

Any deterioration in the market for end-user applications for semiconductor products would reduce demand for our services and may result in a decrease in our earnings.

Market conditions in the semiconductor industry track, to a large degree, those for their end-user applications. Any deterioration in the market conditions for the end-user applications of semiconductors we test and assemble could reduce demand for our services and, in turn, materially adversely affect our financial condition and results of operations. Our revenue is largely attributable to fees derived from testing and assembling semiconductors for use in personal computers, communications equipment, consumer electronic products and display applications. A significant decrease in demand for products in these markets could put pricing pressure on our testing and assembly services and negatively affect our revenue and earnings. Weak demand for LCD and other flat-panel display products began in 2007 and has since adversely affected our operating results in 2008, 2009, and 2010. The LCD driver market started to recover in the second quarter of 2009 and the positive recovery trend continued through 2013. We cannot give any assurances that there will not be any downturn in the future or that any future downturn will not affect our results of operations. Any significant decrease in demand for end-user applications of semiconductors will negatively affect our revenue and earnings.

A decline in average selling prices for our services could result in a decrease in our earnings.

Historically, prices for our testing and assembly services in relation to any given semiconductor tend to decline over the course of its product and technology life cycle. See also “— A decrease in market demand for LCD and other flat-panel display driver semiconductors may adversely affect our capacity utilization rates and thereby negatively affect our profitability”. If we cannot reduce the cost of our testing and assembly services, or introduce higher-margin testing and assembly services for new package types, to offset the decrease in average selling prices for our services, our earnings could decrease.

A reversal or slowdown in the outsourcing trend for semiconductor testing and assembly services could reduce our profitability.

In recent years, integrated device manufacturers, or IDMs, have increasingly outsourced stages of the semiconductor production process, including testing and assembly, to independent companies like us to shorten production cycles. In addition, the availability of advanced independent semiconductor manufacturing services has also enabled the growth of so-called “fabless” semiconductor companies that focus exclusively on design and marketing and outsource their manufacturing, testing and assembly requirements to independent companies. A substantial portion of our revenue is indirectly generated from providing semiconductor assembly and testing services to these IDMs and fabless companies. We cannot assure you that these companies will continue to outsource their testing and assembly requirements to independent companies like us. A reversal of, or a slowdown in, this outsourcing trend could result in reduced demand for our services, which in turn could reduce our profitability.

Risks Relating to Our Business

If we are unable to compete effectively in the highly competitive semiconductor testing and assembly markets, we may lose customers and our income may decline.

The semiconductor testing and assembly markets are very competitive. We face competition from a number of IDMs with in-house testing and assembly capabilities and other independent semiconductor testing and assembly companies. Our competitors may have access to more advanced technologies and greater financial and other resources than we do. Many of our competitors have shown a willingness to reduce prices quickly and sharply in the past to maintain capacity utilization in their facilities during periods of reduced demand. In addition, an increasing number of our competitors conduct their operations in lower cost centers in Asia such as Mainland China, Thailand, Vietnam and the Philippines. Any renewed or continued erosion in the prices or demand for our testing and assembly services as a result of increased competition could adversely affect our profits.

We are highly dependent on the market for memory products. A downturn in market prices for these products could significantly reduce our revenue and profit.

A significant portion of our revenue is derived from testing and assembling memory semiconductors. Our revenue derived from the testing and assembly of memory semiconductors accounted for 55% and 50% of our revenue in 2012 and 2013, respectively. In the past, our service fees for testing and assembling memory semiconductors were sharply reduced in tandem with the decrease in the average selling price of DRAM in the semiconductor industry. The continuing oversupply of DRAM products in 2008 and the weak demand in the DRAM market in the period from 2009 to 2013 resulted in significant reductions in the price of DRAM products, which in turn drove down the average prices for our testing and assembly services for DRAM products in these periods. We cannot assure you that there will not be further downturns in DRAM prices in the future.

A decrease in market demand for LCD and other flat-panel display driver semiconductors may adversely affect our capacity utilization rates and thereby negatively affect our profitability.

Our testing and assembly services for LCD and other flat-panel display driver semiconductors generated revenue of NT\$4,356 million and NT\$4,781 million (US\$160 million) in 2012 and 2013, respectively. We invested NT\$981 million and NT\$2,054 million (US\$69 million) in 2012 and 2013, respectively, on equipment for tape carrier package, or TCP, chip-on-film, or COF and chip-on-glass, or COG, technologies, which are used in testing and assembly services for LCD and other flat-panel display driver semiconductors. Most of this equipment may not be used for technologies other than TCP, COF or COG. The market demand for LCD and other flat-panel display driver semiconductors and related testing and assembly services increased in 2013 compared to the market demand in 2012. Any significant decrease in demand for these products and our related services, however, would significantly impair our capacity utilization rates. That may result in our inability to generate sufficient revenue to cover the significant depreciation expenses for the equipment used in testing and assembling LCD and other flat-panel display driver semiconductors, thereby negatively affecting our profitability. See also “— Because of our high fixed costs, if we are unable to achieve relatively high capacity utilization rates, our earnings and profitability may be adversely affected”.

Our significant amount of indebtedness and interest expense will limit our cash flow and could adversely affect our operations.

We have a significant level of debt and interest expense. As of December 31, 2013, we had approximately NT\$3,889 million (US\$130 million) and NT\$3,661 million (US\$123 million) outstanding long-term and short-term indebtedness, respectively. Our long-term indebtedness as of December 31, 2013, represented bank loans with an interest rate between 1.73% and 3.1645%. As of December 31, 2013, NT\$6,764 million (US\$227 million) of our indebtedness was secured by collateral comprised of assets owned by ChipMOS TECHNOLOGIES INC., or ChipMOS Taiwan, ThaiLin Semiconductor Corp., or ThaiLin and ChipMOS TECHNOLOGIES (Shanghai) LTD., or ChipMOS Shanghai.

Our significant indebtedness poses risks to our business, including the risks that:

- we may have to use a substantial portion of our consolidated cash flow from operations to pay principal and interest on our debt, thereby reducing the funds available for working capital, capital expenditures, acquisitions and other general corporate purposes;

[Table of Contents](#)

- insufficient cash flow from operations may force us to sell assets, or seek additional capital, which we may be unable to do at all or on terms favorable to us;
- our ability to sell assets or seek additional capital may be adversely affected by security interests in our assets granted to our lenders as collateral;
- our level of indebtedness may make us more vulnerable to economic or industry downturns; and
- our debt service obligations increase our vulnerabilities to competitive pressures, because many of our competitors may be less leveraged than we are.

For additional information on our indebtedness, see “Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources”.

Our results of operations may fluctuate significantly and may cause the market price of our common shares to be volatile.

Our results of operations have varied significantly from period to period and may continue to vary in the future. Among the more important factors affecting our quarterly and annual results of operations are the following:

- our ability to accurately predict customer demand, as we must commit significant capital expenditures in anticipation of future orders;
- our ability to quickly adjust to unanticipated declines or shortfalls in demand and market prices for our testing and assembly services, due to our high percentage of fixed costs;
- changes in prices for our testing and assembly services;
- volume of orders relative to our testing and assembly capacity;
- capital expenditures and production uncertainties relating to the roll-out of new testing or assembly services;
- our ability to obtain adequate testing and assembly equipment on a timely basis;
- changes in costs and availability of raw materials, equipment and labor;
- changes in our product mix; and
- earthquakes, drought and other natural disasters, as well as industrial accidents.

Because of the factors listed above, our future results of operations or growth rates may be below the expectations of research analysts and investors. If so, the market price of our common shares, and the market value of your investment, may fall.

The ongoing criminal proceeding of and adverse publicity associated with Mr. Shih-Jye Cheng, our Chairman and Chief Executive Officer, and Mr. Hung-Chiu Hu, our former director, could have a material adverse effect on our business and cause our stock price to decline.

Mr. Shih-Jye Cheng, our chairman and chief executive officer, was indicted by the Taipei District Prosecutor’s Office, or the prosecutor, in December 2005. Based upon information released by the prosecutor, the indictment alleges that Mr. Shih-Jye Cheng, as instructed by Mr. Hung-Chiu Hu, purchased repurchase notes on January 6, January 13, and January 28, 2004 from Founder Associates Limited, a British Virgin Islands company affiliated with Mega Securities Co., Ltd. (formerly known as Barits International Securities Co., Ltd.), with an aggregate principal amount of approximately US\$29 million, by using corporate funds from ChipMOS Taiwan and ThaiLin. The indictment further alleges that these repurchase notes were used as a cover to misuse the corporate funds of Mosel, and its affiliated entities, including ChipMOS Taiwan and ThaiLin, in violation of ROC law. In addition, the indictment alleges that Mr. Hu and others were engaged in the insider trading of the securities of Mosel in violation of ROC law, but none of the current officers at ChipMOS Taiwan or ThaiLin was indicted in this regard.

On January 5, 2006, our board established a special committee to evaluate the circumstances surrounding the indictment of Mr. Cheng. The special committee engaged K&L Gates LLP (formerly Kirkpatrick & Lockhart Preston Gates Ellis LLP) as its independent international legal counsel, Baker & McKenzie as its independent ROC legal counsel, and Ernst & Young (formerly Diwan, Ernst & Young) as its financial advisor to assist in its investigation. As of March 31, 2014, the special committee was solely comprised of Mr. Yeong-Her Wang, our independent director.

[Table of Contents](#)

The special committee's investigation focused on (1) the probability that Mr. Shih-Jye Cheng would be convicted on the charges described in the indictment, (2) whether the indictment resulted in any pecuniary or other damage to us, (3) whether there were any internal control weaknesses related to the investments in repurchase notes within ChipMOS Bermuda and its subsidiaries and (4) whether ChipMOS Bermuda is required by applicable laws or the NASDAQ Global Select Market listing requirements to take any action in connection with the indictment. The special committee did not attempt to independently determine whether Mr. Cheng had engaged in any wrongdoing in connection with the investments in repurchase notes, irrespective of whether such wrongdoing would lead to a conviction on the charges under the indictment.

On June 28, 2006, the special committee issued its report, including its findings and recommendations. Based upon the results of its investigation, it found that (1) Mr. Shih-Jye Cheng has declared himself not guilty of the charges described in the indictment, (2) Baker & McKenzie, after reviewing the indictment and the prosecutor's exhibits, has found that the evidence produced by the prosecutor seems to be inadequate and that there is a low probability of the charge of irregular transactions in the indictment being founded, (3) the financial advisor to the special committee has found that we suffered no loss (not taking into account exchange rate factors) and that all monies (capital and interest) were remitted back to our subsidiaries involved, (4) we have suffered no identifiable harm to our reputation or business and (5) Mr. Cheng has not been impaired by the indictment to perform as our chairman and chief executive officer. The special committee recommended that our board maintain Mr. Cheng as our chairman and chief executive officer with full responsibilities and our board unanimously (with Mr. Cheng having recused himself) resolved to accept and adopt the special committee's recommendation with regard to Mr. Cheng. Our board of directors also resolved to continue the role of the special committee for the duration of the ongoing criminal proceeding involving Mr. Cheng to actively monitor any developments of the criminal investigation and take or recommend any appropriate action in light of such developments.

On October 1, 2007, the Taipei District Court found Mr. Shih-Jye Cheng not guilty, and on October 22, 2007, the prosecutor appealed the Taipei District Court decision at the Taiwan High Court. The Taiwan High Court (the "High Court") held four trial hearings in 2008, six trial hearings in 2009, six trial hearings in 2010, two trial hearings in 2011, four trial hearings in 2012 and five trial hearings in 2013. On September 3, 2013, the High Court rendered a not guilty verdict for all defendants in the matter, including Mr. Shih-Jye Cheng. On September 18, 2013, the Taiwan High Court Prosecutor's Office has filed a petition for appeal against the decision dated September 3, 2013 to Taiwan's Supreme Court (the "Supreme Court"). As of the date of this Annual Report on Form 20-F, the matter is now under Supreme Court's assessment and no trial hearing date has been scheduled.

Theoretically, as a result of prosecutor's appeal, the case may revert to High Court and Mr. Cheng may still be convicted of one or more charges in the indictment. In addition, new evidence that leads to additional criminal charges and/or an adverse judgment against Mr. Cheng may be produced during the ongoing criminal investigation, and the special committee may make recommendations to our board in respect of Mr. Cheng's positions with us or our subsidiaries. However, up to the present, no new evidence or charge has been presented or collected by the prosecutor or the Court. Therefore, we are reasonably confident that the non-guilty judgment for Mr. Cheng will be maintained by the Taiwan High Court. If Mr. Cheng is convicted, or in light of any new developments, the special committee may recommend or our board of directors may otherwise decide that it is in the Company's best interests that Mr. Cheng no longer serves in all or some of his current capacities with us or our subsidiaries, or if Mr. Cheng resigns as a result of a final adverse judgment rendered against him by the court, or otherwise, the public perception of us may be seriously harmed and we would lose some or all of the services of Mr. Cheng. In addition, if Mr. Cheng is convicted and sentenced to imprisonment, the ROC Financial Supervisory Commission may subject ChipMOS Taiwan or ThaiLin to certain restrictions on financing activities if Mr. Cheng continues to serve as the chairman or president of ChipMOS Taiwan. Mr. Cheng is very important to our current on-going business operations and our relationships with our customers and financing sources, and our loss of his services due to any adverse publicity from the trial or conviction of Mr. Cheng or other key personnel could materially and adversely affect our business, reputation and prospects and therefore cause our stock price to decline.

We depend on key customers for a substantial portion of our revenue and a loss of, or deterioration of the business from, or delayed payment by, any one of these customers could result in decreased revenue and materially adversely affect our results of operations and financial condition.

We depend on a small group of customers for a substantial portion of our business. In 2013, our top five customers, collectively accounted for 56% of our revenue. As part of our strategy, we have been focusing on sales to key customers through long-term service agreements. We also focus on our business with smaller customers and customers who do not place orders on a regular basis. We expect that we will continue to depend on a relatively limited number of customers for a significant portion of our revenue. Any adverse development in our key customers' operations, competitive position or customer base could materially reduce our revenue and adversely affect our business and profitability.

In the past, our top customers have defaulted on their payment obligations under certain long-term service agreements. For example, ProMOS has defaulted in its payment obligations to us in March 2008. Between the period of November 2008 to May 2009, we revised our contract terms and conditions with ProMOS to include provision of collateral, prepayments and pledges of wafer, Work-In-Process, or WIP, existing finished goods as lien material and secured equipment mortgage for ProMOS' payment obligations. ProMOS has been making timely payments since 2012. See "Item 4. Information on the Company—Customers" for more information.

[Table of Contents](#)

In January 2009, Spansion defaulted in its payment obligation to us and subsequently filed for a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code in March 2009. As a result, ChipMOS Taiwan entered into a definitive Transfer of Claim Agreement to sell to Citigroup Financial Products Inc. (“Citigroup”) the general unsecured claim reflected in the proof of claim against Spansion. On October 4, 2010, ChipMOS Taiwan entered into a settlement agreement with Spansion LLC for the general unsecured claim on breach of contract and liquidated damages rights reflected in the proof of claim, Claim No. 5, against Spansion Inc., Spansion Technology LLC, Spansion LLC, Spansion International Inc. and Cerium Laboratories LLC filed by ChipMOS Taiwan in the U.S. Bankruptcy Court. In October 2010, the Company received payment of NT\$2,118 million under the Transfer of Claim Agreement to Citigroup. See “Item 4. Information on the Company—Customers” for more information.

Since semiconductor companies generally rely on service providers with whom they have established relationships to meet their testing and assembly needs for their applications and new customers usually require us to pass a lengthy and rigorous qualification process, if we lose any of our key customers, we may not be able to replace them in a timely manner. We cannot assure you that receivable collection difficulties experienced by us will not occur in the future. If any of our key customers reduces or cancels its orders or terminates existing contractual arrangements, and if we are unable to attract new customers and establish new contractual arrangements with existing or new customers, our revenue could be reduced and our business and results of operations may be materially adversely affected.

Because of our high fixed costs, if we are unable to achieve relatively high capacity utilization rates, our earnings and profitability may be adversely affected.

Our operations are characterized by a high proportion of fixed costs. For memory and logic/mixed-signal semiconductor testing services, our fixed costs represented 65% and 57% of our total cost of revenue in 2012 and 2013, respectively. For memory and logic/mixed-signal semiconductor assembly services, our fixed costs represented 21% and 20% of our total cost of revenue in 2012 and 2013, respectively. For LCD and other flat-panel display driver semiconductor testing and assembly services, our fixed costs represented 49% and 45% of our total cost of revenue in 2012 and 2013, respectively. For bumping services, our fixed costs represented 21% and 19% of our total cost of revenue in 2012 and 2013, respectively. Our profitability depends in part not only on absolute pricing levels for our services, but also on the utilization rates for our testing and assembly equipment, commonly referred to as “capacity utilization rates”. Increases or decreases in our capacity utilization rates can significantly affect our gross margins as unit costs generally decrease as the fixed costs are allocated over a larger number of units. In the past, our capacity utilization rates have fluctuated significantly as a result of the fluctuations in the market demand for semiconductors. If we fail to increase or maintain our capacity utilization rates, our earnings and profitability may be adversely affected. In addition, we have entered into various long-term assembly and testing services agreements with certain of our customers that may require us to incur significant capital expenditures. If we are unable to achieve high capacity utilization rates for the equipment purchased pursuant to these agreements, our gross margins may be materially and adversely affected.

The testing and assembly process is complex and our production yields and customer relationships may suffer as a result of defects or malfunctions in our testing and assembly equipment and the introduction of new packages.

Semiconductor testing and assembly are complex processes that require significant technological and process expertise. Semiconductor testing involves sophisticated testing equipment and computer software. We develop computer software to test our customers’ semiconductors. We also develop conversion software programs that enable us to test semiconductors on different types of testers. Similar to most software programs, these software programs are complex and may contain programming errors or “bugs”. In addition, the testing process is subject to human error by our employees who operate our testing equipment and related software. Any significant defect in our testing or conversion software, malfunction in our testing equipment or human error could reduce our production yields and damage our customer relationships.

The assembly process involves a number of steps, each of which must be completed with precision. Defective packages primarily result from:

- contaminants in the manufacturing environment;
- human error;
- equipment malfunction;
- defective raw materials; or
- defective plating services.

These and other factors have, from time to time, contributed to lower production yields. They may do so in the future, particularly as we expand our capacity or change our processing steps. In addition, to be competitive, we must continue to expand our offering of packages. Our production yields on new packages typically are significantly lower than our production yields on our more established packages. Our failure to maintain high standards or acceptable production yields, if significant and prolonged, could result in a loss of customers, increased costs of production, delays, substantial amounts of returned goods and related claims by customers. Further, to the extent our customers have set target production yields, we may be required to compensate our customers in a pre-agreed manner. Any of these problems could materially adversely affect our business reputation and result in reduced revenue and profitability.

[Table of Contents](#)

Because of the highly cyclical nature of our industry, our capital requirements are difficult to plan. If we cannot obtain additional capital when we need it, we may not be able to maintain or increase our current growth rate and our profits will suffer.

As our industry is highly cyclical and rapidly changing, our capital requirements are difficult to plan. To remain competitive, we may need capital to fund the expansion of our facilities as well as to fund our equipment purchases and research and development activities. To meet our liquidity, capital spending and other capital needs, we have taken and plan to take certain measures to generate additional working capital and to save cash. See “Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources”. We cannot assure you that these plans and measures will be implemented or will provide sufficient sources of capital.

In addition, future capacity expansions or market or other developments may require additional funding. Our ability to obtain external financing in the future depends on a number of factors, many of which are beyond our control. They include:

- our future financial condition, results of operations and cash flows;
- general market conditions for financing activities by semiconductor testing and assembly companies; and
- economic, political and other conditions in Taiwan and elsewhere.

If we are unable to obtain funding in a timely manner or on acceptable terms, our growth prospects and potential future profitability will suffer.

Disputes over intellectual property rights could be costly, deprive us of technologies necessary for us to stay competitive, render us unable to provide some of our services and reduce our opportunities to generate revenue.

Our ability to compete successfully and achieve future growth will depend, in part, on our ability to protect our proprietary technologies and to secure, on commercially acceptable terms, critical technologies that we do not own. We cannot assure you that we will be able to independently develop, or secure from any third party, the technologies required for our testing and assembly services. Our failure to successfully obtain these technologies may seriously harm our competitive position and render us unable to provide some of our services.

Our ability to compete successfully also depends on our ability to operate without infringing upon the proprietary rights of others. The semiconductor testing and assembly industry is characterized by frequent litigation regarding patent and other intellectual property rights. We may incur legal liabilities if we infringe upon the intellectual property or other proprietary rights of others. We are not able to ascertain what patent applications have been filed in the United States or elsewhere, however, until they are granted. If any third party succeeds in its intellectual property infringement claims against us or our customers, we could be required to:

- discontinue using the disputed process technologies, which would prevent us from offering some of our testing and assembly services;
- pay substantial monetary damages;
- develop non-infringing technologies, which may not be feasible; or
- acquire licenses to the infringed technologies, which may not be available on commercially reasonable terms, if at all.

Any one of these developments could impose substantial financial and administrative burdens on us and hinder our business. We are, from time to time, involved in litigation in respect of intellectual property rights. Any litigation, whether as plaintiff or defendant, is costly and diverts our resources. If we fail to obtain necessary licenses on commercially reasonable terms or if litigation, regardless of the outcome, relating to patent infringement or other intellectual property matters occurs, our costs could be substantially increased to impact our margins. Any such litigation could also prevent us from testing and assembling particular products or using particular technologies, which could reduce our opportunities to generate revenue. For more information on litigation in respect of intellectual property rights, see “Item 8. Financial Information—Legal Proceedings”.

[Table of Contents](#)

If we are unable to obtain raw materials and other necessary inputs from our suppliers in a timely and cost-effective manner, our production schedules would be delayed and we may lose customers and growth opportunities and become less profitable.

Our operations require us to obtain sufficient quantities of raw materials at acceptable prices in a timely and cost-effective manner. We source most of our raw materials, including critical materials like leadframes, organic substrates, epoxy, gold wire and molding compound for assembly, and tapes for TCP/COF, from a limited group of suppliers. We purchase all of our materials on a purchase order basis and have no long-term contracts with any of our suppliers. From time to time, suppliers have extended lead times, increased the price or limited the supply of required materials to us because of market shortages. Consequently, we may, from time to time, experience difficulty in obtaining sufficient quantities of raw materials on a timely basis. In addition, from time to time, we may reject materials that do not meet our specifications, resulting in declines in output or yield. Although we typically maintain at least two suppliers for each key raw material, we cannot assure you that we will be able to obtain sufficient quantities of raw materials and other supplies of an acceptable quality in the future. It usually takes from three to six months to switch from one supplier to another, depending on the complexity of the raw material. If we are unable to obtain raw materials and other necessary inputs in a timely and cost-effective manner, we may need to delay our production and delivery schedules, which may result in the loss of business and growth opportunities and could reduce our profitability.

If we are unable to obtain additional testing and assembly equipment or facilities in a timely manner and at a reasonable cost, we may be unable to fulfill our customers' orders and may become less competitive and less profitable.

The semiconductor testing and assembly business is capital intensive and requires significant investment in expensive equipment manufactured by a limited number of suppliers. The market for semiconductor testing and assembly equipment is characterized, from time to time, by intense demand, limited supply and long delivery cycles. Our operations and expansion plans depend on our ability to obtain equipment from a limited number of suppliers in a timely and cost-effective manner. We have no binding supply agreements with any of our suppliers and we acquire our testing and assembly equipment on a purchase order basis, which exposes us to changing market conditions and other significant risks. Semiconductor testing and assembly also requires us to operate sizeable facilities. If we are unable to obtain equipment or facilities in a timely manner, we may be unable to fulfill our customers' orders, which could negatively impact our financial condition and results of operations as well as our growth prospects. Previously we have committed to acquire certain wafer sorting testers and probers under our long-term service agreement with Spansion. We terminated that agreement and commitment on February 19, 2009, after Spansion defaulted on its payment obligations. Currently, we do not have any long-term service agreements that require our commitment to acquire additional testing and assembly equipment or facilities, however we cannot assure you that such commitment will not be made in the future. See "Item 4. Information on the Company—Customers".

If we are unable to manage the expansion of our operations and resources effectively, our growth prospects may be limited and our future profitability may be reduced.

We expect to continue to expand our operations and increase the number of our employees. Rapid expansion puts a strain on our managerial, technical, financial, operational and other resources. As a result of our expansion, we will need to implement additional operational and financial controls and hire and train additional personnel. We cannot assure you that we will be able to do so effectively in the future, and our failure to do so could jeopardize our expansion plans and seriously harm our operations.

Bermuda law may be less protective of shareholder rights than laws of the United States or other jurisdictions.

Our corporate affairs are governed by our memorandum of association, our bye-laws and laws governing corporations incorporated in Bermuda. Shareholder suits such as class actions (as these terms are understood with respect to corporations incorporated in the United States) are generally not available in Bermuda. Therefore, our shareholders may be less able under Bermuda law than they would be under the laws of the United States or other jurisdictions to protect their interests in connection with actions by our management, members of our board of directors or our controlling shareholder.

It may be difficult to bring and enforce suits against us in the United States.

We are incorporated in Bermuda and a majority of our directors and most of our officers are not residents of the United States. A substantial portion of our assets is located outside the United States. As a result, it may be difficult for our shareholders to serve notice of a lawsuit on us or our directors and officers within the United States. Because most of our assets are located outside the United States, it may be difficult for our shareholders to enforce in the United States judgments of United States courts. Appleby, our Bermuda counsel, has advised us that there is some uncertainty as to the enforcement in Bermuda, in original actions or in actions for enforcement of judgments of United States courts, of liabilities predicated upon United States federal securities laws.

[Table of Contents](#)

Investor confidence and the market price of our common shares may be adversely impacted if we or our independent public registered accounting firm is unable to conclude that our internal control over our financial reporting is effective as required by Section 404 of the Sarbanes-Oxley Act of 2002.

We are subject to the SEC's reporting obligations, and beginning in our Annual Report on Form 20-F for the year ended December 31, 2006, we have been required by the SEC, as directed by Section 404 of the Sarbanes-Oxley Act of 2002, to include a report of management on our internal control over financial reporting in our Annual Report on Form 20-F that contains an assessment by management of the effectiveness of our internal control over financial reporting. Beginning in fiscal year 2007, our independent public registered accounting firm has audited the effectiveness of our internal control over financial reporting. Although our management concluded that our internal controls are effective in this Annual Report on Form 20-F, and our independent public registered accounting firm has rendered its opinion that we maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria set forth in Internal Control – Integrated Framework (1992) issued by Committee of Sponsoring Organization of the Treadway Commission (COSO), our management may not conclude that our internal controls are effective in the future. Moreover, even if our management concludes that our internal controls over our financial reporting are effective, our independent public registered accounting firm may disagree. If our independent public registered accounting firm is not satisfied with our internal controls over our financial reporting or the level at which our controls are documented, designed, operated or reviewed, or if the independent public registered accounting firm interprets the requirements, rules or regulations differently from us, it may decline to attest to our management's assessment or may issue an adverse opinion in the future. Any of these possible outcomes could result in an adverse reaction in the financial marketplace due to a loss of investor confidence in the reliability of our consolidated financial statements, which ultimately could negatively impact the market prices of our common shares.

Any environmental claims or failure to comply with any present or future environmental regulations, or any new environmental regulations, may require us to spend additional funds, may impose significant liability on us for present, past or future actions, and may dramatically increase the cost of providing our services to our customers.

We are subject to various laws and regulations relating to the use, storage, discharge and disposal of chemical by-products of, and water used in, our assembly and gold bumping processes. Although we have not suffered material environmental claims in the past, a failure or a claim that we have failed to comply with any present or future regulations could result in the assessment of damages or imposition of fines against us, suspension of production or a cessation of our operations or negative publicity. New regulations could require us to acquire costly equipment or to incur other significant expenses. Any failure on our part to control the use of, or adequately restrict the discharge of, hazardous substances could subject us to future liabilities that may materially reduce our earnings.

Fluctuations in exchange rates could result in foreign exchange losses.

Currently, most of our revenue is denominated in NT dollars. Our cost of revenue and operating expenses, on the other hand, are incurred in several currencies, including NT dollars, Japanese yen, US dollars and Renminbi, or RMB. In addition, a substantial portion of our capital expenditures, primarily for the purchase of testing and assembly equipment, has been, and is expected to continue to be, denominated in Japanese yen with much of the remainder in US dollars. We also have debt denominated in NT dollars, Japanese yen, US dollars and RMB. Fluctuations in exchange rates, primarily among the US dollar, the NT dollar and the Japanese yen, will affect our costs and operating margins in NT dollar terms. In addition, these fluctuations could result in exchange losses and increased costs in NT dollar terms. Despite selective hedging and other techniques implemented by us, fluctuations in exchange rates have affected, and may continue to affect, our financial condition and results of operations.

We may not be successful in our acquisitions, investments, joint ventures and dispositions, and may therefore be unable to implement fully our business strategy.

As part of our growth strategy, we may make acquisitions and investments in companies and businesses, establish joint ventures or make dispositions of our interests. For example, in February 2010, we agreed to sell 15.8% of ChipMOS Taiwan's outstanding shares to Siliconware Precision and the transaction was completed in January 2011. In April 2013, as part of ChipMOS Taiwan's listing plan on the Taiwan Stock Exchange ("TWSE"), we completed the sale of 6.5 million or 0.8% of the total number of ChipMOS Taiwan's outstanding shares to ChipMOS Taiwan's underwriters and to certain others, including non-US employees of ChipMOS Taiwan. From September to October 2013, we sold 180 million or 21.4% of the total number of ChipMOS Taiwan's outstanding shares to investors. After the completion of the aforesaid sales, the Company held approximately 523 million ChipMOS Taiwan shares, representing 62.1% of the total number of ChipMOS Taiwan's outstanding shares. On April 9, 2014, ChipMOS Bermuda further sold 1.3 million ChipMOS Taiwan shares as "green shoe" option to market investors. As of the date of this Annual Report on Form 20-F, we continue to own approximately 522 million or 60.4% of ChipMOS Taiwan's outstanding shares. See "Item 3. —Risk Relating to Our Corporate Structure—ChipMOS Taiwan's ability to maintain its listing and trading status on the Taiwan Stock Exchange is dependent on factors outside of the Company or ChipMOS Taiwan's control and satisfaction of stock exchange requirements. ChipMOS Taiwan may not be able to overcome such factors that disrupt its trading status on the main board of Taiwan Stock Exchange or satisfy other eligibility requirements that may be required of it in the future."

Table of Contents

In November 2012, pursuant to a Registration Statement on Form F-3 declared effective on September 5, 2012, ThaiLin sold 2,000,000 of our common shares under a secondary offering (the “Secondary Offering”). In May 2013, ThaiLin completed its sale of 380,506 of our common shares to Tokyo Seimitsu Co., Ltd. (“Tokyo Seimitsu”). In November 2013 and January 2014, ThaiLin sold 2,000,000 and 2,093,705 of our common shares back to ChipMOS Bermuda, respectively. The success of our acquisitions, investments, joint ventures and dispositions depends on a number of factors, including:

- our ability to identify suitable investment, acquisition, joint venture or disposition opportunities;
- our ability to reach an agreement for an acquisition, investment, joint venture or disposition opportunity on terms that are satisfactory to us or at all;
- the extent to which we are able to exercise control over the acquired or joint venture company;
- our ability to align the economic, business or other strategic objectives and goals of the acquired company with those of our company; and
- our ability to successfully integrate the acquired or joint venture company or business with our company.

If we are unsuccessful in our acquisitions, investments, joint ventures and dispositions, we may not be able to implement fully our business strategy to maintain or grow our business.

We depend on key personnel, and our revenue could decrease and our costs could increase if we lose their services.

We depend on the continued service of our executive officers and skilled engineering, technical and other personnel. We will also be required to hire a substantially greater number of skilled employees in connection with our expansion plans. In particular, we depend on a number of skilled employees in connection with our LCD and other flat-panel display driver semiconductor testing and assembly services, and the competition for such employees in Taiwan and Mainland China is intense. We may not be able to either retain our present personnel or attract additional qualified personnel as and when needed. Moreover, we do not carry key person insurance for any of our executive officers nor do we have employment contracts with any of our executive officers or employees, and, as a result, none of our executive officers or employees is bound by any non-competition agreement. If we lose any of our key personnel, it could be very difficult to find and integrate replacement personnel, which could affect our ability to provide our services, resulting in reduced revenue and earnings. In addition, we may need to increase employee compensation levels in order to retain our existing officers and employees and to attract additional personnel. As of March 31, 2014, 12.5% of the workforce at our facilities are foreign workers employed by us under work permits that are subject to government regulations on renewal and other terms. Consequently, if the regulations in Taiwan relating to the employment of foreign workers were to become significantly more restrictive or if we are otherwise unable to attract or retain these workers at reasonable cost, we may be unable to maintain or increase our level of services and may suffer reduced revenue and earnings.

If our security measures are breached and unauthorized access is obtained to our information technology systems, we may lose proprietary data.

Our security measures may be breached as a result of third-party action, including computer hackers, employees error, malfeasance or otherwise, and result in unauthorized access to our customers’ data or our data, including our intellectual property and other confidential business information, or our information technology systems. Because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any security breach could result in disclosure of our trade secrets, confidential customer, supplier or employee data, which could result in legal liability, harm to our reputation and otherwise harm our business.

Risk Relating to Our Relationship with Mosel

ChipMOS Taiwan entered into certain transactions that, if determined to have constituted impermissible financings or purchases of assets or equity of Mosel under ROC law, could result in the resignations of members of our management. As a result, our business operations could be disrupted and the market price of our common shares could decline.

ROC law limits the ability of a company incorporated in Taiwan to purchase any equity interest in companies, directly or indirectly, holding more than 50% of its issued and outstanding voting securities or registered capital or to provide loans or other financing to any company. ChipMOS Taiwan purchased NT\$242 million worth of Mosel shares in 2002. Lee and Li, our ROC special counsel, has advised us that these purchases do not violate relevant ROC law that prohibits a subsidiary from buying or taking collateral in shares of companies holding, directly or indirectly, more than 50% of its issued and outstanding voting securities or registered capital, because Mosel's indirect interest (calculated as the product of (i) Mosel's percentage interest in ChipMOS Bermuda and (ii) ChipMOS Bermuda's percentage interest in ChipMOS Taiwan) in ChipMOS Taiwan was less than 50% and ChipMOS Bermuda is incorporated outside of Taiwan. In 2005, ChipMOS Taiwan disposed of NT\$84 million of Mosel shares, and in August 2006, ChipMOS Taiwan further disposed of the remaining Mosel shares for approximately NT\$30 million. ChipMOS Taiwan no longer owns any Mosel shares. Lee and Li has advised that under relevant ROC law, there is no similar restriction or limitation on a subsidiary's disposal of its parent's equity shares, if the previous acquisitions of such shares complied with relevant ROC law. However, we understand that there is no applicable judicial precedent and there is some doubt as to how a court would rule if presented with the situation.

If it were to be determined that any of the transactions described above constituted an impermissible financing or purchase of assets of Mosel by ChipMOS Taiwan or an impermissible purchase of Mosel's equity by ChipMOS Taiwan, then ChipMOS Taiwan's then chairman and any responsible officers would be jointly and severally liable to ChipMOS Taiwan for any losses suffered by ChipMOS Taiwan and may also be severally liable criminally for any breach of fiduciary duties that resulted in losses and damages suffered by ChipMOS Taiwan. Moreover, certain of these transactions may not have been in full compliance with ChipMOS Taiwan's then applicable internal procedures due to the failure to have received an appropriate valuation opinion prior to entering into such purchases. The failure to comply fully with ChipMOS Taiwan's then applicable internal procedures could constitute evidence of a failure by the then chairman of ChipMOS Taiwan and responsible officers to comply fully with their fiduciary duties, which could result in them being held criminally liable for any breach of fiduciary duties that resulted in losses and damages to ChipMOS Taiwan. If members of our current management were held to have breached their fiduciary duties or become criminally liable for the transactions described above, they may become obliged, whether under law or otherwise, to resign from their respective positions at ChipMOS Bermuda and our affiliates. Any loss of the services of these persons could disrupt our business, damage our reputation, and cause the market price of our common shares to decline.

Risks Relating to Countries in Which We Conduct Operations

ROC laws and regulations limit or prohibit certain technology cooperation between ROC persons or entities with PRC persons or entities, and our current technology transfer arrangements between ChipMOS Bermuda and ChipMOS Shanghai may be found to be in violation of any such limitation or prohibition, which may result in a fine of between NT\$50 thousand and NT\$25 million and the termination of such technology transfer arrangements and therefore have a material adverse effect on the operations of ChipMOS Shanghai and our financial condition and results of operations.

[Table of Contents](#)

ROC laws and regulations previously prohibited any transfer of semiconductor testing and assembly technologies to any person or entity located in Mainland China, except for transfers involving certain low-end semiconductor testing and assembly technologies, such as conventional wire bond assembly technology, if certain requirements are met. The ROC Ministry of Economic Affairs has the ultimate administrative authority in interpreting such laws and regulations. In February 2010, these restrictions have been relaxed, so that ROC entities may transfer semiconductor testing and assembly technologies to any person or entity located in Mainland China after they have obtained approval from the Investment Commission of the ROC Ministry of Economic Affairs, or the ICM. Under a technology transfer agreement, dated August 1, 2002, ChipMOS Bermuda licensed to ChipMOS Shanghai certain testing and assembly-related technologies that were then controlled by ChipMOS Bermuda, which included technologies that were licensed to ChipMOS Bermuda by ChipMOS Taiwan. ChipMOS Bermuda will continue to license such technologies to ChipMOS Shanghai pursuant to a new technology transfer agreement dated October 3, 2011 with effective date on August 1, 2012. ChipMOS Bermuda also provided ChipMOS Shanghai with technical support and consulting services under this agreement. On April 7, 2004, ChipMOS Bermuda entered into an assignment agreement with ChipMOS Taiwan, pursuant to which ChipMOS Taiwan transferred all of the technologies it owned as of that date to ChipMOS Bermuda, including those previously licensed to ChipMOS Bermuda. On April 12, 2007, ChipMOS Bermuda entered into an assignment agreement with ChipMOS Taiwan, pursuant to which ChipMOS Taiwan assigned and transferred fifty percent of the title to ownership of and interest in all of the technologies and intellectual property it owned as of that date to ChipMOS Bermuda.

In the opinion of Lee and Li, our ROC special counsel, our technology transfer arrangements as described above are in compliance with all applicable ROC laws and regulations. However, substantial uncertainties remain regarding the interpretation and application of those laws and regulations. Accordingly, we cannot assure you that ROC regulatory authorities will not take a view contrary to the opinion of our ROC special counsel. If ChipMOS Taiwan were determined to be in violation of applicable ROC laws and regulations governing technology cooperation with PRC persons and entities, ChipMOS Taiwan may be subject to a fine of between NT\$50 thousand and NT\$25 million and may be ordered by the ICM to terminate or rectify such activity within a specified period of time. Any termination of our current technology transfer to ChipMOS Shanghai could materially adversely affect our Mainland China operations and our financial condition, results of operations or prospects, as well as the market price of our common shares.

Our ability to direct the operations we conduct through our subsidiaries and affiliated companies that we do not fully own may be limited by legal duties owed to other shareholders of such companies.

Certain of our operations are conducted through companies that we do not fully own. For example, certain current consolidated operations are conducted through ChipMOS Taiwan, our 62.1% subsidiary as of March 31, 2014, ThaiLin, ChipMOS Taiwan's 47.5% owned subsidiary as of March 31, 2014, and ChipMOS Shanghai, ThaiLin's wholly-owned subsidiary as of March 31, 2014. We also conduct other activities through our affiliated entities. See also “—Risk Relating to Our Corporate Structure—ChipMOS Taiwan's ability to maintain its listing and trading status on the Taiwan Stock Exchange is dependent on factors outside of the Company or ChipMOS Taiwan's control and satisfaction of stock exchange requirements. ChipMOS Taiwan may not be able to overcome such factors that disrupt its trading status on the main board of Taiwan Stock Exchange or satisfy other eligibility requirements that may be required of it in the future” and “Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions”.

In accordance with the various laws of the relevant jurisdictions in which our subsidiaries and affiliates are organized, each of our subsidiaries and affiliates and their respective directors owe various duties to their respective shareholders. As a result, the actions we wish our subsidiaries or affiliates to take could be in conflict with their or their directors' legal duties owed to their other shareholders. When those conflicts arise, our ability to cause our subsidiaries or affiliates to take the action that we desire may be limited.

Any future outbreak of health epidemics and outbreaks of contagious diseases, including avian influenza, swine flu or Severe Acute Respiratory Syndrome, may materially affect our operations and business.

Influenza viruses circulating in animals pose threats to human health. Humans can become ill when infected with viruses from animal sources, such as avian influenza virus subtypes H5N1, H9N2 and H7N9 and swine influenza virus subtypes H1N1 and H3N2. An outbreak of a contagious disease such as New Influenza A or more commonly known as the “bird flu” and “swine flu”, Severe Acute Respiratory Syndrome (SARS), or more recently, avian influenza with virus subtype H7N9, for which there is inadequate treatment or no known cure or vaccine, may potentially result in a quarantine of infected employees and related persons, and adversely affect our operations at one or more of our facilities or the operations of our customers or suppliers. We cannot predict the impact that any further future outbreak of the aforementioned influenza viruses or other diseases could have on our business and results of operations.

We face substantial political risk associated with doing business in Taiwan, particularly due to recent domestic political events and the strained relations between the Republic of China and the People’s Republic of China, that could negatively affect our business and the market price of our common shares.

Our principal executive offices and most of our testing and assembly facilities are located in Taiwan. As a result, our business, financial condition and results of operations and the market price of our common shares may be affected by changes in ROC governmental policies, as well as social instability and diplomatic and social developments in or affecting Taiwan which are beyond our control. For example, the ROC has a unique international political status. The PRC government regards Taiwan as a renegade province and does not recognize the legitimacy of the ROC as an independent country. Although significant economic and cultural relations have been positively strengthened in recent years between the ROC and the PRC, relations have often been strained. In March 2005, the PRC government enacted the “Anti-Secession Law” codifying its policy of retaining the right to use military force to gain control over Taiwan, particularly under what it considers as highly provocative circumstances, such as a declaration of independence by Taiwan or the refusal by the ROC to accept the PRC’s stated “One China” policy. On March 18, 2014, students and certain civic groups have initiated the Sunflower Student Movement as a protest movement in the Legislative Yuan and, later, also the Executive Yuan of the Republic of China (Taiwan). The activists protested the passing of the Cross-Strait Service Trade Agreement (“CSSTA”) by the ruling party Kuomintang (“KMT”) at the legislature without a clause-by-clause review. The protesters perceive the passage of CSSTA failed to meet the required formal procedures and that the ratification of CSSTA with China would hurt Taiwan’s economy and leave it vulnerable, among others, to political pressure from Beijing, while the supporters view the trade pact would allow the two sides to conduct business operations more freely in each other’s services market. The Sunflower Student Movement marks the first time that legislature has been occupied by citizens in the history of Taiwan. On April 10, 2014, the 24-days occupation of the Legislative Yuan has concluded, however several demonstrations are still continuing.

Past developments related to the interaction between the ROC and the PRC have on occasion depressed the market prices of the securities of Taiwanese or Taiwan-related companies, including our own. We cannot assure you any contentious situations between Taiwan and China will resolve in maintaining the current status quo or remain peaceful. Relations between the ROC and the PRC and other factors affecting military, political or economic stability in Taiwan could have a material adverse effect on our financial condition and results of operations, as well as the market price and the liquidity of our common shares.

The business and operations of our business associates and our own business operations are vulnerable to disruptions that may be caused by natural disasters and other events.

We currently provide most of our testing services through our facilities in the Hsinchu Industrial Park and the Hsinchu Science Park in Taiwan and the Shanghai Qingpu Industrial Zone, and all of our assembly services through our facilities in the Southern Taiwan Science Park and the Shanghai Qingpu Industrial Zone. Significant damage or other impediments to these facilities as a result of natural disasters, industrial strikes or industrial accidents could significantly increase our operating costs.

Certain regions we operate in are particularly susceptible to earthquakes and associated natural disasters. For example, in late 1999, Taiwan suffered severe earthquakes which caused significant property damages and loss of life, particularly in the central part of Taiwan. The earthquakes damaged production facilities and adversely affected the operations of many companies involved in the semiconductor and other industries. We experienced an aggregate of NT\$8 million in damages to our machinery and equipment, facilities, inventory and five days of delay in production schedule as a result of the event. In March 2011, Sendai of Japan registered an earthquake of 9.0 Mw (moment magnitude scale) off the coast of Japan (the “Sendai Earthquake”). The Sendai Earthquake was recorded as most powerful earthquake to hit Japan and the fourth most powerful earthquake in the world. The earthquake triggered tsunami warnings and evacuations along Japan’s Pacific coast and in at least 20 countries, including Taiwan and Mainland China. In April 2013, an earthquake registering a magnitude of approximately 6.6-7.0 Mw with epicenter located in Lushan County, Ya’an, Sichuan (the “Lushan Earthquake”). ReliefWeb, part of the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) released information on July 23, 2013 confirming 196 deaths and up to 2 persons missing and 14,785 injured victim reports.

In January and February 2008, certain parts of Mainland China, particularly in the southern, central and eastern regions, experienced reportedly the most severe winter in the country in recent decades, which resulted in significant and extensive damages to factories, power lines, homes, automobiles, crops and other properties, blackouts, transportation and communications disruptions and other losses in the affected areas. In addition, in May 2008, certain semiconductor companies with facilities in eastern Mainland China experienced production disruption reportedly due to power outages caused by the failure of certain electricity supply system in the area where the plants are located. We cannot assure you that our facilities in the Shanghai Qingpu Industrial Zone will not be adversely affected by future snowstorms, power outages, earthquakes or other similar events.

[Table of Contents](#)

Natural disasters and other events like aforementioned events cause severe property damages to townships, infrastructures and death and injuries to Civilians. In Sendai Earthquake, many electrical generators were disabled, and at least three nuclear power plant reactors partially melted down and experienced a chemical explosion extensively damaging surrounding buildings. We cannot assure you that our production facilities, operations and market located in Taiwan and Mainland China will not be adversely affected as result of the events that take place overseas like the Sendai Earthquake, including radiation emission from the damaged nuclear power plants or subsequent future earthquakes that may take place.

The production facilities of many of our suppliers, customers and providers of complementary semiconductor manufacturing services, including foundries, are located in Taiwan and Mainland China. If our customers are adversely affected by natural disasters or other events occurring in or affecting these geographic areas, it could result in a decline in the demand for our testing and assembly services. If our suppliers and providers of complementary semiconductor manufacturing services are affected by such events, our production schedule could be halted or delayed. As a result, a major earthquake, snowstorm, other natural disaster, industrial strike, industrial accident or other disruptive event occurring in or affecting Taiwan or Mainland China could severely disrupt our normal operation of business and have a material adverse effect on our financial condition and results of operations.

Any future outbreak of radiation-related disease as a result of nuclear power plant reactors damage caused by the Sendai Earthquake may materially adversely affect our operations and business.

The Sendai Earthquake raises tremendous concerns about the possible effects of radiation emission from the damaged nuclear power plants. Japanese official authorities are working with experts in assessing the risk and determining the best courses of actions to implement to escape harmful radiation. The potential health effects due to exposure to harmful radiation may be temporary or permanent harmful effects in nature.

Multiple radioactive gases could possibly be emitted in a situation where uranium attains a “meltdown” state, which is a severe overheating of the core of a nuclear reactor, in which the core melts and radiation and heat are caused to escape. This would occur if the containment system partially or fully fails. The particles that are released with the gases due to the meltdown would be the spewed particles of iodine-131, strontium-90 and cesium-137. These might enter into a human by being swallowed, absorbed through the skin, or inhaled. Depending on the chemical characteristics of each of these and their predilection for certain body tissues, they could cause cancers of such organs as bones, soft tissues near bones, thyroid gland, and the bone marrow (typically known as leukemia).

Acute or very high level radiation exposure can cause a person to become very ill or to die quickly. Ionizing radiation, which is defined as high-energy particles or electromagnetic waves that can break chemical bonds, damage humans by disrupting cellular function, particularly in tissues with rapid growth and turnover of cells. Intense, high level and/or excessive radiation exposure may result in acute radiation syndrome whereby harmful effects to the human body may be evidenced by skin burns, internal organ deterioration, bleeding, vomiting, bone marrow distortion and deaths. If the radiation exposure is less intense and/or more prolonged at a lower level, then the central nervous system, kidneys, thyroid gland, and liver may be affected. Cancer is the most well known effect, and may affect virtually any significantly exposed tissue.

Certain health effects due to exposure to harmful radiation does not have adequate treatment or known cure or vaccine, consequently, may potentially result in a quarantine of infected employees and related persons, and adversely affect our operations at one or more of our facilities or the operations of our customers or suppliers. We cannot predict the probability of any future outbreak of radiation related diseases as a possible result of nuclear power plants damage caused by the Sendai Earthquake or the extent of the material adverse impact that this could have on our business and results of operations.

Risks Relating to Our Corporate Structure

Our ability to receive dividends and other payments from our subsidiaries may be restricted by commercial, statutory and legal restrictions, and thereby materially adversely affect our ability to grow, fund investments, make acquisitions, pay dividends, repay or repurchase outstanding indebtedness and otherwise fund and conduct our business.

The ability of our subsidiaries to pay dividends or make other distributions to us is restricted by, among other things, the availability of funds and the terms of various credit arrangements entered into by our subsidiaries, as well as statutory and other legal restrictions. In addition, although there are currently no foreign exchange control regulations which restrict the ability of our subsidiaries located in Taiwan to distribute dividends to us, we cannot assure you that the relevant regulations will not be changed and that the ability of our subsidiaries to distribute dividends to us will not be restricted in the future. A Taiwan company is generally not permitted to distribute dividends or to make any other distributions to shareholders for any year in which it did not have either earnings or retained earnings (excluding reserves). In addition, before distributing a dividend to shareholders following the end of a fiscal year, the company must recover any past losses, pay all outstanding taxes and set aside 10% of its annual profit (less prior years' losses and outstanding taxes) as a legal reserve until the accumulated legal reserve equals its paid-in capital, and may set aside a special reserve.

Table of Contents

In addition, PRC law requires that our PRC-incorporated subsidiary only distributes dividends out of its profit, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, it is also required to set aside at least 10% of its after-tax profit each year into its reserve fund until the accumulated legal reserve amounts to 50% of its registered capital. PRC-incorporated companies are further required to maintain a bonus and welfare fund at percentages determined at their sole discretion. The reserve fund and the bonus and welfare fund are not distributable as dividends. Moreover, a ROC-incorporated company is only able to declare dividends at its annual general meeting of shareholders, which cannot occur until after completion of its annual financial statements. Any limitation on dividend payments by our subsidiaries could materially adversely affect our ability to grow, fund investments, make acquisitions, pay dividends, repay or repurchase outstanding indebtedness, and otherwise fund and conduct our business.

Baupost Group LLC/MA and He & Fang 2005 Revocable Living Trust, our two largest shareholders, may have significant influence over our company and may cause us to take actions that may not be, or refrain from taking actions that may be, in our best interest or the best interest of our other shareholders.

As of March 31, 2014, Baupost Group LLC/MA owned 11.0% of our common shares according to the 13G filed by Baupost Group LLC/MA on February 13, 2014. He & Fang 2005 Revocable Living Trust owned 8.7% of our common shares according to the 13G/A filed by He Zhengxu with SEC on January 8, 2014. These two largest shareholders, individually or collectively, through their equity interests may have significant influence over matters submitted to our shareholders for approval and other corporate actions, such as:

- election of directors;
- timing and manner of dividend distributions;
- approval of contracts between us and these two largest shareholders or their respective affiliates, which could involve conflicts of interest;
- open market purchase programs or other purchases of our common shares;
- delay, defer or prevent a change in who controls us;
- discourage bids for our shares at a premium over the market price; and
- adversely affect the market price of our common shares.

Moreover, because large shareholders have potential power to direct or influence our corporate actions, we may be required to engage in transactions that may not be agreeable to our other shareholders or that may not be in the best interest of our other shareholders.

Our ability to make further investments in ChipMOS Taiwan may be dependent on relevant stock exchanges requirements or other regulatory approval requirements. If ChipMOS Taiwan is unable to receive the equity financing it requires, its ability to grow and fund its operations, and as a result our ability to grow and conduct our business, may be materially adversely affected.

Even though trading on the Emerging Stock Board of Gre Tai Securities Market of ChipMOS Taiwan's shares under stock code "8150" commenced on April 19, 2013, ChipMOS Taiwan will continue to depend on its shareholders, ChipMOS Bermuda and Siliconware Precision, to meet its equity financing requirements prior to consummation of its plan of listing on the TWSE. On January 28, 2014, the Review Committee of the TWSE has approved the listing application of ChipMOS Taiwan to be listed on the TWSE and ChipMOS Taiwan subsequently became listed and commenced trading on the main board of TWSE on April 11, 2014. See "—ChipMOS Taiwan's ability to maintain its listing and trading status on the Taiwan Stock Exchange is dependent on factors outside of the Company or ChipMOS Taiwan's control and satisfaction of stock exchange requirements. ChipMOS Taiwan may not be able to overcome such factors that disrupt its trading status on the main board of Taiwan Stock Exchange or satisfy other eligibility requirements that may be required of it in the future." and "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions". Any capital contribution by us to ChipMOS Taiwan may require the approval of the relevant stock exchange or other ROC authorities. For example, any capital contribution by us to ChipMOS Taiwan will require the approval of the authorities of the Science Park Administration. We may not be able to obtain any such approval in the future in a timely manner, or at all. If ChipMOS Taiwan is unable to receive the equity financing it requires, its ability to grow and fund its operations, and as a result ChipMOS Bermuda's ability to grow and conduct our business, may be materially adversely affected.

ChipMOS Taiwan's ability to maintain its listing and trading status on the Taiwan Stock Exchange is dependent on factors outside of the Company or ChipMOS Taiwan's control and satisfaction of stock exchange requirements. ChipMOS Taiwan may not be able to overcome such factors that disrupt its trading status on the main board of Taiwan Stock Exchange or satisfy other eligibility requirements that may be required of it in the future.

[Table of Contents](#)

On March 14, 2013, the Board of Directors of ChipMOS Bermuda approved a plan for listing ChipMOS Taiwan on Taiwan's Emerging Stock Board in the second quarter of 2013 and listing ChipMOS Taiwan on the TWSE in the second quarter of 2014. The Company subsequently engaged underwriters to provide assistance to the Company and to ChipMOS Taiwan necessary to accomplish such goals. The trading of shares of ChipMOS Taiwan on Taiwan's Emerging Stock Board of Gre Tai Securities Market under stock code "8150" commenced on April 19, 2013. On January 28, 2014, the Review Committee of the TWSE has approved the listing application of ChipMOS Taiwan to be listed on the TWSE and ChipMOS Taiwan subsequently became listed and commenced trading on the main board of TWSE on April 11, 2014.

Whether requirements can be satisfied for ChipMOS Taiwan's continued trading on the main board of TWSE depends in part on market conditions and other factors not within the control of the Company or ChipMOS Taiwan. For these reasons there can be no assurance that ChipMOS Taiwan's shares will continue to be listed or traded on the TWSE.

Risks Relating to Our Common Shares

Volatility in the price of our common shares may result in shareholder litigation that could in turn result in substantial costs and a diversion of our management's attention and resources.

The financial markets in the United States and other countries have experienced significant price and volume fluctuations, and market prices of technology companies have been and continue to be extremely volatile. Volatility in the price of our common shares may be caused by factors outside of our control and may be unrelated or disproportionate to our results of operations. In the past, following periods of volatility in the market price of a public company's securities, shareholders have frequently instituted securities class action litigation against that company. Litigation of this kind could result in substantial costs and a diversion of our management's attention and resources.

Certain provisions in our constitutive documents and in our severance agreements with our executive officers make the acquisition of us by another company more difficult and costly and therefore may delay, defer or prevent a change of control.

Our bye-laws provide that our board of directors is divided into three classes of directors, each class to be re-elected only once every three years. As a result, shareholders would not generally be able to replace a majority of the directors until after two annual general meetings. In addition, any extraordinary corporate transaction such as a merger, amalgamation or consolidation, or a sale or transfer of all or substantially all of our assets cannot be done without the approval of shareholders representing 70% of the total voting rights of all shareholders having the right to vote at such general meeting called to consider such extraordinary transaction. These provisions in our constitutive documents may increase the difficulty faced by a party which seeks to acquire control of our board or to approve an extraordinary transaction.

In 2007, we entered into change in control severance agreements with certain executive officers pursuant to which we agreed to pay certain severance payments if a change in control event (as defined in the change in control severance agreements) occurs and the employment of such executive officer is terminated by our company other than for cause or by such executive officer for good reasons within two years following the occurrence of the change in control event. These agreements may increase the cost of a party seeking to effect a change in control of our company.

Future sales, pledge or issuance of common shares by us or our current shareholders could depress our share price and you may suffer dilution.

Sales of substantial amounts of shares in the public market, the perception that future sales may occur, or the pledge of a substantial portion of our common shares could depress the prevailing market price of our shares. As of March 31, 2014, we had approximately 30 million common shares issued and outstanding. As of March 31, 2014, Baupost Group LLC/MA, He & Fang 2005 Revocable Living Trust, and Siliconware Precision our three largest shareholders, owned 3,283,235, 2,583,637, and 2,243,749 common shares respectively, representing in the aggregate of approximately 27.2% of our outstanding common shares. See "Item 7. Major Shareholders and Related Party Transactions — Major Shareholders".

[Table of Contents](#)

Mosel in the past decided to sell a significant portion of our common shares in order to raise funds. In June 2006, Mosel sold 1,739,130 common shares through its wholly-owned subsidiary, Giant Haven, under a shelf registration statement which has since expired. In addition, in March 2007, we issued 3,043,749 common shares pursuant to a share purchase and subscription agreement with ChipMOS Taiwan and Siliconware Precision, and we entered into a registration rights agreement in March 2007 with Siliconware Precision, pursuant to which we granted to Siliconware Precision certain rights to require us to register these common shares for sale under the Securities Act. In July 2007, Mosel sold 2,030,316 common shares through Giant Haven to ProMOS and Powertech Technology, and we then granted Giant Haven, ProMOS and Powertech Technology certain rights to require us to register these common shares for sale under the Securities Act. For a shareholder that is not our affiliate these shares may be resold pursuant to Rule 144 after lapse of the applicable holding period. In 2008, ProMOS failed to meet its payment obligations to ThaiLin. Subsequently in March 2009, ThaiLin acquired 1,015,158 common shares from ProMOS pursuant to its enforcement of the collateral under a Stock Pledge Agreement between ThaiLin and ProMOS dated December 3, 2008. Furthermore, each of Siliconware Precision, Mosel and ThaiLin may be able to sell, in any three-month period, that number of those ChipMOS common shares that each of Siliconware Precision, Mosel and ThaiLin owns, as the case may be, up to the greater of (i) one percent of our outstanding common shares or (ii) the average weekly trading volume of our common shares as reported on the NASDAQ Capital Market during the four calendar weeks prior to filing a notice under Rule 144(h) for any such sales pursuant to Rule 144(e) under the Securities Act. In November 2012, ThaiLin sold 2,000,000 common shares and Siliconware Precision sold 800,000 common shares pursuant to a Secondary Offering. In May 2013, ThaiLin completed its sale of 380,506 of our common shares to Tokyo Seimitsu. In November 2013 and January 2014, ThaiLin sold 2,000,000 common shares and 2,093,705 common shares back to ChipMOS Bermuda, respectively. After the transactions, ThaiLin did not hold any of our common shares. From April 2012 to March 2014, Mosel sold 2,267,270 common shares through its wholly-owned subsidiary, Giant Haven, under Rule 144.

On September 14, 2007, ChipMOS Bermuda issued 151,031 common shares pursuant to a share exchange transaction with ChipMOS Taiwan, under which ChipMOS Bermuda exchanged one common share for every 8.4 ChipMOS Taiwan shares then outstanding. Following the completion of the share exchange transaction, ChipMOS Taiwan became our wholly-owned subsidiary. In February 2010, we agreed to sell 15.8% of ChipMOS Taiwan's outstanding shares to Siliconware Precision. In January 2011, the share purchase transaction was completed and we owned 84.2% of ChipMOS Taiwan's outstanding shares as of December 31, 2011. On April 16, 2013, as part of ChipMOS Taiwan's listing plan on the TWSE, we completed the sale of 6.5 million outstanding ChipMOS Taiwan shares or 0.8% of the total number of ChipMOS Taiwan's outstanding shares, at the price of NT\$15.0 per share to ChipMOS Taiwan's underwriters for the TWSE listing plan and to certain others, including non-US employees of ChipMOS Taiwan. From September 2, 2013 to October 3, 2013, we sold 180 million shares or 21.4% of the total number of ChipMOS Taiwan's outstanding shares, at the price of NT\$20.0 per shares to investors. After the completion of the aforesaid sales the Company held approximately 523 million ChipMOS Taiwan shares, representing 62.1% of the total number of ChipMOS Taiwan's outstanding shares. On April 9, 2014, ChipMOS Bermuda sold approximately 1.3 million ChipMOS Taiwan shares as "green shoe" option to market investors. As of the date of this Annual Report on Form 20-F, we continue to own approximately 522 million ChipMOS Taiwan shares, representing 60.4% of ChipMOS Taiwan's outstanding shares. See "Item 3. Key Information—Risk Factors—Risk Relating to Our Corporate Structure—ChipMOS Taiwan's ability to maintain its listing and trading status on the Taiwan Stock Exchange is dependent on factors outside of the Company or ChipMOS Taiwan's control and satisfaction of stock exchange requirements. ChipMOS Taiwan may not be able to overcome such factors that disrupt its trading status on the main board of Taiwan Stock Exchange or satisfy other eligibility requirements that may be required of it in the future" for additional information on ChipMOS Taiwan's listing plan. We plan to issue, from time to time, additional shares in connection with employee compensation and to finance possible future capital expenditures, investments or acquisitions. See "Item 6. Directors, Senior Management and Employees—Share Option Plan and Share Appreciation Rights Plan" for a discussion of the Share Option Plan that we have adopted for the benefit of all of our directors, officers, employees and consultants. The issuance of additional shares may have a dilutive effect on other shareholders and may cause the price of our common shares to decrease.

In addition, the indictment relating to Mr. Hung-Chiu Hu alleges that embezzled funds were used in investments by PacMOS Technologies Holdings Limited, or PacMOS, which, as of March 31, 2014, owned 2.5% of our outstanding common shares. As a result, PacMOS may be ordered by relevant authorities to dispose of its investments made with any embezzled funds, which may result in a sale of our shares by PacMOS. A sale of a significant number of our shares by PacMOS or our other current shareholders could depress our share price.

The share numbers disclosed in the foregoing paragraphs are adjusted for the Company's 1-for-every-4 reverse stock split effective on January 21, 2011.

If the trading price of our common shares declines, we may face a limited public market for our common shares and reduced availability of future debt or equity financing.

Companies listed on the NASDAQ Stock Market (“NASDAQ”) are subject to delisting for, among other things, failure to maintain a minimum closing bid price of US\$1.00 per share for 30 consecutive business days. We are in compliance with the NASDAQ Listing Rules as of the date of this Annual Report on Form 20-F. We were not in compliance with the NASDAQ minimum bid price requirement from September 15, 2009 until May 5, 2010, when we regained compliance. During this time, we applied for, and NASDAQ approved, the transfer of our listing from NASDAQ Global Select Market to NASDAQ Capital Market. If the bid price of our common stock falls below US\$1.00 per share for 30 consecutive business days again in the future, we may be subject to delisting. If our common shares are delisted from the NASDAQ Capital Market, our common shares would likely trade in the over-the-counter market, which could make selling our common shares more difficult. Smaller quantities of shares would likely be bought and sold, transactions could be delayed, and security analysts’ coverage of us may be reduced. In addition, in the event our common shares are delisted, broker-dealers have certain regulatory burdens imposed upon them, which may discourage broker-dealers from effecting transactions in our common shares. These factors could limit our common shares’ liquidity and result in lower prices and larger spreads in the bid and ask prices for our common shares.

Future declines in our share price could also significantly impair our ability to raise additional necessary capital through equity or debt financing, and could significantly increase ownership dilution to shareholders caused by our issuing equity in financing or other transactions. A general permission under the Exchange Control Act 1972 and the Exchange Control Regulation 1973 (and other relevant legislations and regulations) has been given by the Bermuda Monetary Authority (the “BMA”) for the issue and transfer of our common shares, notes and other securities to and between non-residents of Bermuda for exchange control purposes, provided that our common shares remain listed on an appointed stock exchange (which includes listing on the NASDAQ Capital Market). There can be no assurance that the BMA will give the same or a similar consent in the event our common shares are no longer listed on the NASDAQ Capital Market or another appointed stock exchange. In the absence of such a general consent, specific consents of the BMA would be required for all issues and transfers of our shares, notes and other securities, unless such issues and/or transfers fall under certain exemptions as provided by the BMA.

Item 4. Information on the Company

Overview of the Company

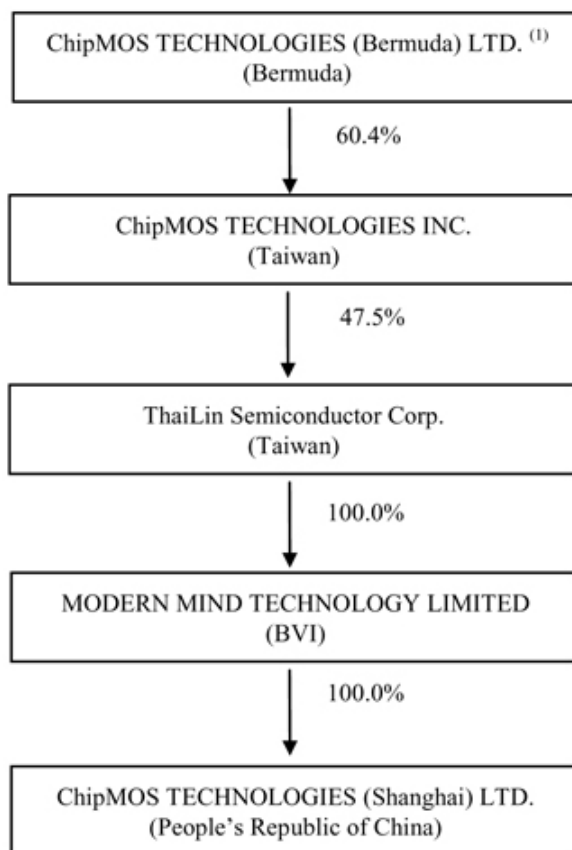
We believe that we are one of the leading independent providers of semiconductor testing and assembly services. Specifically, we believe that we are one of the leading independent providers of testing and assembly services for LCD and other flat-panel display driver semiconductors in Taiwan and for advanced memory and logic/mixed-signal products in Taiwan and Mainland China. The depth of our engineering expertise and the breadth of our testing and assembly technologies enable us to provide our customers with advanced and comprehensive testing and assembly services. In addition, our geographic presence in Taiwan and Mainland China is attractive to customers wishing to take advantage of the logistical and cost efficiencies stemming from our close proximity to foundries and producers of consumer electronic products in Taiwan and Mainland China. Our production facilities are located in Hsinchu and Tainan, Taiwan and Shanghai, Mainland China.

Our Structure and History

We are a holding company, incorporated in August 2000 under the Companies Act 1981 of Bermuda (as amended) (the “Bermuda Companies Act”), under the name “ChipMOS TECHNOLOGIES (Bermuda) LTD”. Our principal place of business is located at No. 1, R&D Road 1, Hsinchu Science Park, Hsinchu, Taiwan, Republic of China and our phone number is (+886) 3 563 3988. We provide most of our services in Taiwan through our subsidiary, ChipMOS Taiwan, in which we hold a majority ownership interest, and its subsidiaries and investees. We also provide services in Mainland China through ChipMOS Shanghai, a wholly-owned subsidiary of MODERN MIND TECHNOLOGY LIMITED, or Modern Mind, which is a wholly-owned subsidiary of ThaiLin. As of March 31, 2014, Baupost Group LLC/MA, owned 11.0% of our common shares, He & Fang 2005 Revocable Living Trust, owned 8.7% of our common shares, and Siliconware Precision, owned 7.5% of our common shares and 15.8% of ChipMOS Taiwan’s outstanding shares.

[Table of Contents](#)

The following chart illustrates our corporate structure and our equity interest in each of our principal subsidiaries and affiliates as of the date of this Annual Report on Form 20-F.



Notes:

(1) Under IFRSs 10 “Consolidated Financial Statements”, we are required to consolidate the financial results of any subsidiaries in which we hold a controlling interest or voting interest in excess of 50% or we have the power to direct or cause the direction of the management and policies, notwithstanding the lack of majority ownership. We consolidated the financial results of ChipMOS Taiwan, ChipMOS USA Inc., or ChipMOS USA, Modern Mind, its wholly-owned subsidiary, ChipMOS Shanghai and ThaiLin.

Below is a description of our principal consolidated subsidiaries:

ChipMOS TECHNOLOGIES INC. ChipMOS Taiwan was incorporated in Taiwan in July 1997 as a joint venture company of Mosel and Siliconware Precision and with the participation of other investors. Its operations consist of the testing and assembly of semiconductors as well as gold bumping and memory module manufacturing. We acquired our interest in ChipMOS Taiwan by issuing our common shares to ChipMOS Taiwan’s shareholders in exchange for their 70.3% shareholding in ChipMOS Taiwan in January 2001. In October 2001, ChipMOS Taiwan issued 6,911,732 common shares as employee bonuses. In December 2002, we issued 132,793 common shares in exchange for 5,633,442 ChipMOS Taiwan common shares held by these employees.

[Table of Contents](#)

On March 27, 2007, we completed a share purchase and subscription transaction with ChipMOS Taiwan and Siliconware Precision, under which we and ChipMOS Taiwan purchased all of Siliconware Precision's equity interest in ChipMOS Taiwan, and Siliconware Precision subscribed to 3,043,749 of our newly issued common shares through a private placement. As of March 31, 2007, we held 99.1% of the outstanding common shares of ChipMOS Taiwan. On September 14, 2007, we completed a share exchange transaction with ChipMOS Taiwan pursuant to which we exchanged one common share for every 8.4 ChipMOS Taiwan shares. In connection with the share exchange transaction, ChipMOS Bermuda and ChipMOS Taiwan paid in the aggregate NT\$53 million in cash to purchase fractional shares and shares held by dissenting shareholders, and ChipMOS Bermuda issued 151,031 new common shares. Following the completion of the share exchange transaction, ChipMOS Taiwan became our wholly-owned subsidiary. In February 2010, we agreed to sell 15.8% of ChipMOS Taiwan's outstanding shares to Siliconware Precision. The share purchase transaction was completed in January 2011. On April 16, 2013, as part of ChipMOS Taiwan's listing plan on the TWSE, we completed the sale of 6.5 million outstanding ChipMOS Taiwan shares or 0.8% of the total number of ChipMOS Taiwan's outstanding shares, at the price of NT\$15.0 per share to ChipMOS Taiwan's underwriters for the TWSE listing plan and to certain others, including non-US employees of ChipMOS Taiwan. From September 2, 2013 to October 3, 2013, we sold 180 million shares or 21.4% of the total number of ChipMOS Taiwan's outstanding shares, at the price of NT\$20.0 per shares to investors. After the completion of the aforesaid sale, the Company held approximately 523 million ChipMOS Taiwan shares, representing 62.1% of the total number of ChipMOS Taiwan's outstanding shares. On April 9, 2014, ChipMOS Bermuda sold approximately 1.3 million ChipMOS Taiwan shares as "green shoe" option to market investors. As of the date of this Annual Report on Form 20-F, we continue to own approximately 522 million ChipMOS Taiwan shares, representing 60.4% of ChipMOS Taiwan's outstanding shares. See "Item 3. Key Information—Risk Factors—Risk Relating to Our Corporate Structure— ChipMOS Taiwan's ability to maintain its listing and trading status on the Taiwan Stock Exchange is dependent on factors outside of the Company or ChipMOS Taiwan's control and satisfaction of stock exchange requirements. ChipMOS Taiwan may not be able to overcome such factors that disrupt its trading status on the main board of Taiwan Stock Exchange or satisfy other eligibility requirements that may be required of it in the future" for additional information on ChipMOS Taiwan's listing plan.

The share numbers disclosed in the foregoing paragraph are adjusted to reflect the Company's 1-for-every-4 reverse stock split effective on January 21, 2011.

MODERN MIND TECHNOLOGY LIMITED and ChipMOS TECHNOLOGIES (Shanghai) LTD. Modern Mind was incorporated in the British Virgin Islands in January 2002. Modern Mind conducts its operations through ChipMOS Shanghai, a wholly-owned subsidiary incorporated in Mainland China in June 2002. ChipMOS Shanghai is engaged in wafer testing and semiconductor assembly and testing. We acquired a 100% equity interest in Modern Mind on December 12, 2002, and then transferred it to Jesper on December 31, 2002. In 2003, we acquired from Jesper a convertible note in the amount of US\$37.5 million issued by Modern Mind that may be converted into a controlling equity interest in Modern Mind at a conversion rate of one ordinary share of Modern Mind for every US\$1.00 if the repayment is not made when due. In 2004, we restructured our control of ChipMOS Shanghai and our Mainland China operations. On July 29, 2004, we replaced the US\$37.5 million convertible note previously issued by Modern Mind in its entirety with a US\$62.8 million demand note issued by Modern Mind, with the difference representing a US\$25 million loan that we extended to Modern Mind from the net proceeds of our July 2004 offering of common shares. In addition, we extended a loan in the aggregate amount of US\$50 million to Modern Mind from the net proceeds of our November 2004 convertible debt offering in exchange for demand notes issued by Modern Mind in the same aggregate amount (the "MMT Notes"). The MMT Notes were convertible at any time into common shares representing, immediately after the conversion, almost 100% of the then outstanding common shares of Modern Mind at a conversion rate of US\$1.00 for each common share of Modern Mind. Payment under the MMT Notes were fully and unconditionally guaranteed by Jesper and secured by a pledge agreement in respect of the entire equity interest in Modern Mind and ChipMOS Shanghai. We obtained from Jesper an irrevocable option to acquire at any time the common shares of Modern Mind then owned by Jesper. Under an assignment and assumption agreement signed on April 22, 2011 (the "MMT Assignment Agreement"), ChipMOS agreed to sell the MMT Notes to ThaiLin for a purchase price of approximately US\$40 million subject to certain closing conditions. Post completion of MMT Assignment Agreement transaction, ThaiLin immediately converted the MMT Notes into common shares of Modern Mind and purchased all of the remaining common shares of Modern Mind from Jesper, with ChipMOS Shanghai becoming a wholly-owned subsidiary of ThaiLin. The MMT Assignment Agreement was completed on October 3, 2011.

On July 1, 2010, ChipMOS Bermuda and ChipMOS Shanghai entered into an exclusive services agreement, pursuant to which ChipMOS Shanghai provides services exclusively to ChipMOS Bermuda or customers designated by ChipMOS Bermuda. Under the exclusive services agreement, ChipMOS Bermuda agrees to procure certain equipment required to render those services and consign such equipment for the exclusive use of ChipMOS Shanghai. The exclusive services agreement has a term of ten years and unless otherwise terminated by either party giving at least 30 days prior written notice to the expiration of such ten-year term, will automatically renew for another ten-year term upon its expiry. In addition, under the exclusive services agreement, ChipMOS Bermuda has the discretion to terminate the exclusive services agreement for any reason at any time by giving 30 days' prior written notice to ChipMOS Shanghai.

[Table of Contents](#)

ThaiLin Semiconductor Corp. ThaiLin was incorporated in Taiwan in May 1996, and is listed on the Gre Tai Securities Market in Taiwan. It is engaged in the provision of semiconductor testing services. ChipMOS Taiwan acquired a 41.8% interest in ThaiLin in December 2002. Under applicable accounting principles, ThaiLin was consolidated into our consolidated financial statements in 2003 because ChipMOS Taiwan was deemed to exert significant control over ThaiLin through common directors and management.

On March 4, 2008, ChipMOS Taiwan made a loan in an amount of NT\$145 million that bears interest at a rate of 4.69% per annum to Taiwan Kolin Co. Ltd., or Kolin, a major shareholder of ThaiLin, ChipMOS Taiwan's 42.9% owned subsidiary. NT\$15 million of this loan was repaid in 2008. The loan is secured by a pledge by Kolin of 11 million common shares of ThaiLin. In 2013, the loan has been fully repaid and the subject pledge has been released accordingly. See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions—ThaiLin Semiconductor Corp."

As of March 31, 2014, ChipMOS Taiwan held a 47.5% interest in ThaiLin. Mr. Shih-Jye Cheng, our chairman and chief executive officer and the director and chairman of ChipMOS Taiwan, is also a director of ThaiLin. In addition, four of the nine directors of ThaiLin are appointed by ChipMOS Taiwan. As of March 31, 2014 ThaiLin did not hold any of our outstanding shares. See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions—ThaiLin Semiconductor Corp."

Industry Background

We provide a broad range of back-end testing services, including engineering testing, wafer probing and final testing of memory and logic/mixed-signal semiconductors. We also offer a broad selection of leadframe-based and organic substrate-based package assembly services for memory and logic/mixed-signal semiconductors. Our advanced leadframe-based packages include thin small outline packages, or TSOPs, and our advanced organic substrate-based packages include fine-pitch ball grid array packages or fine-pitch BGA. In addition, we provide gold bumping, testing and assembly services for LCD and other flat-panel display driver semiconductors by employing TCP, COF and COG technologies.

Semiconductors tested and assembled by us are used in personal computers, graphics applications, such as game consoles and personal digital assistants, or PDAs, communications equipment, such as cellular handsets, and consumer electronic products and display applications, such as flat-panel displays. In 2013, 23.7% of our revenue was derived from testing services for memory and logic/mixed-signal semiconductors, 32.4% from assembly services for memory and logic/mixed-signal semiconductors, 24.7% from LCD and other flat-panel display driver semiconductor testing and assembly services and 19.2% from bumping services for semiconductors.

Semiconductor Industry Trends

Growth in the semiconductor industry is largely driven by end-user demand for consumer electronics, communications equipment and computers, for which semiconductors are critical components. The worldwide semiconductor industry has experienced peaks and troughs over the last decade, with a severe downturn at the end of 2000 that was followed by a modest recovery in late 2002. Beginning in the fourth quarter of 2008, the semiconductor industry commenced another downturn that increased in unprecedented severity into the first quarter of 2009. The overall semiconductor industry commenced to recover from the downturn in the second quarter of 2009 and the positive recovery trend continues through 2013.

Selected Key Semiconductor Markets

While a recovery trend in end-user demand for new and improved electronic products and applications continues, various sectors of the semiconductor industry are in turn expected to benefit from a resumption in growth. These sectors include the memory semiconductor market, and the LCD and other flat-panel display driver semiconductor market.

Memory Semiconductor Market

The potential for memory market growth is linked to anticipated memory content increases in consumer electronics and PC applications (after such time as a recovery occurs in end-user demand for these) due to increasing operating system requirements, increasing use of graphics in gaming and other applications, continued growth of broadband content and a transition to 64-bit PC architecture. The memory market is dominated by two segments—DRAM and flash memory. Potential growth in the DRAM market is expected to be driven by continued growth in both the commodity and niche DRAM market, as well as growth opportunities in mobile DRAM as memory requirements significantly increase for mobile applications. Flash memory market potential growth is expected to be driven by increasing memory requirements for cellular handsets, digital cameras, digital audio/video, and other mobile applications.

[Table of Contents](#)

LCD and Other Flat-Panel Display Driver Semiconductor Market

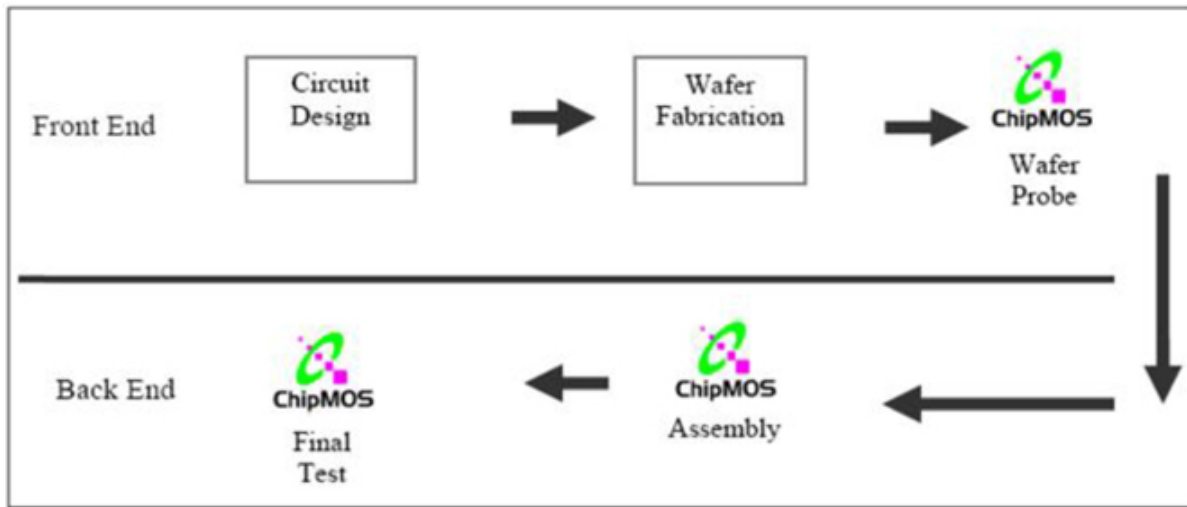
Flat-panel displays are used in applications such as PC monitors, notebook computers, television sets, cellular handsets and digital cameras. The end-user demand for LCD and other flat-panel display driver semiconductor experienced a downturn in 2007 and 2008. The LCD driver market started to recover in the second quarter of 2009 and the positive recovery trend continued through 2013.

Logic/Mixed-Signal Semiconductor Market

The communications market is one of the main drivers of potential growth in the semiconductor industry. Logic/mixed-signal semiconductors, which are chips with analog functionality covering more than half of the chip area, are largely used in the communications market. The increasing use of digital technology in communications equipment requires chips with both digital and analog functionality for applications such as modems, network routers, switches, cable set-top boxes and cellular handsets. As the size and cost of cellular handsets and other communications-related devices have decreased, components have increased in complexity. Logic/mixed-signal semiconductors, such as LCD controllers and DVD controllers, are also used in consumer electronic products.

Overview of the Semiconductor Manufacturing Process

The manufacturing of semiconductors is a complex process that requires increasingly sophisticated engineering and manufacturing expertise. The manufacturing process may be broadly divided into the following stages:



Process	Description
Circuit Design	The design of a semiconductor is developed by laying out circuit patterns and interconnections.
Wafer Fabrication	Wafer fabrication begins with the generation of a photomask, a photographic negative onto which a circuit design pattern is etched or transferred by an electron beam or laser beam writer. Each completed wafer contains many fabricated chips, each known as a die.
Wafer Probe	Each individual die is then electrically tested, or probed, for defects. Dies that fail this test are discarded, or, in some cases, salvaged using laser repair.
Assembly	The assembly of semiconductors serves to protect the die, facilitates its integration into electronic systems and enables the dissipation of heat. The process begins with the dicing of the wafers into chips. Each die is affixed to a leadframe-based or organic substrate-based substrate. Then, electrical connections are formed, in many cases by connecting the terminals on the die to the inner leads of the package using fine metal wires. Finally, each chip is encapsulated for protection, usually in a molded epoxy enclosure.
Final Test	Assembled semiconductors are tested to ensure that the device meets performance specifications. Testing takes place on specialized equipment using software customized for each application. For memory semiconductors, this process also includes “burn-in” testing to screen out defective devices by applying very high temperatures and voltages onto the memory device.

Outsourcing Trends in Semiconductor Manufacturing

Historically, integrated device manufacturers, or IDMs, designed, manufactured, tested and assembled semiconductors primarily at their own facilities. In recent years, there has been a trend in the industry to outsource stages in the manufacturing process to reduce the high fixed costs resulting from the increasingly complex manufacturing process. Virtually every significant stage of the manufacturing process can be outsourced. The independent semiconductor manufacturing services market currently consists of wafer fabrication and probing services and semiconductor testing and assembly services. Most of the world's major IDMs now use some independent semiconductor manufacturing services to maintain a strategic mix of internal and external manufacturing capacity. We believe that many of these IDMs are significantly reducing their investments in new semiconductor testing and assembly facilities.

The availability of technologically advanced independent semiconductor manufacturing services has also enabled the growth of "fabless" semiconductor companies that focus exclusively on semiconductor design and marketing and outsource their fabrication, testing and assembly requirements to independent companies.

We believe the outsourcing of semiconductor manufacturing services, and in particular of testing and assembly services, will increase for many reasons, including the following:

Significant Capital Expenditure Requirements. Driven by increasingly sophisticated technological requirements, wafer fabrication, testing and assembly processes have become highly complex, requiring substantial investment in specialized equipment and facilities and sophisticated engineering and manufacturing expertise. In addition, product life cycles have been shortening, magnifying the need to continually upgrade or replace manufacturing, testing and assembly equipment to accommodate new products. As a result, new investments in in-house fabrication, testing and assembly facilities are becoming less desirable for IDMs because of the high investment costs, as well as difficulties in achieving sufficient economies of scale and utilization rates to be competitive with the independent service providers. Independent foundry, testing and assembly companies, on the other hand, are able to realize the benefits of specialization and achieve economies of scale by providing services to a large base of customers across a wide range of products. This enables them to reduce costs and shorten production cycles through high capacity utilization and process expertise.

Increasing Focus on Core Competencies. As the costs of semiconductor manufacturing facilities increase, semiconductor companies are expected to further outsource their wafer fabrication, testing and assembly requirements to focus their resources on core competencies, such as semiconductor design and marketing.

Time-to-Market Pressure. Increasingly short product life cycles have amplified time-to-market pressure for semiconductor companies, leading them to rely increasingly on independent companies as a key source for effective wafer fabrication, testing and assembly services.

Semiconductor Testing and Assembly Services Industry

Growth in the semiconductor testing and assembly services industry is driven by increased outsourcing of the various stages of the semiconductor manufacturing process by IDMs and fabless semiconductor companies.

The Semiconductor Industry and Conditions of Outsourcing in Taiwan and Mainland China

Taiwan is one of the world's leading locations for outsourced semiconductor manufacturing. The semiconductor industry in Taiwan has developed such that the various stages of the semiconductor manufacturing process have been disaggregated, thus allowing for specialization. The disaggregation of the semiconductor manufacturing process in Taiwan permits these semiconductor manufacturing service providers to focus on particular parts of the production process, develop economies of scale, maintain higher capacity utilization rates and remain flexible in responding to customer needs by lowering time-to-market pressure faced by semiconductor companies. There are several leading service providers in Taiwan, each of which offers substantial capacity, high-quality manufacturing, leading semiconductor wafer fabrication, test, assembly and process technologies, and a full range of services. These service providers have access to an educated labor pool and a large number of engineers suitable for sophisticated manufacturing industries. As a result, many of the world's leading semiconductor companies outsource some or all of their semiconductor manufacturing needs to Taiwan's semiconductor manufacturing service providers and take advantage of the close proximity among facilities. In addition, companies located in Taiwan are very active in the design and manufacture of electronic systems, which has created significant local demand for semiconductor devices.

[Table of Contents](#)

Mainland China has emerged as a similarly attractive location for outsourced semiconductor manufacturing. Mainland China is an attractive manufacturing location for electronic products because companies can take advantage of a well-educated yet low-cost labor force, cost savings due to tax benefits and a large domestic market. These factors have driven increased relocation of much of the electronics industry manufacturing and supply chain to Mainland China. An increasing number of global electronic systems manufacturers and contract manufacturers are relocating or have relocated production facilities to Mainland China. We believe that these electronic product manufacturers and contract manufacturers will source an increasing portion of their demand for semiconductors from semiconductor suppliers located in Mainland China in order to reduce production cycle times, decrease costs, simplify supply chain logistics and meet local content requirements. In line with this trend, we have in recent years expanded our operations in Mainland China.

Our Strategy

Our goal is to reinforce our position as a leading independent provider of semiconductor testing and assembly services, concentrating principally on memory, logic/mixed-signal and LCD and other flat-panel display driver semiconductors. The principal components of our business strategy are set forth below.

Focus on Providing Our Services to Potential Growth Segments of the Semiconductor Industry.

We intend to continue our focus on developing and providing advanced testing and assembly services for potential growth segments of the semiconductor industry, such as memory, logic/mixed-signal, LCD and other flat-panel display driver semiconductors and bumping services. We believe that our investments in equipment and research and development in some of these areas allow us to offer a differentiated service from our competition. In order to benefit from the expected resumption of growth in these segments, we intend to continue to invest in capacity to meet the testing and assembly requirements of these key semiconductor market segments.

Continue to Invest in the Research and Development of Advanced Testing and Assembly Technologies.

Critical to our business growth is the continuation to expand our capabilities in testing and assembly to provide better service to our customers. We typically focus on advanced technologies that consist of greater potentials to generate higher margins. For example, we conducted new product introductions and on an on-going basis continue to expand our capabilities in fine-pitch wafer bumping, multi-chip package (MCP), flip chip package, and high speed testing and assembly of fine-pitch COFs. We have also introduced low cost metal composite bump (MCB) products based on our proprietary Cu plating technology to service flat-panel display market and expand offerings to other business regions. We continue to maintain close working relationships with local and overseas research institutions and universities to keep abreast with leading edge technologies and broaden the scope of applications.

In 2014 we expect to focus our research and development efforts in the following areas:

- development of advanced assembly technologies in WLCSP, MEMS and flip chip products for memory devices and mixed signal products;
- expand fine-pitch Au and Cu bumping technology for 300mm products;
- expand fine-pitch test capabilities for advanced LCD drivers;
- carry out in-process improvement to improve manufacturing yields and shorten turnaround time;
- develop new software conversion programs to increase the capabilities of our testers; and
- continue to focus on delivering environmentally friendly assembly services by eliminating the lead and halogen elements from the materials.

In 2013, we spent approximately 2.9% of our revenue on research and development. We will continue to invest our resources to recruit and retain experienced research and development personnel. As of March 31, 2014, our research and development team comprised 353 persons.

Build on Our Strong Presence in Taiwan and Expand Our Operations Outside Taiwan.

We intend to build on our strong presence in key centers of semiconductor and electronics manufacturing to grow our business. Currently, most of our operations are in Taiwan, one of the world's leading locations for outsourced semiconductor manufacturing. This presence provides us with several advantages. Firstly, our proximity to other semiconductor companies is attractive to customers who wish to outsource various stages of the semiconductor manufacturing process. Secondly, our proximity to many of our suppliers, customers and the end-users of our customers' products enables us to be involved in the early stages of the semiconductor design process, enhances our ability to quickly respond to our customers' changing requirements and shortens our customers' time-to-market. Thirdly, we have access to an educated labor pool and a large number of engineers who are able to work closely with our customers and other providers of semiconductor manufacturing services.

As with our operations in Taiwan, we intend to similarly benefit from our operations in Mainland China. We intend to invest in and expand our operations in Mainland China, increasing our testing and assembly services for memory and logic/mixed-signal semiconductors.

Depending on customer's demands, market conditions and other relevant considerations, we may from time to time look into other opportunities to expand our operations outside Taiwan.

Expand Our Offering of Vertically Integrated Services.

We believe that one of our competitive strengths is our ability to provide vertically integrated services to our customers. Vertically integrated services consist of the integrated testing, assembly and direct shipment of semiconductors to end-users designated by our customers. Providing vertically integrated services enables us to shorten lead times for our customers. As time-to-market and cost increasingly become sources of competitive advantage for our customers, they increasingly value our ability to provide them with comprehensive back-end services.

Through ChipMOS Taiwan, ThaiLin and ChipMOS Shanghai, we are able to offer vertically integrated services for a broad range of products, including memory, logic/mixed-signal and LCD and other flat-panel display driver semiconductors. We believe that these affiliations, which offer complementary technologies, products and services as well as additional capacity, will continue to enhance our own development and expansion efforts into new and potential growth markets. We intend to establish new alliances with leading companies and, if suitable opportunities arise, engage in merger and acquisition activities that will further expand the services we can provide.

Focus on Increasing Sales through Long-Term Agreements with Key Customers as well as Business with Smaller Customers.

From time to time, we strategically agree to commit a portion of our testing and assembly capacity to certain of our customers. We intend to continue focus on increasing sales to key customers through long-term capacity agreements. The customers with which we currently have long-term agreements include a reputable memory customer based in the US. See "— Customers" below for a more detailed discussion of these long-term agreements.

Global market and economic conditions have been unprecedented and challenging with tight credit conditions and recession in most major economies since 2008 continuing into 2013. Beginning in 2008, we also resumed our focus on our business with smaller customers or customers who do not place orders on a regular basis. We believe that the dual focused strategy will assist us to be better prepared for the current economic volatility and ensure maximum utilization rate of our capacity and help us to develop closer relationships with all types of our customers.

[Table of Contents](#)

Principal Products and Services

The following table presents, for the periods shown, revenue by service segment as a percentage of our revenue.

	Year ended December 31,	
	2012	2013
Testing		
Memory testing revenue	26.3%	20.5%
Logic/mixed-signal testing revenue	2.6	3.2
Total testing revenue	28.9	23.7
Assembly		
Memory assembly revenue	28.7	29.1
Logic/mixed-signal assembly revenue	4.5	3.3
Total assembly revenue	33.2	32.4
LCD and other flat-panel display driver semiconductor testing and assembly revenue	22.7	24.7
Bumping	15.2	19.2
Total revenue	<u>100.0%</u>	<u>100.0%</u>

Memory and Logic/Mixed-Signal Semiconductors

Testing

We provide testing services for memory and logic/mixed-signal semiconductors:

Memory. We provide testing services for a variety of memory semiconductors, such as SRAM, DRAM and flash memory. To speed up the time-consuming process of memory product testing, we provide multi-site testing, which can test up to 256 devices simultaneously. The memory semiconductors we test are used primarily in desktop computers, notebook computers and handheld consumer electronic devices and wireless communication devices.

Logic/Mixed-Signal. We conduct tests on a wide variety of logic/mixed-signal semiconductors, with lead counts ranging from the single digits to over 1024 and operating frequencies of up to 9GHz. The semiconductors we test include audio/video codec, networking/communications, MCU, LCD related, and MEMS used for home entertainment/media center, personal computer applications, network/communication and mobile smart devices. We also test a variety of application specific integrated circuits, or ASICs, for applications such as FHD/UHD LCD TV, Tablet PC, etc.

The following is a description of our pre-assembly testing services:

Engineering Testing. We provide engineering testing services, including software program development, electrical design validation, reliability and failure analyses.

- *Software Program Development.* Design and test engineers develop a customized software program and related hardware to test semiconductors on advanced testing equipment. A customized software program is required to test the conformity of each particular semiconductor to its particular function and specification.
- *Electrical Design Validation.* A prototype of the designed semiconductor is submitted to electrical tests using advanced test equipment, customized software programs and related hardware. These tests assess whether the prototype semiconductor complies with a variety of different operating specifications, including functionality, frequency, voltage, current, timing and temperature range.
- *Reliability Analysis.* Reliability analysis is designed to assess the long-term reliability of the semiconductor and its suitability of use for its intended applications. Reliability testing may include operating-life evaluation, during which the semiconductor is subjected to high temperature and voltage tests.
- *Failure Analysis.* If the prototype semiconductor does not perform to specifications during either the electrical validation or reliability analysis process, failure analysis is performed to determine the reasons for the failure. As part of this analysis, the prototype semiconductor may be subjected to a variety of tests, including electron beam probing and electrical testing.

[Table of Contents](#)

Wafer Probing. Wafer probing is the step immediately before the assembly of semiconductors and involves visual inspection and electrical testing of the processed wafer for defects to ensure that it meets our customers' specifications. Wafer probing employs sophisticated design and manufacturing technologies to connect the terminals of each chip for testing. Defective chips are marked on the surface or memorized in an electronic file, known as a mapping file, to facilitate subsequent processing.

Laser Repairing. In laser repairing of memory products, specific poly or metal fuses are blown after wafer probing to enable a spare row or column of a memory cell to replace a defective memory cell.

After assembly, we perform the following testing services:

Burn-In Testing. This process screens out unreliable products using high temperature, high voltage and prolonged stress to ensure that finished products will survive a long period of end-user service. This process is used only for memory products.

Top Marking. By using either a laser marker or an ink marker, we mark products according to our customers' specifications, including the logo, product type, date code and lot number.

Final Testing. Assembled semiconductors are tested to ensure that the devices meet performance specifications. Tests are conducted using specialized equipment with software customized for each application in different temperature conditions ranging from minus 45 degrees celsius to 85 degrees celsius. One of the tests includes speed testing to classify the parts into different speed grades.

Final Inspection and Packing. Final inspection involves visual or auto-inspection of the devices to check for any bent leads, inaccurate markings or other construction defects. Packing involves dry packing, packing-in-tube and tape and reel. Dry pack involves heating semiconductors in a tray at 125 to 150 degrees celsius for about two hours to remove the moisture before the semiconductors are vacuum-sealed in an aluminum bag. Packing-in-tube involves packing the semiconductors in anti-static tubes for shipment. Tape and reel pack involves transferring semiconductors from a tray or tube onto an anti-static embossed tape and rolling the tape onto a reel for shipment to customers.

Assembly

Our assembly services generally involve the following steps:

<i>Wafer Lapping</i>	The wafers are ground to their required thickness.
<i>Die Saw</i>	Wafers are cut into individual dies, or chips, in preparation for the die-attach process.
<i>Die Attach</i>	Each individual die is attached to the leadframe or organic substrate.
<i>Wire Bonding</i>	Using gold wires, the I/O pads on the die are connected to the package inner leads.
<i>Molding</i>	The die and wires are encapsulated to provide physical support and protection.
<i>Marking</i>	Each individual package is marked to provide product identification.
<i>Dejunking and Trimming</i>	Mold flash is removed from between the lead shoulders through dejunking, and the dambar is cut during the trimming process.
<i>Electrical Plating</i>	A solderable coating is added to the package leads to prevent oxidization and to keep solder wettability of the package leads.
<i>Ball Mount and Reflow</i>	Each electrode pad of the substrate is first printed with flux, after which solder balls are mounted, heated and attached to the electrode pad of the substrate through a reflow oven.
<i>Forming/Singulation</i>	Forming involves the proper configuration of the device packages leads, and singulation separates the packages from each other.

We offer a broad range of package formats designed to provide our customers with a broad array of assembly services. The assembly services we offer customers are leadframe-based packages, which include thin small outline packages, and organic substrate-based packages, including fine-pitch BGA.

[Table of Contents](#)

The differentiating characteristics of these packages include:

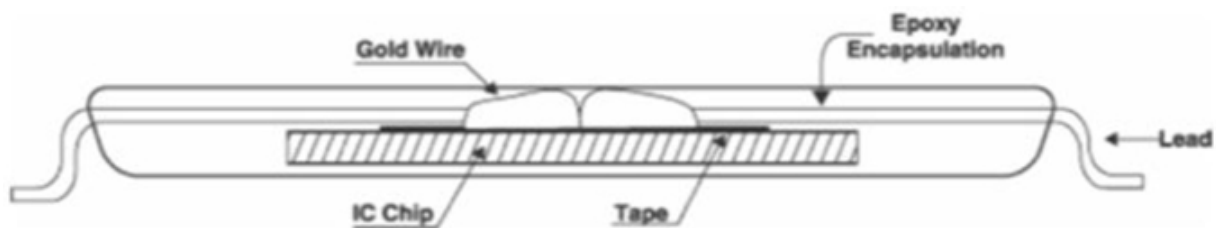
- the size of the package;
- the number of electrical connections which the package can support;
- the electrical performance and requirements of the package; and
- the heat dissipation requirements of the package.

As new applications for semiconductor devices require smaller components, the size of packages has also decreased. In leading-edge packages, the size of the package is reduced to just slightly larger than the size of the individual chip itself in a process known as chip scale packaging.

As semiconductor devices increase in complexity, the number of electrical connections required also increases. Leadframe-based products have electrical connections from the semiconductor device to the electronic product through leads on the perimeter of the package. Organic substrate-based products have solder balls on the bottom of the package, which create the electrical connections with the product and can support large numbers of electrical connections.

Leadframe-Based Packages. These are generally considered the most widely used package category. Each package consists of a semiconductor chip encapsulated in a plastic molding compound with metal leads on the perimeter. This design has evolved from a design plugging the leads into holes on the circuit board to a design soldering the leads to the surface of the circuit board.

The following diagram presents the basic components of a standard leadframe-based package for memory semiconductors:



To address the market for miniaturization of portable electronic products, we are currently developing and will continue to develop increasingly smaller versions of leadframe-based packages to keep pace with continually shrinking semiconductor device sizes. Our advanced leadframe-based packages generally are thinner and smaller, have more leads and have advanced thermal and electrical characteristics when compared to traditional packages. As a result of our continual product development, we offer leadframe-based packages with a wide range of lead counts and sizes to satisfy our customers' requirements.

Table of Contents

The following table presents our principal leadframe-based packages, including the number of leads in each package, commonly known as lead-count, a description of each package and the end-user applications of each package.

<u>Package</u>	<u>Lead-count</u>	<u>Description</u>	<u>End-User Applications</u>
Plastic Leaded Chip Carrier (PLCC)	32-44	Package with leads on four sides used in consumer electronics products in which the size of the package is not vital	Copiers, printers, scanners, personal computers, electronic games, monitors
Plastic Dual-in-line Package (PDIP)	16-56	Package with insertion leads on longer sides used in consumer electronics products	Electronic games, monitors, copiers, printers, audio and video products, personal computers
Thin Small Outline Package I (TSOP I)	28-56	Designed for high volume production of low lead-count memory devices, including flash memory, SRAM and MROM	Notebook computers, personal computers, still and video cameras and standard connections for peripherals for computers
Thin Small Outline Package II (TSOP II)	24-86	Designed for memory devices, including flash memory, SRAM, SDRAM and DDR DRAM	Disk drives, recordable optical disk drives, audio and video products, consumer electronics, communication products
Quad Flat Package (QFP)	44-208	Flat structure with 4-sided peripheral leads designed for SRAM, graphic processors, personal computer chipsets and mixed-signal devices	Wireless communication products, notebook computers, personal computers, consumer electronics
Quad Flat No Lead (QFN)	8-132	Thermal enhanced quad flat no lead package providing small footprint (chip scale), light weight with good thermal and electrical performance	Wireless communication products, notebook computers, PDAs, consumer electronics
Low-Profile Quad Flat Package (LQFP)	48-128	Low-profile and light weight package designed for ASICs, digital signal processors, microprocessors/controllers, graphics processors, gate arrays, SSRAM, SDRAM, personal computer chipsets and mixed-signal devices	Wireless communication products, notebook computers, digital cameras, cordless/radio frequency devices
Thin Quad Flat Package (TQFP)	44-128	Designed for lightweight portable electronics requiring broad performance characteristics and mixed-signal devices	Notebook computers, personal computers, disk drives, office equipment, audio and video products and wireless communication products
Small Outline Package (SOP)	8	Designed for low lead-count memory and logic semiconductors, including SRAM and micro-controller units	Personal computers, consumer electronics, audio and video products, communication products
Multi-Chip Package (TSOP with organic substrate)	24-86	Our patented design for memory devices, including SRAM, DRAM and SDRAM	Notebook computers, personal computers, disk drives, audio and video products, consumer products, communication products

Organic Substrate-based Packages. As the number of leads surrounding a traditional leadframe-based package increases, the leads must be placed closer together to reduce the size of the package. The close proximity of one lead to another can create electrical shorting problems and requires the development of increasingly sophisticated and expensive techniques to accommodate the high number of leads on the circuit boards.

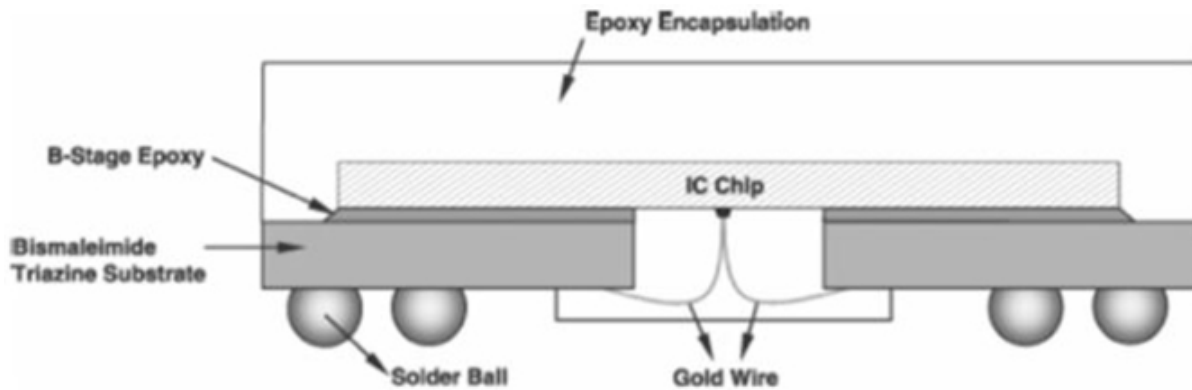
[Table of Contents](#)

The BGA format solves this problem by effectively creating external terminals on the bottom of the package in the form of small bumps or balls. These balls are evenly distributed across the entire bottom surface of the package, allowing greater pitch between the individual terminals. The ball grid array configuration enables high-pin count devices to be manufactured less expensively with less delicate handling at installation.

Our organic substrate-based packages employ a fine-pitch BGA design, which uses a plastic or tape laminate rather than a leadframe and places the electrical connections, or leads, on the bottom of the package rather than around the perimeter. The fine-pitch BGA format was developed to address the need for the smaller footprints required by advanced memory devices. Benefits of ball grid array assembly over leadframe-based assembly include:

- smaller size;
- smaller footprint on a printed circuit board;
- better electrical signal integrity; and
- easier attachment to a printed circuit board.

The following diagram presents the basic component parts of a fine-pitch BGA package:



The following table presents the ball-count, description and end-user applications of organic substrate-based packages we currently assemble:

<u>Package</u>	<u>Connections</u>	<u>Description</u>	<u>End-User Applications</u>
Mini BGA	36-400	Low-cost and space-saving assembly designed for low input/output count, suitable for semiconductors that require a smaller package size than standard BGA	Memory, analog, flash memory, ASICs, radio frequency devices, personal digital assistants, cellular handsets, communication products, notebook computers, wireless systems
Fine-Pitch BGA	54-90	Our patented design for DRAM products that require high performance and chip scale package (CSP)	Notebook computers, cellular handsets, global positioning systems, personal digital assistants, wireless systems
Very Thin Fine-Pitch BGA	48-176	Similar structure of Mini BGA package with thinner and finer ball pitch that is designed for use in a wide variety of applications requiring small size, high reliability and low unit cost	Handheld devices, notebook computers, disk drives, wireless and mobile communication products
Land Grid Array (LGA)	44-52	Thinner and lighter assembly designed essential to standard BGA without solder balls, suitable for applications that require high electrical performance	Disk drives, memory controllers, wireless, mobile communication products
Multi-Chip BGA	48-137	Designed for assembly of two or more memory chips (to increase memory density) or combinations of memory and logic chips in one BGA package	Notebook computers, digital cameras, personal digital assistants, global positioning systems, sub-notebooks, board processors, wireless systems
Stacked-Chip BGA	48-137	Designed for assembly of two or more memory chips or logic and memory chips in one CSP, reducing the space required for memory chips	Cellular handsets, digital cameras, personal digital assistants, wireless systems, notebook computers, global positioning systems

Wafer Level CSP



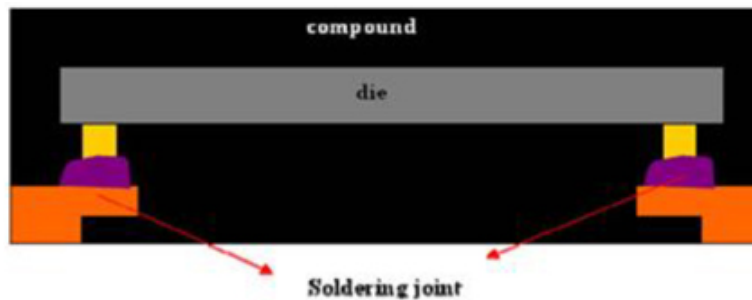
Wafer-level CSP (WL CSP) is the technology of packaging an integrated circuit at wafer level. WL CSP is essentially a true chip scale package (CSP) technology, since the resulting package is practically of the same size as the die. WL CSP has the ability to enable true integration of wafer fab, packaging, test, and burn-in at wafer level in order to streamline the manufacturing process undergone by a device start from silicon wafer to customer shipment.

Most other kinds of packaging does wafer dicing first, and then puts the individual die in a plastic package and attaches the solder bumps. WL CSP involves the RDL, wafer solder bumping, while still in the wafer, and then wafer dicing. Benefits of WL CSP compare to general CSP package assembly include:

- ultimate smaller package size;
- smaller footprint on a printed circuit board;
- very short circuit connection; and
- cost effective packaging solution for small ICs.

<u>Package</u>	<u>Connections</u>	<u>Description</u>	<u>End-User Applications</u>
WL CSP	8-30	Very small package size (identical to die size), suitable for the low pin count and require the small package size application.	Memory, ASICs, MEMS devices, controllers, for mobile phone, tablet, ultra book computer product.

FC CSP



Flip-chip chip scale package (FC CSP) construction utilizes the flip chip bumping (with solder bump or Cu pillar bump) interconnection technology to replace the standard wirebond interconnect. It allows for a smaller form factor due to wire loop reduction and area array bumping. FC CSP includes the substrate or leadframe type solution making an attractive option for advanced CSP application when electrical performance is a critical factor.

- Excellent electrical performance, very low interconnect parasitics and inductance compare to wirebond type.
- High electrical current endurance (Cu pillar bump), ideal for high power solution.
- Smaller package form factor by reducing the wire loop height and wire span compared to conventional wirebond package.

<u>Package</u>	<u>Connections</u>	<u>Description</u>	<u>End-User Applications</u>
FC CSP	8-100	Superior electrical performance, smaller form factor.	Power device, RF, Logic/Analog device, wireless or portable application.

[Table of Contents](#)

LCD and Other Flat-Panel Display Driver Semiconductors and Gold Bumping

We also offer testing and assembly services for LCD and other flat-panel display driver semiconductors. We employ TCP, COF and COG technologies for testing and assembling LCD and other flat-panel display driver semiconductors. In addition, we offer gold bumping services to our customers.

Tape Carrier Package (TCP) Technology

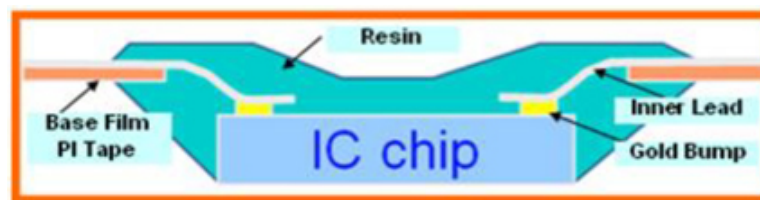
TCPs offer a high number of inputs and outputs, a thin package profile and a smaller footprint on the circuit board, without compromising performance. Key package features include surface mount technology design, fine-pitch tape format and slide carrier handling. Because of their flexibility and high number of inputs and outputs, TCPs are primarily employed either for STN-LCD or TFT-LCD driver semiconductors.

Testing of TCPs. We conduct full function testing of LCD and other flat-panel display driver semiconductors with a specially designed probe handler to ensure reliable contact to the test pads on the TCP tape. We can test STN-LCD or TFT-LCD driver semiconductors with frequencies of up to 750 MHz and at voltages up to 40V. The test is performed in a temperature-controlled environment with the device in tape form. The assembled and tested LCD and other flat-panel display driver semiconductors in tape form are packed between spacer tapes together with a desiccant in an aluminum bag to avoid contact during shipment.

Assembly of TCPs. TCPs use a tape-automated bonding process to connect die and tape. The printed circuit tape is shipped with a reel. The reel is then placed onto an inner lead bonder, where the LCD or other flat-panel display driver semiconductor is configured onto the printed circuit tape. The resulting TCP component consists of the device interconnected to a three-layer tape, which includes a polyimide carrier film, an epoxy-based adhesive layer and a metal layer. The tape metallization area of the interconnections is tin plated over a metal layer. The silicon chip and inner lead area is encapsulated with a high temperature thermoset polymer after inner lead bonding. The back face of the chip is left un-sealed for thermal connection to the printed circuit board.

For the limitation of inner lead pitch ($>41\mu\text{m}$) with this kind of package, the volume of TCP nowadays has been trending down to $\sim 1\%$ of total demand.

The following diagram presents the basic components of a TCP:



Chip-on-Film (COF) Technology

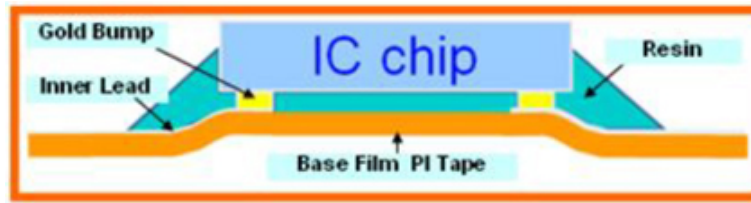
In 2001, we commenced testing and assembly services using COF technology. We have developed this proprietary technology from our existing TCP technology, and it has been widely accepted by our customers. The primary use of the COF module is to replace the liquid crystal module, or LCM, in certain applications. LCM is mainly employed in handheld electronics, such as PDAs and cellular handsets.

COF technology provides several additional advantages. For example, COF is able to meet the size, weight and higher resolution requirements in electronic products, such as flat-panel displays. This is because of its structural design, including an adhesive-free two-layer tape that is highly flexible, bending strength and its capacity to receive finer patterning pitch.

COF package has been using for large-size and high-resolution panel display nowadays, referring to the trend of the last several years, the avg. inner lead pitch of COF package went down to $25\mu\text{m}$ with about 40% of market share. $22\mu\text{m}$ inner lead pitch of COF package has been released to mass production in these two years.

[Table of Contents](#)

The following diagram presents the basic components of a COF:



The TCP and COF processes involve the following steps:

<i>Chip Probing</i>	Screen out the defect chips which fail to meet the device spec.
<i>Wafer Lapping</i>	Wafers are grounded to their required thickness.
<i>Die Saw</i>	Wafers are cut into individual dies, or chips, in preparation for inner lead bonding.
<i>Inner Lead Bonding</i>	An inner lead bonder machine connects the chip to the printed circuit tape.
<i>Potting</i>	The package is dispensed a resin.
<i>Potting Cure</i>	The potting cure process matures the resin used during the potting oven with high temperatures.
<i>Marking</i>	A laser marker is used to provide product identification.
<i>Final Testing</i>	To verify device spec. within electrical testing after assembly process.
<i>Inspection and Packing</i>	Each individual die with tape is visually inspected for defects. The dies are packed within a reel into an aluminum bag after completion of the inspection process.

Chip-on-Glass (COG) Technology

COG technology is an electronic assembly technology that is used increasingly in assembling LCD and other flat-panel display driver semiconductors for communications equipment. Compared to the traditional bonding process for TCP or COF, the new COG technology requires lower bonding temperature. In addition, the COG technology reduces assembly cost as it does not use tapes for interconnection between the LCD panel and the printed circuit board. The major application of COG products is on TFT-LCD display of smart phone market, it integrates source, gate driver of TFT-LCD driver IC and Timing Controller IC into one chip, so the output channel is larger than TCP or COF products.

The COG assembly technology involves the following steps:

<i>Chip Probing</i>	To screen out the defect chips which fail to meet the device spec.
<i>Wafer Lapping</i>	Wafers are ground to their required thickness.
<i>Die Saw</i>	Wafers are cut into individual dies, or chips, in preparation for the pick and place process.
<i>Auto Optical Inspection</i>	Process of wafer inspection is detecting defect to separate chips at pick and place station.
<i>Pick and Place</i>	Each individual die is picked and placed into a chip tray.
<i>Inspection and Packing</i>	Each individual die in a tray is visually or auto-inspected for defects. The dies are packed within a tray into an aluminum bag after completion of the inspection process.

Bumping

We also offer bumping services to our customers.

Gold bumping technology, which can be used in TCP, COF and COG technologies, is a necessary interconnection technology for LCD and other flat-panel display driver semiconductors. Most gold bumping services are performed on eight or twelve-inches wafers. Gold bumping technology provides the best solution for fine-pitch chips and is able to meet the highly efficient production requirement for LCD and other flat-panel display driver semiconductors or other chips that require thin packaging profiles. In addition to the gold bumping, we also offer the WLCSP, Cu RDL and Cu pillar service which can be applied for FC CSP and/or QFN package. The product scope includes but is not limited to flash and power devices.

[Table of Contents](#)

The gold bumping fabrication process uses thin film metal deposition, photolithography and electrical plating technologies. A series of barrier and seed metal layers are deposited over the surface of the wafer. A layer of thick photoresist material is spin-coated over these barrier and seed layers. A photomask is used to pattern the locations over each of the bond pads that will be bumped. UV exposure and developing processes open the photoresist material, which defines the bump shape. The gold bump is then electroplated over the pad and the deposited barrier metal layers. Once the plating is complete, a series of etching steps are used to remove the photoresist material and the metal layers that are covering the rest of the wafer. The gold bump protects the underlying materials from being etched. The gold bumped wafers will go through an annealing furnace to soften the gold bumps to fit the hardness requirement of TCP, COF and COG assembly processes.

Other Services

Drop Shipment

We offer drop shipment of semiconductors directly to end-users designated by our customers. We provide drop shipment services, including assembly in customer-approved and branded boxes, to a majority of our testing and assembly customers. Since drop shipment eliminates the additional step of inspection by the customer prior to shipment to end-users, quality of service is a key to successful drop shipment service. We believe that our ability to successfully execute our full range of services, including drop shipment services, is an important factor in maintaining existing customers as well as attracting new customers.

Software Development, Conversion and Optimization Program

We work closely with our customers to provide sophisticated software engineering services, including test program development, conversion and optimization, and related hardware design. Generally, testing requires customized testing software and related hardware to be developed for each particular product. Software is often initially provided by the customer and then converted by us at our facilities for use on one or more of our testing machines and contains varying functionality depending on the specified testing procedures. Once a conversion test program has been developed, we perform correlation and trial tests on the semiconductors.

Customer feedback on the test results enables us to adjust the conversion test programs prior to actual testing. We also typically assist our customers in collecting and analyzing the test results and recommend engineering solutions to improve their design and production process.

Customers

We believe that the following factors have been, and will continue to be, important factors in attracting and retaining customers:

- our advanced testing and assembly technologies;
- our strong capabilities in testing and assembling LCD and other flat-panel display driver semiconductors;
- our focus on high-density memory products and logic/mixed-signal communications products; and
- our reputation for high quality and reliable customer-focused services.

The number of our customers as of March 31, in each of 2012, 2013 and 2014, respectively, was 85, 90 and 83. Our top 15 customers in terms of revenue in 2013 were (in alphabetical order):

Elite Semiconductor Memory Technology Inc.
Etron Technology, Inc.
Fidelix Co., Ltd.
Himax Technologies, Inc.
ILI TECHNOLOGY CORP.
Integrated Circuit Solution Inc.
Macronix International Co., Ltd.
Micron Technology, Inc., or Micron
Novatek Microelectronics Corp., or Novatek
Orise Technology Co., Ltd.
Raydium Semiconductor Corporation
Renesas Electronics Corporation
Spansion LLC
Winbond Electronics Corporation, or Winbond
Zentel Electronics Corp.

[Table of Contents](#)

In 2012, our largest customer was Novatek, our second-largest customer was Micron and our third-largest customer was Winbond accounting for approximately 21%, 14% and 8% of our revenue, respectively. In 2013, our largest customer was Novatek, our second-largest customer was Micron and our third-largest customer was Winbond accounting for approximately 20%, 15% and 8% of our revenue, respectively.

The majority of our customers purchase our services through purchase orders and provide us three-month non-binding rolling forecasts on a monthly basis. The price for our services is typically agreed upon at the time when a purchase order is placed.

In 2006 and 2007, we strategically entered into or extended certain long-term agreements with some of our key customers, including a reputable memory customer based in the US, under which we reserved capacity for the customers primarily and the customer committed to place orders in the amount of the reserved capacity (which is subject in certain cases to reduction by the customer).

Pursuant to the long-term service agreement we have entered into with ProMOS in July 2007, ProMOS agreed to provide us with six month rolling forecast on testing and assembly service orders to be placed to us, and ProMOS guarantees that such orders will represent no less than certain percentage of ProMOS' total production volume of these products (excluding OEM products). In January 2008, at the request of ProMOS, we agreed to permit ProMOS to defer payment of aggregate service fees of NT\$450 million to February 15, 2009. The deferred service fees, bore an interest at a rate of 4.69% per annum, was recorded as long-term accounts receivables as of December 31, 2007, and were paid in full by ProMOS in March and April 2008. In March 2008, ProMOS failed to place orders in the amount of the reserved capacity and failed to meet its payment obligations under the long-term service agreement. In November 2008, we entered into a revised subcontracting contract with ProMOS by requiring ProMOS to provide wafers with a value of 80% of the subcontracting fee as collateral. In May 2009, a further revised subcontracting contract was entered into by and between us and ProMOS under which ProMOS provided us with wafer as pledge and Work-In-Process, or WIP and existing finished goods as lien material. Part of ProMOS' receivables will be recovered through sales of the pledged wafer and lien material back to ProMOS with a discount to market price, and the remaining outstanding accounts receivables will be secured by equipment mortgage under the same contract arrangement. Effective March 2009, we started to request prepayment from ProMOS. As of December 31, 2009, other receivables from ProMOS amounted to NT\$409 million and 100% allowance was made by ChipMOS Taiwan. NT\$7 million was received by April 2010. Under the amended subcontracting contract, ProMOS paid ChipMOS Taiwan NT\$200 million in May 2010. The remaining NT\$202 million was paid in nine monthly installments with final installment payment ended on March 15, 2011. As of December 31, 2010, ChipMOS Taiwan received NT\$336 million and the related allowance of NT\$409 million was reversed to other non-operating income. In March 2011, all payments have been received. The collection term was revised to 30 days upon delivery in May 2010, to 45 days upon delivery in October 2010 and to the current term of advance payment prior to delivery from ProMOS in June 2011.

As of December 31, 2009, other receivables from ProMOS amounted to NT\$55 million and 100% allowance was made by ThaiLin. In June 2010, ThaiLin agreed a settlement with ProMOS in the amount of NT\$24 million and it was collected during the same year. The allowance of NT\$24 million was reversed to other non-operating income. Commencing in June 2010, the collection term was revised to become 30 days upon delivery. In January 2011, the collection term was revised to 45 days after delivery and it was further revised to request advance payments from ProMOS in June 2011.

Pursuant to the long-term service agreement we have entered into with Spansion in September 2005, Spansion agreed to provide us with six month rolling forecast on testing and assembly service orders to be placed to us. In January 2009, Spansion defaulted on its payment obligations under the long-term service agreement and we subsequently terminated the long-term service agreement with Spansion on February 19, 2009. Our service fee receivable from Spansion in connection with its default amounted to NT\$1,539 million. On March 1, 2009, Spansion filed for a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. Subsequent to such filing, on March 16, 2009, ChipMOS Taiwan was elected as the co-chairman of the Unsecured Creditor Committee to represent unsecured creditors in Spansion's efforts to reorganize its debts under Chapter 11 petition. In early January 2010, ChipMOS Taiwan resigned as a member of the Unsecured Creditor Committee.

[Table of Contents](#)

On January 25, 2010, ChipMOS Taiwan entered into a definitive Transfer of Claim Agreement to sell to Citigroup the general unsecured claim reflected in the proof of claim against Spansion Inc., Spansion Technology LLC, Spansion LLC, Spansion International Inc. and Cerium Laboratories LLC (collectively, “Spansion”) filed by ChipMOS Taiwan in U.S. Bankruptcy Court. The claim that is the subject of the Transfer of Claim Agreement includes accounts receivable for testing and assembly services provided to Spansion in the amount of approximately US\$66 million to US\$70 million (the “Undisputed Claim”). ChipMOS Taiwan received the purchase price for the Undisputed Claim of NT\$1,118 million in February 2010 from Citigroup. The Transfer of Claim Agreement also includes the sale of breach of contract and liquidated damages rights against Spansion in the amount of approximately US\$234 million (the “Damages Claim”). The purchase price for the Damages Claim is expected to be an amount that will be determined based on a purchase rate of 50.2% multiplied by the portion of the Damages Claim that is allowed by a final adjudication of the U.S. Bankruptcy Court. The purchase price for the Damages Claim is payable to ChipMOS Taiwan to the extent that the Court allows this claim. In furtherance of the Transfer of Claim Agreement, the Company also has entered into an agreement to subscribe for, purchase and transfer to Citigroup rights offering shares to be issued by Spansion according to the Second Amended Joint Plan of Reorganization filed in U.S. Bankruptcy Court. This agreement provides that Citigroup will pay to the Company the amount of the rights offering shares purchase price. On October 4, 2010, ChipMOS Taiwan entered into a settlement agreement with Spansion LLC for the general unsecured claim on breach of contract and liquidated damages rights reflected in the proof of claim, Claim No. 5, against Spansion Inc., Spansion Technology LLC, Spansion LLC, Spansion International Inc. and Cerium Laboratories LLC filed by ChipMOS Taiwan in the U.S. Bankruptcy Court. In October 2010, the Company has received payment of NT\$2,118 million for the Transfer of Claim Agreement to Citigroup.

On April 22, 2010, the Company announced that Spansion LLC and ChipMOS Taiwan entered into a two-year wafer sort services agreement, utilizing the V5400 test platform, making ChipMOS Taiwan Spansion’s exclusive wafer sort subcontractor, except for any sort equipment operated by Spansion LLC or currently located at Spansion Japan Limited. The wafer sort services agreement became effective upon the effective date of Spansion’s confirmed plan of reorganization. The U.S. Bankruptcy Court confirmed Spansion’s Second Amended Plan of Reorganization on April 16, 2010. The effective date of Spansion’s plan of reorganization is May 10, 2010. The wafer sort services agreement became effective on May 10, 2010 and has since been renewed twice for expiring in 2016.

Beginning in 2008, we also resumed a focus on our business with smaller customers and customers who do not place orders on a regular basis.

The following table sets forth, for the periods indicated, the percentage breakdown of our revenue, categorized by geographic region based on the jurisdiction in which each customer is headquartered.

	Year ended December 31,	
	2012	2013
Taiwan	71%	72%
Singapore	14	15
United States	7	4
Japan	3	3
Korea	2	3
Hong Kong SAR	2	1
Others	1	2
Total	<u>100%</u>	<u>100%</u>

Qualification and Correlation by Customers

Our customers generally require that our facilities undergo a stringent “qualification” process during which the customer evaluates our operations, production processes and product reliability, including engineering, delivery control and testing capabilities. The qualification process typically takes up to eight weeks, or longer, depending on the requirements of the customer. For test qualification, after we have been qualified by a customer and before the customer delivers semiconductors to us for testing in volume, a process known as “correlation” is undertaken. During the correlation process, the customer provides us with test criteria; information regarding process flow and sample semiconductors to be tested and either provides us with the test program or requests that we develop a new or conversion program. In some cases, the customer also provides us with a data log of results of any testing of the semiconductor that the customer may have conducted previously. The correlation process typically takes up to two weeks, but can take longer depending on the requirements of the customer.

Sales and Marketing

We maintain sales and marketing offices in Taiwan, Mainland China and the United States. Our sales and marketing strategy is to focus on memory semiconductors in Taiwan, Japan, Korea and the United States, logic/mixed-signal semiconductors in Taiwan, Japan and the United States, LCD and other flat-panel display driver semiconductors in Japan, Taiwan, Hong Kong and Mainland China. As of March 31, 2014, our sales and marketing efforts were primarily carried out by teams of sales professionals, application engineers and technicians, totaling 35 staff members. Each of these teams focuses on specific customers and/or geographic regions. As part of our emphasis on customer service, these teams:

- actively participate in the design process at the customers' facilities;
- resolve customer testing and assembly issues; and
- promote timely and individualized resolutions to customers' issues.

We conduct marketing research through our in-house customer service personnel and through our relationships with our customers and suppliers to keep abreast of market trends and developments. Furthermore, we do product and system bench marking analyses to understand the application and assembly technology evolution, such as analysis on mobile handsets and CD-/DVD-ROM players. In addition, we regularly collect data from different segments of the semiconductor industry and, when possible, we work closely with our customers to design and develop testing and assembly services for their new products. These "co-development" or "sponsorship" projects can be critical when customers seek large-scale, early market entry with a significant new product.

We have appointed a non-exclusive sales agent for promoting our services for memory semiconductors in the United States, Japan and Korea. Our sales agent helps us promote and market our services, maintain relations with our existing and potential customers and communicate with our customers on quality, specific requirements and delivery issues. We generally pay our sales agent a commission of 1.0% to 3.5% of our revenue from services for memory semiconductors in the United States, Japan and Korea. In 2012 and 2013, we paid approximately NT\$5 million and NT\$9 million (US\$302 thousand), respectively, in commissions to our sales agent.

Research and Development

To maintain our competitive edge for continued business growth, we continue our focus of our investment in new technology research and development. In 2012 and 2013, we spent approximately NT\$505 million, or 3% and NT\$565 million (US\$19 million), or 3%, respectively, of our revenue on research and development. We intend to sustain these efforts.

Our research and development efforts have been focused primarily on new technology instruction, improving efficiency and production yields of our testing and assembly services. From time to time, we jointly develop new technologies with local and international research institutions and universities. In testing area, our research and development efforts focused particularly on high speed probing, fine pitch probing capability and wafer level burn-in technology. Our projects include:

- Grew wafer level BIST testing capability;
- Developed "one touchdown full contact testing capability for 200mm and 300mm wafers";
- Ramped up high frequency testing capability for LCDD;
- Built up fine pitch testing capability for 12um bump pitch products; and
- Developing centralized server test control system.

In bumping and assembly areas, our research and development efforts were directed to

- Low-cost alloy wire bonding alternatives for Cu wirebond;
- Au height reduction, as part of cost reduction drive, 10um bump height COF package was released for production;
- Wafer-level chip scale packaging and Cu RDL processes;
- Flip-chip QFN for power IC applications;
- Cu pillar bumping and assembly;
- MEMS packages for mobile devices;
- Multi-chip assembly and module of flash products for SSD and eMMC applications;
- Stacked-die chip scale package;

[Table of Contents](#)

- Thin wafer lapping and dicing;
- Advanced thin core/core-free substrate for thin packages; and
- Qualified thermally enhanced COF and MCB (metal composite bump) COF and released for manufacturing.

For new product and product enhancement work in 2014, our work concentrates on three key development programs: WLCSP, MEMS and flip chip technology. In the bumping area, we completed customer qualification of 300mm wafer Au bumping process in 2012 and started volume production in Q4, 2012. Development of Cu plating enables the entry of WLCSP, RDL and flip chip market. Turnkey services of WLCSP and flip chip QFN have been implemented for mass production in 2013 based on the successful technology developments. In 2012, we also initiated both 200mm and 300mm Cu pillar bumping engineering work and, related packaging technologies are being developed for mixed-signal and memory products in 2013.

In 2013, in-process engineering advancement allowed us to extend our wirebond technology to service MEMS products. To further achieve cost reduction, alloy wire and 0.6 mil Au wirebond processes were also developed. In 2014, we will continue to work on improvements of wafer thinning and polishing operations facilitate the expansion of multi-chip NAND packages offerings. Capability of handling miniature molded packages has been extended to 1x1 mm size and various improvements will also be made in production equipment to enhance throughput and efficiency.

As of March 31, 2014, we employed 353 employees in our research and development activities. In addition, other management and operational personnel are also involved in research and development activities but are not separately identified as research and development professionals.

We maintain laboratory facilities capable for materials and electrical characterizations to support production and new product development. Computer simulation is used to validate both mechanical and electrical models in comparison to measurement results. Enhancement of Shadow Moiré and Micro Moiré equipment was carried out to support MCP and flip chip package warpage and residue stress characterization. In Advanced Packaging Lab, rheology measurement capability was established, aimed at expanding capability for material selection and inspection to support flip chip introduction and various resin characterizations. A new analytical laboratory has been built out in our bumping line providing timely support to manufacturing operations.

Quality Control

We believe that our reputation for high quality and reliable services have been an important factor in attracting and retaining leading international semiconductor companies as customers for our testing and assembly services. We are committed to delivering semiconductors that meet or exceed our customers' specifications on time and at a competitive cost. We maintain quality control staff at each of our facilities.

As of March 31, 2014, we employed 389 personnel for our quality control activities. Our quality control staff typically includes engineers, technicians and other employees who monitor testing and assembly processes in order to ensure high quality. We employ quality control procedures in the following critical areas:

- sales quality assurance: following market trends to anticipate customers' future needs;
- design quality assurance: when developing new testing and assembly processes;
- supplier quality assurance: consulting with our long-term suppliers;
- manufacturing quality assurance: through a comprehensive monitoring program during mass production; and
- service quality assurance: quickly and effectively responding to customers' claims after completion of sale.

All of our facilities have obtained ISO/TS 16949 quality system certification. In addition, our facilities in Hsinchu and Tainan have been ISO 9002 certified in September 1997 and December 1998, respectively and recertified with ISO 9001 for substantial revision since 2000. ThaiLin and ChipMOS Shanghai also obtained ISO/TS 16949 quality system certification in September 2005 and January 2006, respectively.

ISO/TS 16949 certification system seeks to integrate quality management standards into the operation of a company, and emphasizes the supervision and measurement of process and performance. An ISO 9002 certification is required by many countries for sales of industrial products.

[Table of Contents](#)

In addition to the quality management system, we also earned the 1998 QC Group Award from The Chinese Society of Quality, which is equivalent to the similar award from the American Society of Quality. In 2003, ChipMOS passed SONY Green Partner (Tier 2) certification through its ProMOS channel, and in 2009, ChipMOS obtained SONY Green Partner (Tier 1) certification due to its direct business relationship with SONY. ChipMOS Shanghai also obtained SONY Green Partner (Tier 2) certification through its ISSI channel in 2008. Our laboratories have also been awarded Chinese National Laboratory accreditation under the categories of reliability test, electricity and temperature calibration.

Our testing and assembly operations are carried out in clean rooms where air purity, temperature and humidity are controlled. To ensure the stability and integrity of our operations, we maintain clean rooms at our facilities that meet U.S. federal 209E class 100, 1,000, 10,000 and 100,000 standards. A class 1,000 clean room means a room containing less than 1,000 particles of contaminants per cubic foot.

We have established manufacturing quality control systems that are designed to ensure high-quality services to our customers and maintain reliability and high production yields at our facilities. We employ specialized equipment for manufacturing quality and reliability control, including:

- Joint Electron Device Engineering Council (JEDEC) standardized temperature cycling, thermal shock and pressure cook reliability tests;
- high and low temperature storage life tests, temperature humidity bias test and highly accelerated temperature/humidity stress test (HAST); and
- high resolution scanning acoustic tomography, scanning electronic microscope and X-Ray microscopy for physical failure analysis, curve tracer and semi-probe station for electrical failure analysis.

In addition, to enhance our performance and our research and development capabilities, we also installed a series of high-cost equipment, such as temperature humidity bias testers, low temperature storage-life testers and highly accelerated stress testers. We believe that many of our competitors do not own this equipment.

As a result of our ongoing focus on quality, in 2013, we achieved monthly assembly yields of an average of 99.95% for our memory and logic/mixed-signal assembly packages, 99.97% for our COF packages, 99.92% for our COG packages and 99.90% for our bumping products. The assembly yield, which is the industry standard for measuring production yield, is equal to the number of integrated circuit packages that are shipped back to customers divided by the number of individual integrated circuits that are attached to leadframes or organic substrate.

Raw Materials

Semiconductor testing requires minimal raw materials. Substantially all of the raw materials used in our memory and logic/mixed-signal semiconductor assembly processes are interconnect materials such as leadframes, organic substrates, gold wire and molding compound. Raw materials used in the LCD and other flat-panel display driver semiconductor testing and assembly process include carrier tape, resin, spacer tape, plastic reel, aluminum bags, and inner and outer boxes. Cost of raw materials represented 25% and 23% of our revenue in 2012 and 2013, respectively.

We do not maintain large inventories of leadframes, organic substrates, gold wire or molding compound, but generally maintain sufficient stock of each principal raw material for approximately one month's production based on blanket orders and rolling forecasts of near-term requirements received from customers. In addition, since the commencement of economic downturn in second quarter of 2008, due to the volatility of the semiconductor market, several of our principal suppliers have also ceased to stock inventories to be reserved to meet its customers' production requirements. Instead, our suppliers now require longer lead time for delivery of our supply orders. Shortage in the supply of materials experienced by the semiconductor industry have in the past resulted in price adjustments. Our principal raw material supplies have not been impacted by the Japan earthquake and tsunami catastrophe. See "Item 3. Key Information—Risk Factors—Risks Relating to Our Business—If we are unable to obtain raw materials and other necessary inputs from our suppliers in a timely and cost-effective manner, our production schedules would be delayed and we may lose customers and growth opportunities and become less profitable" for a discussion of the risks associated with our raw materials purchasing methods. For example, with the exception of aluminum bags and inner and outer boxes, which we acquire from local sources, the raw materials used in our TCP/COF process and for modules are obtained from a limited number of Japanese suppliers.

Competition

The independent testing and assembly markets are very competitive. Our competitors include large IDMs with in-house testing and assembly capabilities and other independent semiconductor testing and assembly companies, especially those offering vertically integrated testing and assembly services, such as Advanced Semiconductor Engineering Inc., Amkor Technology, Inc., Chipbond Technology Corporation, King Yuan Electronics Co., Ltd., Powertech Technology Inc., Siliconware Precision, STATS ChipPAC Ltd. and United Test and Assembly Center Ltd. We believe that the principal measures of competitiveness in the independent semiconductor testing industry are:

- engineering capability of software development;
- quality of service;
- flexibility;
- capacity;
- production cycle time; and
- price.

In assembly services, we compete primarily on the basis of:

- production yield;
- production cycle time;
- process technology, including our COF technology for LCD and other flat-panel display driver semiconductor assembly services;
- quality of service;
- capacity;
- location; and
- price.

IDMs that use our services continually evaluate our performance against their own in-house testing and assembly capabilities. These IDMs may have access to more advanced technologies and greater financial and other resources than we do. We believe, however, that we can offer greater efficiency and lower costs while maintaining an equivalent or higher level of quality for three reasons:

- firstly, we offer a broader and more complex range of services as compared to the IDMs, which tend to focus their resources on improving their front-end operations;
- secondly, we generally have lower unit costs because of our higher utilization rates and thus enabling us to operate at a more cost-effective structure compared to the IDMs; and
- finally, we offer a wider range of services in terms of complexity and technology.

Intellectual Property

As of March 31, 2014, we held 419 patents in Taiwan, 147 patents in the United States, 226 patents in the People's Republic of China and 1 patent in the United Kingdom, France and Germany, respectively, relating to various semiconductor testing and assembly technologies. These patents will expire at various dates through to 2032. As of March 31, 2014, we also had a total of 29 pending patent applications in the United States, 75 in Taiwan, 62 in the People's Republic of China, 3 in Europe, 3 in Japan, and 3 in the Republic of Korea. In addition, we have registered "ChipMOS" and its logo and "InPack" as trademarks in Taiwan, and "ChipMOS" and its logo as trademarks in the United States, the People's Republic of China, Singapore, Hong Kong, Korea, Japan and the European Community.

We expect to continue to file patent applications where appropriate to protect our proprietary technologies. We may need to enforce our patents or other intellectual property rights or to defend ourselves against claimed infringement of the rights of others through litigation, which could result in substantial costs and a diversion of our resources. See "Item 3. Key Information—Risk Factors—Risks Relating to Our Business—Disputes over intellectual property rights could be costly, deprive us of technologies necessary for us to stay competitive, render us unable to provide some of our services and reduce our opportunities to generate revenue" and "Item 8. Financial Information—Legal Proceedings".

Government Regulations

As discussed above under “— Intellectual Property”, governmental regulation of our intellectual property may materially affect our business. The failure to protect our property rights would deprive us of our ability to stay competitive in the semiconductor industry. Our intellectual property rights are protected by the relevant patent and intellectual property agencies of the European Community, United States, the People’s Republic of China, Singapore, Hong Kong, Korea, Japan and Taiwan.

Environmental Matters

Semiconductor testing does not generate significant pollutants. The semiconductor assembly process generates stationary acid and alkali and VOC pollution, principally at the plating stages. Liquid waste is produced when silicon wafers are ground thinner and diced into chips with the aid of diamond saws and cleaned with running water and during the gold bumping process generates stationary acid, alkali, liquid waste and VOC pollutions. In addition, excess material on lead-frames and moldings are removed from assembled semiconductors in the trimming and dejunking processes, respectively. We have installed various types of wastewater and air pollutants treatment equipments at our semiconductor assembly and gold bumping facilities. Since 2001, we have adopted certain environmentally-friendly production management systems, and have implemented certain measures intended to bring our assembly process in compliance with the Restriction of Hazardous Substances Directive 2002/95/EC issued by the European Union and our customers. We believe that we have adopted adequate and effective environmental protection measures that are consistent with semiconductor industry practices in Taiwan and Mainland China. In addition, we believe we are in compliance in all material respects with current environmental laws and regulations applicable to our operations and facilities.

All of our facilities in Taiwan and Mainland China have been certified as meeting the ISO 14001 environmental standards of the International Organization for Standardization, and all of our facilities in Taiwan have been further certified as meeting the OHSAS18001 standards, of the International Organization for Standardization. Our facilities at Hsinchu Science Park, Chupei and Southern Taiwan Science Park have won numerous awards including Green Building Label in 2013, health promotion awards granted by Department of Health of ROC in 2012, “Safety & Health Performance Certification Unit” from Council of the Labor Affairs of ROC in 2009 and 2010. Our bumping facility has won “Civil Defence Excellent Award” from Hsinchu City in 2009, 2010, 2011 and 2012. We continue to encourage our employees to attend and participate in community environmental campaigns and events to promote and build better environmental friendly practices.

We will continue to implement programs, measures and related training to reduce industrial waste, save energy and control pollution. In 2001, ChipMOS Taiwan completed a lead-free process control program, which offers a lead-free method in a semiconductor package, a lead-free plating, a lead-free solder ball and a lead-free reliability method and specification. In 2005, ChipMOS Shanghai completed a similar lead-free process control program. In 2003 and 2008, ChipMOS Taiwan and ChipMOS Shanghai obtained Green Partner certification from Sony Corporation of Japan, respectively. The Green Partner program requires external suppliers to meet SONY’s Green Partner requirements. In 2009 and 2013, we further obtained SGS recognition and received the “Greenhouse Gas Verification Statement” and “Carbon footprint Verification Statement”, respectively. The SGS recognitions affirm our eligibility under the Green Partner program and more importantly our commitments towards becoming a green, environmental friendly entity. Standardizing on green, “environmentally friendly” products, production facilities and management systems, which has become an industry trend, and to many companies, is a key criteria in selection of their service providers.

Insurance

We maintain insurance policies on our buildings, equipment and inventories. These insurance policies cover property damages due to all risks, including but not limited to, fire, lightning and earthquakes. The maximum coverage of property insurance for ChipMOS Taiwan and ThaiLin is approximately NT\$55,745 million and NT\$6,964 million, respectively. ChipMOS Shanghai also maintains property insurance policies for a maximum coverage of approximately RMB923 million.

Insurance coverage on facilities under construction is maintained by us and our contractors, who are obligated to procure necessary insurance policies and bear the relevant expenses of which we are the beneficiary. We also maintain insurance on the wafers delivered to us while these wafers are in our possession and during transportation from suppliers to us and from us to our customers.

Employees

See “Item 6. Directors, Senior Management and Employees—Employees” for certain information relating to our employees.

[Table of Contents](#)

Taxation

See “Item 5. Operating and Financial Review and Prospects—Taxation” for certain information regarding the effect of PRC and ROC tax regulations on our operations.

Facilities

We provide testing services through our four facilities in Taiwan and one facility in Shanghai, with one facility at each of the following locations: Chupei, the Hsinchu Industrial Park, the Hsinchu Science Park, the Southern Taiwan Science Park and the Shanghai Qingpu Industrial Zone. We provide assembly services through our facility at the Southern Taiwan Science Park and our facility at the Shanghai Qingpu Industrial Zone. We own the land for our Hsinchu Industrial Park testing facility and Chupei facility and possess the land use right to the land on which our Shanghai Qingpu Industrial Zone facility is located until 2052, and, we lease two parcels of land for our Hsinchu Science Park testing facility with lease expiration in year 2017 and 2027, respectively, and two parcels of land for our Southern Taiwan Science Park facility with lease expiration in year 2017 and 2032.

The following table shows the location, primary use and size of each of our facilities, and the principal equipment installed at each facility, as of March 31, 2014.

<u>Location of Facility</u>	<u>Primary Use</u>	<u>Floor Area (m²)</u>	<u>Principal Equipment</u>
Chupei, Hsinchu	Testing/Gold Bumping	38,122	7 steppers 18 sputters 279 testers
Hsinchu Industrial Park, Taiwan	Testing	27,123	97 testers 32 burn-in ovens
Hsinchu Science Park, Taiwan	Testing	31,168	143 testers 94 burn-in ovens
Southern Taiwan Science Park, Taiwan	Assembly/Testing	146,180	781 wire bonders 137 inner-lead bonders 362 testers
Shanghai Qingpu Industrial Zone, Mainland China	Assembly/Testing	66,817	25 testers 189 wire bonders 23 burn-in ovens

Equipment

Testing of Memory and Logic/Mixed-Signal Semiconductors

Testing equipment is the most capital-intensive component of the memory and logic/mixed-signal semiconductors testing business. Upon the acquisition of new testing equipment, we install, configure, calibrate and perform burn-in diagnostic tests on the equipment. We also establish parameters for the testing equipment based on anticipated requirements of existing and potential customers and considerations relating to market trends. As of March 31, 2014, we operated 544 testers for testing memory and logic/mixed-signal semiconductors. We generally seek to purchase testers with similar functionality that are able to test a variety of different semiconductors. We purchase testers from international manufacturer, Advantest Corporation.

In general, particular semiconductors can be tested using a limited number of specially designed testers. As part of the qualification process, customers will specify the machines on which their semiconductors may be tested. We often develop test program conversion tools that enable us to test semiconductors on multiple equipment platforms. This portability among testers enables us to allocate semiconductor testing across our available testing capacity and thereby improve capacity utilization rates. If a customer requires the testing of a semiconductor that is not yet fully developed, the customer consigns its testing software programs to us to test specific functions. If a customer specifies testing equipment that is not widely applicable to other semiconductors we test, we require the customer to furnish the equipment on a consignment basis.

We will continue to acquire additional testing equipment in the future to the extent market conditions, cash generated from operations, the availability of financing and other factors make it desirable to do so. Some of the equipment and related spare parts that we require have been in short supply in recent years. Moreover, the equipment is only available from a limited number of vendors or is manufactured in relatively limited quantities and may have lead time from order to delivery in excess of six months.

Assembly of Memory and Logic/Mixed-Signal Semiconductors

The number of wire bonders at a given facility is commonly used as a measure of the assembly capacity of the facility. Typically, wire bonders may be used, with minor modifications, for the assembly of different products. We purchase wire bonders principally from Shinkawa Co., Ltd. and Kulicke & Soffa Industries Inc. As of March 31, 2014, we operated 970 wire bonders. In addition to wire bonders, we maintain a variety of other types of assembly equipment, such as wafer grinders, wafer mounters, wafer saws, die bonders, automated molding machines, laser markers, solder platers, pad printers, dejunkers, trimmers, formers, substrate saws and lead scanners.

Gold Bumping, Testing and Assembly of LCD and Other Flat-Panel Display Driver Semiconductors

We acquired TCP-related equipment from Sharp to begin our TCP-related services. We subsequently purchased additional TCP-related testers from Yokogawa Electric Corp. and Advantest Corporation and assembly equipment from Shibaura Mechatronics Corp., Shinkawa Co., Ltd., Athlete FA Corp., Daitron Electron Corp. and GMM Corp. As of March 31, 2014, we operated 7 steppers and 18 sputters for gold bumping, 137 inner-lead bonders for assembly and 362 testers for LCD and other flat-panel display driver semiconductors. We are currently in the process of purchasing additional testing equipment. The testing equipment can be used for the TCP, COF and COG processes, while the inner-lead bonders are only used in the TCP and COF processes. The same types of wafer grinding, auto wafer mount and die saw equipment is used for the TCP, COF and COG processes. In addition, auto inspection machines and manual work are used in the COG process, which is more labor-intensive than the TCP and COF processes.

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

This discussion and analysis should be read in conjunction with our consolidated financial statements and related notes contained in this Annual Report on Form 20-F.

Overview

We provide a broad range of back-end testing services, including wafer probing and final testing of memory and logic/mixed-signal semiconductors. We also offer a broad selection of leadframe-based and organic substrate-based package assembly services for memory and logic/mixed-signal semiconductors. Our advanced leadframe-based packages include thin small outline packages, or TSOPs, and our advanced organic substrate-based packages include fine-pitch ball grid array, or fine-pitch BGA, packages. In addition, we provide gold bumping, testing and assembly services for LCD and other flat-panel display driver semiconductors by employing TCP, COF and COG technologies. In 2013, our consolidated revenue was NT\$19,362 million (US\$649 million) and our profit for the year attributable to equity holders of the Company was NT\$1,335 million (US\$45 million).

[Table of Contents](#)

We are a holding company, incorporated in Bermuda on August 1, 2000. We provide most of our services through our majority-owned subsidiary, ChipMOS Taiwan, and its subsidiaries and investees. ChipMOS Taiwan was incorporated in Taiwan in July 1997 as a joint venture company of Mosel and Siliconware Precision and with the participation of other investors. Following the completion of the share exchange transaction between ChipMOS Bermuda and ChipMOS Taiwan on September 14, 2007, ChipMOS Taiwan became a wholly-owned subsidiary of ChipMOS Bermuda. In February 2010, we agreed to sell 15.8% of ChipMOS Taiwan's outstanding shares to Siliconware Precision. The share purchase transaction was completed in January 2011. As part of ChipMOS Taiwan's listing plan on the TWSE, on April 16, 2013, we completed the sale of 6.5 million outstanding ChipMOS Taiwan shares or 0.8% of the total number of ChipMOS Taiwan's outstanding shares, at the price of NT\$15.0 per share to ChipMOS Taiwan's underwriters for the TWSE listing plan and to certain others, including non-US employees of ChipMOS Taiwan. Also, from September 2, 2013 to October 3, 2013, we completed another sale of 180 million outstanding ChipMOS Taiwan shares or 21.4% of the total number of ChipMOS Taiwan's outstanding shares, at the price of NT\$20.0 per share to investors. As of March 31, 2014, we owned approximately 523 million ChipMOS Taiwan shares, representing 62.1% of ChipMOS Taiwan's outstanding shares. On April 9, 2014, ChipMOS Bermuda sold approximately 1.3 million ChipMOS Taiwan shares as "green shoe" option to market investors. As of the date of this Annual Report on Form 20-F, we continue to own approximately 522 million or 60.4% of ChipMOS Taiwan shares. See "Item 3. Key Information—Risk Factors—Risk Relating to Our Corporate Structure—ChipMOS Taiwan's ability to maintain its listing and trading status on the Taiwan Stock Exchange is dependent on factors outside of the Company or ChipMOS Taiwan's control and satisfaction of stock exchange requirements. ChipMOS Taiwan may not be able to overcome such factors that disrupt its trading status on the main board of Taiwan Stock Exchange or satisfy other eligibility requirements that may be required of it in the future" for additional information on ChipMOS Taiwan's listing plan. In Taiwan, we conduct testing operations in our facilities at the Hsinchu Science Park and the Hsinchu Industrial Park, gold bumping and wafer testing in our facility at Chupei, and testing and assembly operations in our facility at the Southern Taiwan Science Park. We also conduct operations in Mainland China through ChipMOS Shanghai, a wholly-owned subsidiary of Modern Mind. ChipMOS Shanghai operates a testing and assembly facility at the Qingpu Industrial Zone in Shanghai. Through our subsidiaries, we also have equity interests in other companies that are engaged in the semiconductor industry. In April 2011, ChipMOS Bermuda entered into the MMT Assignment Agreement with ThaiLin to sell the MMT Notes to ThaiLin for a purchase price of approximately US\$40 million. The MMT Assignment Agreement transaction was completed on October 3, 2011 and Modern Mind then became the wholly-owned subsidiary of ThaiLin. See "Item 4. Information on the Company—Our Structure and History" for more details.

The following key trends are important to understanding our business:

Capital Intensive Nature of Our Business. Our operations, in particular our testing operations, are characterized by relatively high fixed costs. We expect to continue to incur substantial depreciation and other expenses as a result of our previous acquisitions of testing and assembly equipment and facilities. Our profitability depends in part not only on absolute pricing levels for our services, but also on capacity utilization rates for our testing and assembly equipment. In particular, increases or decreases in our capacity utilization rates could significantly affect our gross margins since the unit cost of testing and assembly services generally decreases as fixed costs are allocated over a larger number of units.

The current generation of advanced testers typically cost between US\$1 million and US\$5 million each, while wire bonders used in assembly typically cost approximately US\$68 thousand each and inner-lead bonders for TCP and COF assembly cost approximately US\$360 thousand each and COG chip sorters cost approximately US\$220 thousand each. We begin depreciating our equipment when it is placed into commercial operation. There may be a time lag between the time when our equipment is placed into commercial operation and when it achieves high levels of utilization. In periods of depressed semiconductor industry conditions, we may experience lower than expected demand from our customers and a sharp decline in the average selling prices of our testing and assembly services, resulting in an increase in depreciation expenses relative to revenue. In particular, the capacity utilization rates for our testing equipment may be severely adversely affected during a semiconductor industry downturn as a result of the decrease in outsourcing demand from integrated device manufacturers, or IDMs, which typically maintain larger in-house testing capacity than in-house assembly capacity.

[Table of Contents](#)

Highly Cyclical Nature of the Semiconductor Industry. The worldwide semiconductor industry has experienced peaks and troughs over the last decade, with a severe downturn beginning in the fourth quarter of 2000 that was followed by a recovery in early 2003. The significant decrease in market demand for semiconductors that began in 2000 adversely affected our results of operations for 2001 and 2002. Beginning in the fourth quarter of 2008, the semiconductor industry commenced another significant downturn which continued in 2009 and in 2010. Market demand for semiconductors significantly decreased across our industry during these periods, which adversely affected average selling prices for our services and our results of operations for 2008, 2009 and 2010. The impact on our results of operations of the decrease in market demand during these periods was partly offset by increases in our 2009 and 2010 revenue from assembly services for logic/mixed-signal semiconductors due to higher customer demand for these services in 2009 and 2010. The overall outsourced assembly and testing services for memory and logic/mixed-signal semiconductors increased gradually each year since 2010, continuing in 2013. During periods of decreased demand for assembled semiconductors, some of our customers may forego, delay or simplify final testing of certain types of semiconductors, such as DRAM, which may further decrease demand and average selling prices for our services and intensify our difficulties related to realizing pricing levels, capacity utilization rates and gross margin during these periods.

Declining Average Selling Prices of Our Testing and Assembly Services. The semiconductor industry is characterized by a general decrease in prices for products and services over the course of their product and technology life cycles. The rate of decline is particularly steep during periods of intense competition and adverse market conditions. The average selling prices of our testing and assembly services experienced sharp declines during such periods as a result of intense price competition from other independent testing and assembly companies that attempt to maintain high capacity utilization levels in the face of reduced demand.

To offset the effects of decreasing average selling prices, we will continue to seek to:

- improve production efficiency and attain high capacity utilization rates;
- concentrate on testing of potentially high-demand, high-growth semiconductors;
- develop new assembly technologies; and
- implement new technologies and platforms to shift into potentially higher margin services.

Market Conditions for the End-User Applications for Semiconductors. Market conditions in the semiconductor industry, to a large degree, track those for their end-user applications. Any deterioration in the market conditions for the end-user applications of semiconductors that we test and assemble may reduce demand for our services and, in turn, materially adversely affect our financial condition and results of operations. Despite an increase in the demand for mobile/niche DRAM in 2010, for DRAMs with more advanced features such as that of enhanced graphic capability, increased power efficiency and increased mobility, the average market demand for DRAM remained low since 2010 until 2013. Our revenue is largely attributable to fees from testing and assembling semiconductors for use in personal computers, consumer and portable electronic products, display applications and communications equipment. The markets for these products are intensely competitive, and a significant decrease in demand puts pricing pressure on our testing and assembly services and negatively affects our earnings. The oversupply of DRAM products in the second half of 2007 and the weak demand in the DRAM market in 2008 and in the first quarter of 2009 resulted in significant reductions in the price of DRAM products, which in turn drove down the average selling prices for our testing and assembly services for DRAM products from the second half of 2009 and continue in 2013.

Change in Product Mix. Declines in average selling prices since 2009 have been partially offset by a change in our revenue mix. In particular, revenue from testing and assembly of LCD and other flat-panel display driver semiconductors, bumping services and 12-inch wafer processing have increased as a percentage of our total revenue over the 2009 to 2013 period. We intend to continue focusing on testing and assembling more semiconductors that have the potential to provide higher margins and developing and offering new technologies in testing and assembly services, in order to mitigate the effects of declining average selling prices on our ability to attain profitability.

[Table of Contents](#)

Recent Acquisitions

In March 2007, we completed a share purchase and subscription transaction with ChipMOS Taiwan and Siliconware Precision, under which we became a holder of 99.1% of the outstanding common shares of ChipMOS Taiwan. In April 2007, we and ChipMOS Taiwan further entered into a share exchange transaction and pursuant to which we agreed to exchange one common share for every 8.4 ChipMOS Taiwan shares outstanding. Following the completion of the share exchange transaction in September 2007, ChipMOS Taiwan became our wholly-owned subsidiary. In February 2010, we agreed to sell 15.8% of ChipMOS Taiwan's outstanding shares to Siliconware Precision. The share purchase transaction was completed in January 2011. As part of ChipMOS Taiwan's listing plan on the TWSE, on April 16, 2013, we completed the sale of 6.5 million outstanding ChipMOS Taiwan shares or 0.8% of the total number of ChipMOS Taiwan's outstanding shares, at the price of NT\$15.0 per share to ChipMOS Taiwan's underwriters for the TWSE listing plan and to certain others, including non-US employees of ChipMOS Taiwan. Also, from September 2, 2013 to October 3, 2013, we completed another sale of 180 million outstanding ChipMOS Taiwan shares or 21.4% of the total number of ChipMOS Taiwan's outstanding shares, at the price of NT\$20.00 per share to investors. As of March 31, 2014, we owned 62.1% of ChipMOS Taiwan's outstanding shares. See "Item 4. Information on the Company—Our Structure and History" for description of our earlier merger events.

Revenue

We conduct our business according to the following main business segments: (1) testing services for memory and logic/mixed-signal semiconductors; (2) assembly services for memory and logic/mixed-signal semiconductors; (3) LCD and other flat-panel display driver semiconductor testing and assembly services; and (4) bumping services for memory, logic/mixed-signal and LCD and other flat-panel display driver semiconductors. The following table sets forth, for the periods indicated, our consolidated revenue for each segment.

	Year ended December 31,		
	2012	2013	2013
	NT\$	NT\$	US\$
	(in millions)		
Testing			
Memory	\$ 5,055.1	\$ 3,979.6	\$133.4
Logic/mixed-signal	508.1	616.5	20.7
Total testing	5,563.2	4,596.1	154.1
Assembly			
Memory	5,523.8	5,635.0	188.9
Logic/mixed-signal	856.8	638.7	21.4
Total assembly	6,380.6	6,273.7	210.3
LCD and other flat-panel display driver semiconductor testing and assembly	4,356.3	4,781.2	160.3
Bumping	2,920.4	3,710.9	124.4
Total	<u>\$19,220.5</u>	<u>\$19,361.9</u>	<u>\$649.1</u>

Our revenue consists primarily of service fees for testing and assembling semiconductors, and to a lesser extent, fees from equipment rentals to semiconductor manufacturers for engineering testing, less allowances for product returns. We offer testing and assembly services for memory semiconductors, logic/mixed-signal semiconductors, testing and assembly services for LCD and other flat-panel display driver semiconductors and bumping services.

Most of our customers do not place purchase orders far in advance and our contracts with customers generally do not require minimum purchases of our products or services. Our customers' purchase orders have varied significantly from period to period because demand for their products is often volatile. We have strategically entered into long-term capacity agreements with some of our customers. Under certain of those long-term agreements, we have agreed to reserve capacity for our customers and our customers have agreed to place orders in the amount of the reserved capacity (which is subject in certain cases to reduction by the customers). As part of our strategy, we intend to continue entry into additional long-term capacity agreements as well as focus on our business with smaller customers or customers who do not place orders on a regular basis. We believe that the dual focused strategy would assist us to be better prepared for the current economic volatility and ensure maximum utilization rate of our capacity and help us to develop closer relationships with all types of our customers. Depending on customer demands, market conditions and other considerations, we remain to be focused on expansion of our operations outside Taiwan and Mainland China in connection with possible future long-term capacity agreements.

[Table of Contents](#)

Our financial condition and results of operations have also been, and are likely to continue to be, affected by price pressures on our service fees, which tend to decline in tandem with the declining average selling prices of the products we test and assemble over the course of their product and technology life cycles. In order to maintain our margins, it is necessary to offset the fee erosion by continually improving our production efficiency and maintaining high capacity utilization rates. We also plan to continue to develop and implement new technologies and expand our services into potentially higher-margin segments. These efforts require significant up front investment in advance of incremental revenue, which could impact our margins.

Pricing

We price our testing fees primarily based on the cost of testing the products to our customers' specifications, including the costs of the required material and components, the depreciation expenses relating to the equipment involved and our overhead expenses, and with reference to prevailing market prices. Accordingly, the testing fee for a particular product would principally depend on the time taken to perform the tests, the complexity of the product and the testing process, and the cost of the equipment used to perform the test. For example, testing fees for memory semiconductors are significantly higher than those for other products because of the longer time required and the need for burn-in testing.

We price our assembly services on a per unit basis, taking into account the complexity of the package, our costs, including the costs of the required material and components, the depreciation expenses relating to the equipment involved and our overhead expenses, prevailing market conditions, the order size, the strength and history of our relationship with the customer and our capacity utilization.

We price our testing and assembly services for LCD and other flat-panel display driver semiconductors and bumping services on the basis of our costs, including the costs of the required material and components, the depreciation expenses relating to the equipment involved and our overhead expenses, and the price for comparable services.

We offer volume discounts to all customers who purchase large quantities of our services and special discounts to customers who use our vertically integrated services. On a case by case basis, we also may offer special payment terms, including longer payment cycles, to key customers during downturns in the market so as to retain business from such key customers.

Revenue Recognition

We generally recognize our revenue upon completion of testing and assembly services. We also recognize our revenue upon shipment of tested and assembled semiconductors to locations designated by our customers, including our internal warehouse for customers using our warehousing services. We submit invoices at the time of completion of service or shipment or delivery and generally require all customers to pay within 60 days after the last day of the month during which the invoice was sent. However, for ProMOS, during 2010 the invoice settlement cycle has been changed to 30 or 45 days upon delivery, and commencing in June 2011, the collection term was revised to advance payment prior to delivery. Commencing April 1, 2011, since Mosel is no longer a related party to us, ProMOS is also not considered our related party.

In January 2008, at the request of ProMOS, we agreed to permit ProMOS to defer payment of aggregate service fees of NT\$450 million to February 15, 2009. The deferred service fees, bore interest at a rate of 4.69% per annum, were recorded as long-term accounts receivable as of December 31, 2007, and were paid in full by ProMOS in March and April 2008. We also experienced collection problems for our receivables from ProMOS in 2008 and 2009, respectively. The full amount of allowance for these doubtful receivables of NT\$578 million and NT\$464 million were reserved as of December 31, 2008 and 2009, respectively. As of December 31, 2009, other receivables from ProMOS amounted to NT\$409 million and 100% allowance was made by ChipMOS Taiwan. NT\$7 million was received by April 2010. Under the amended subcontracting contract ProMOS paid ChipMOS Taiwan NT\$200 million in May 2010. The remaining NT\$202 million was paid in nine monthly installments with the final payment made on March 15, 2011. As of December 31, 2010, ChipMOS Taiwan received NT\$336 million and the related allowance of NT\$409 million was reversed to other non-operating income. In March 2011, all payments were received.

As of December 31, 2009, other receivables from ProMOS amounted to NT\$55 million and 100% allowance was made by ThaiLin. In June 2010, ThaiLin agreed a settlement with ProMOS in the amount of NT\$24 million and it was collected during the same year. The allowance of NT\$24 million was reversed to other non-operating income. See "Item 4. Information on the Company — Customers".

[Table of Contents](#)

We also experienced collection problems for our services of receivables from Spansion in 2008 and 2009, respectively. The full amounts of allowance of these doubtful receivables of NT\$1,539 million and NT\$2,232 million were reserved as of December 31, 2008 and 2009, respectively. On January 25, 2010, we entered into a definitive Transfer of Claim Agreement to sell to Citigroup Financial Products Inc. (Citigroup) the general unsecured claim reflected in the proof of claim against Spansion. The claim that was the subject of the Transfer of Claim Agreement included accounts receivable for testing and assembly services provided to Spansion (the “Undisputed Claim”). In February 2010, we received from Citigroup the purchase price for the Undisputed Claim of NT\$1,118 million against accounts receivable of NT\$2,186 million. A loss on sale of receivables of NT\$1,068 million was recognized and the related allowance for doubtful receivables of NT\$2,186 million was reversed in 2010. See “Item 4. Information on the Company — Customers”.

We have not experienced other significant collection problems for our services.

Related Party Revenues

In 2012 and 2013, no revenue was derived from related parties. While we believe that our transactions with related parties were entered into on an arm’s length basis, we extended them favorable payment terms, as discussed in the preceding paragraph. See “Item 7. Major Shareholders and Related Party Transactions” for more information concerning our related party transactions.

Geography and Currency

The majority of our revenue is generated from customers headquartered in Taiwan, which represented 71% and 72% of our revenue in 2012 and 2013, respectively. We also generate revenue from customers in the United States, Singapore, Korea, Japan and other countries. Our service fees and revenue are generally denominated in the currency of the jurisdiction in which our facilities are located, for example NT dollars for our Taiwan operations and RMB for our Mainland China operations. As we generate most of our revenue from Taiwanese customers using our Taiwanese operations, and since most of our labor and overhead costs are denominated in NT dollars, we consider the NT dollar to be our functional currency.

See Note 30 to our consolidated financial statements contained in this Annual Report on Form 20-F and “Item 11. Quantitative and Qualitative Disclosure about Market Risk — Market Risks — Foreign Currency Exchange Rate Risks” for certain information on our exchange rate risks.

Cost of Revenue and Gross Profit

Our cost of revenue consists primarily of the following: depreciation and amortization expenses, raw material costs, and labor and overhead expenses, which primarily include expendable equipments, sub-contracting fees and rental expenses. Our operations, in particular our testing, are characterized by relatively high fixed costs. We expect to continue to incur substantial depreciation and other expenses as a result of our previous and future acquisitions of testing and assembly equipment and facilities, including our investment in our Mainland China operations. As of March 31, 2014, we had 906 testers, 149 burn-in ovens, 970 wire bonders, 137 inner-lead bonders, 7 steppers and 18 sputters. We use inner-lead bonders for the assembly of LCD and other flat-panel display driver semiconductors using TCP or COF technology, and wire bonders for TSOP, BGA, and some other package assembly technologies.

Our profitability depends in part not only on absolute pricing levels for our services, but also on our capacity utilization rates. Our average capacity utilization rate for testing of memory and logic/mixed-signal semiconductors was 69% in 2012 and 65% in 2013. Our average capacity utilization rate for assembly of memory and logic/mixed-signal semiconductors was 78% in 2012 and 80% in 2013. Our average capacity utilization rate for LCD and other flat-panel display driver semiconductor testing and assembly was 79% in 2012 and 81% in 2013. In addition, our average capacity utilization rate for bumping was 81% in 2012 and 87% in 2013.

For each period of time selected, we derived the capacity utilization rate for our testing operations by dividing the total number of hours of actual use of our facilities’ testing equipment units by the maximum number of hours that these equipment units were capable of being used. The testing capacity utilization rate generally increases in correlation to increases in the total volume of our customer orders, and generally decreases in correlation to decreases in the total volume of our customer orders.

For each period of time selected, we derived the capacity utilization rate for our assembly operations by dividing the total number of units actually produced by our assembly facilities by the maximum number of units that these facilities are capable of producing. The assembly capacity utilization rate generally increases in correlation to increases in the total volume of our customer orders, and generally decreases in correlation to decreases in the total volume of our customer orders.

[Table of Contents](#)

Our gross revenue is generally the product of the total volume of our customer orders multiplied by the average selling price per deliverable unit from our assembly or testing services, as the case may be. As a result, in a period where the average selling prices do not fluctuate significantly, increases or decreases in our capacity utilization rates generally correlate to increases or decreases in our gross revenue. Periods with significant increases in the average selling prices reduce the negative impact on our gross revenue from any decreases in our capacity utilization rates. Similarly, periods with significant decreases in the average selling prices reduce the positive impact on our gross revenue from any increases in our capacity utilization rates.

The Company has significant fixed costs in operating our assembly and testing facilities. For this reason, decreases in our cost of goods sold during a period generally occur at a slower rate than decreases, during the same period, in our gross revenue due to lower capacity utilization rates, lower average selling prices, or both. Also, as a result, our gross margin and profitability generally decrease in correlation to decreases in our capacity utilization rates, decreases in our average selling prices, or both. Similarly, our gross margin and profitability generally increase in correlation to increases in our capacity utilization rates, increases in our average selling prices, or both. Due to the cyclical nature of the semiconductor industry, customer orders may change significantly, causing fluctuation in our capacity utilization rate and average selling price.

Most of our labor and overhead costs are denominated in NT dollars. However, we also incur costs of revenues and operating expenses associated with testing and assembly services in several other currencies, including Japanese yen, US dollars and RMB. In addition, a substantial portion of our capital expenditures, primarily for the purchase of testing and assembly equipment, has been, and is expected to continue to be, denominated in Japanese yen with much of the remainder denominated in US dollars.

The following table sets forth, for the periods indicated, our gross profit and our gross profit margin as a percentage of revenue.

	Year ended December 31,		
	2012	2013	2013
	NT\$	NT\$	US\$
(in millions)			
Gross profit:			
Testing			
Memory	\$ 511.2	\$ 654.0	\$ 21.9
Logic/mixed-signal	86.0	222.0	7.5
Total testing	597.2	876.0	29.4
Assembly			
Memory	111.6	503.5	16.9
Logic/mixed-signal	283.5	171.8	5.7
Total assembly	395.1	675.3	22.6
LCD and other flat-panel display driver semiconductor testing and assembly	1,245.9	1,358.6	45.5
Bumping	214.4	529.6	17.8
Total	<u>\$2,452.6</u>	<u>\$3,439.5</u>	<u>\$115.3</u>
Gross profit margin:			
Testing			
Memory	10.1%	16.4%	16.4%
Logic/mixed-signal	16.9	36.0	36.0
Total testing	10.7	19.1	19.1
Assembly			
Memory	2.0	8.9	8.9
Logic/mixed-signal	33.1	26.9	26.9
Total assembly	6.2	10.8	10.8
LCD and other flat-panel display driver semiconductor testing and assembly	28.6	28.4	28.4
Bumping	7.3	14.3	14.3
Overall	12.8%	17.8%	17.8%

Operating Expenses

Research and Development

Research and development expenses consist primarily of personnel expenses, expenditures to qualify our services for specific customers and other consulting fees and certification fees paid to third parties. Research and development expenses are recognized as they are incurred. We currently expect that research and development expenses will increase in the future as we continue to explore new technologies and service offerings. We also expect to hire additional employees in our research and development department.

[Table of Contents](#)

Sales and Marketing

Sales and marketing expenses consist primarily of shipping and handling expenses incurred in delivering products to our customers' designated locations, advertising, corporate communications and other marketing expenses, salary expenses for sales and marketing personnel, sales commission, professional service fees, bad debt provision and service support expenses.

Administrative and General

Administrative and general expenses consist of salaries and related expenses for executive, finance and accounting, and management information systems personnel, professional service fees, and other corporate expenses. They also include stock-based compensation that is expensed using the fair value method. See "Item 6. Directors, Senior Management and Employees—Share Option Plan and Share Appreciation Rights Plan" for more information concerning our share option plan. We expect administrative and general expenses to increase in absolute terms as we add personnel and incur additional expenses related to the growth of our business and operations.

Other Non-Operating Income (Expenses), Net

Our other non-operating income principally consists of interest income, foreign exchange gains and warehouse space rental revenue. In 2008, our other non-operating income included certain interest income paid by Kolin under a loan repayable to ChipMOS Taiwan that bears interest at a rate of 4.69% per annum. NT\$15 million of this loan was repaid in 2008. The loan was originally secured by a pledge by Kolin of 11 million common shares of ThaiLin. The loan has been fully repaid and the subject pledge has been released accordingly in 2013. See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions—ThaiLin Semiconductor Corp." for more information.

In January 2010, ChipMOS Taiwan entered into a definitive Transfer of Claim Agreement to sell to Citigroup Financial Products Inc. (Citigroup) the general unsecured claim reflected in the proof of claim against Spansion. As a result of the agreement, ChipMOS Taiwan received from Citigroup the purchase price for the Undisputed Claim of NT\$1,118 million against accounts receivable of NT\$2,186 million. A loss on sale of receivables of NT\$1,068 million was recognized and the related allowance for doubtful receivables of NT\$2,186 million was reversed in 2010. The Transfer of Claim Agreement also includes the sale of breach of contract and liquidated damages rights against Spansion in the amount of NT\$2,118 million, which was received in October 2010.

As of December 31, 2009, other receivables from ProMOS amounted to NT\$409 million and 100% allowance was made by ChipMOS Taiwan. NT\$7 million was received by April 2010. Under an amended subcontracting contract, ProMOS paid ChipMOS Taiwan NT\$200 million in May 2010. The remaining NT\$202 million was subsequently received by March 2011. As of December 31, 2010, ChipMOS Taiwan received NT\$336 million and the related allowance of NT\$409 million was reversed to other non-operating income. In March 2011, all payments were received.

As of December 31, 2009, other receivables from ProMOS amounted to NT\$55 million and 100% allowance was made by ThaiLin. In June 2010, ThaiLin agreed a settlement with ProMOS in the amount of NT\$24 million, this payment was fully received in the same year. The allowance of NT\$24 million was reversed to other non-operating income.

Our other non-operating expenses principally consist of impairment of available-for-sale investments and foreign exchange losses.

[Table of Contents](#)

Non-controlling Interests

Non-controlling interests represent the portion of our income that is attributable to the shareholding in our consolidated subsidiaries that we do not own. See “Item 4. Information on the Company—Our Structure and History” for information concerning our consolidated subsidiaries. In 2010 and 2011, our non-controlling interests were attributable to the non-controlling interests owned by Siliconware Precision in ChipMOS Taiwan as a result of the February 2010 share purchase agreement under which we agreed to sell 15.8% of ChipMOS Taiwan’s outstanding shares to Siliconware Precision, and the public shareholders’ interests in ThaiLin. The sale of 15.8% of ChipMOS Taiwan’s outstanding shares to Siliconware Precision was completed in January 2011. On April 16, 2013, we sold 6.5 million shares or 0.8% of the total number of ChipMOS Taiwan’s outstanding shares, at the price of NT\$15.0 per share to ChipMOS Taiwan’s underwriters, Yuanta Securities Company Limited and Capital Securities Corp., and to certain others, including non-US employees of ChipMOS Taiwan. From September 2, 2013 to October 3, 2013, we sold 180 million shares or 21.4% of the total number of ChipMOS Taiwan’s outstanding shares, at the price of NT\$20.0 per shares to investors. After the completion of the aforesaid sales the Company held approximately 523 million ChipMOS Taiwan shares, representing 62.1% of the total number of ChipMOS Taiwan’s outstanding shares. Under the MMT Assignment Agreement signed on April 22, 2011, ChipMOS Bermuda agreed to sell the MMT Notes to ThaiLin. The transaction was completed in October 2011 and ThaiLin immediately converted the MMT Notes into common shares of Modern Mind and purchased all of the remaining common shares of Modern Mind from Jesper, with ChipMOS Shanghai becoming a wholly-owned subsidiary of ThaiLin. As a result of the transaction, the interest of ChipMOS Bermuda in Modern Mind and also ChipMOS Shanghai decreased to 36.1% from 100%. In 2013, our non-controlling interests were attributable to the non-controlling interests owned by Siliconware Precision and the public shareholders’ interests in ChipMOS Taiwan and the public shareholders’ interests in ThaiLin and ChipMOS Shanghai. As of the date of this Annual Report on Form 20-F, we own approximately 522 million ChipMOS Taiwan shares, representing 60.4% of ChipMOS Taiwan’s outstanding shares. As of December 31, 2013 and March 31, 2014, we owned approximately 523 million ChipMOS Taiwan shares, representing 62.1% of ChipMOS Taiwan’s outstanding shares.

Profit for the Year Attributable to Equity Holders of the Company

Our profit for the year attributable to equity holders of the Company were NT\$630 million and NT\$1,335 million (US\$45 million) in 2012 and 2013, respectively. We believe our future results will be dependent upon the overall economic conditions in the markets we serve, the competitive environment in which we operate, and our ability to successfully implement our strategy, among other things. For additional information on factors that will affect our future performance, see “Item 3. Key Information—Risk Factors”.

Results of Operations

The following table presents selected operating data as a percentage of revenue for the periods indicated:

	Year ended December 31,	
	2012	2013
IFRSs:		
Revenue	100.0%	100.0%
Cost of revenue	(87.2)	(82.2)
Gross profit	12.8	17.8
Other operating income	0.7	2.2
Research and development expenses	(2.7)	(2.9)
Sales and marketing expenses	(0.4)	(0.6)
Administrative and general expenses	(3.3)	(3.6)
Other operating expenses	(0.3)	(0.5)
Operating profit	6.8	12.4
Finance costs	(1.2)	(0.9)
Other non-operating income (expense), net	(1.2)	1.5
Profit before tax	4.4	13.0
Income tax	(0.9)	(4.3)
Profit for the year	3.5%	8.7%
Attributable to:		
Equity holders of the Company	3.3%	6.9%
Non-controlling interests	0.2%	1.8%

[Table of Contents](#)

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenue. Our revenue increased by NT\$141 million, or 0.7%, to NT\$19,362 million (US\$649 million) in 2013 from NT\$19,221 million in 2012.

Revenue from testing services for memory and logic/mixed-signal semiconductors decreased by NT\$967 million, or 17%, to NT\$4,596 million (US\$154 million) in 2013 from NT\$5,563 million in 2012. Revenue from testing services for memory semiconductors decreased by NT\$1,075 million, or 21%, to NT\$3,980 million (US\$133 million) in 2013 from NT\$5,055 million in 2012, principally due to the decreased capacity utilization rate and average selling price for DRAM products. Revenue for testing services for logic/mixed-signal semiconductors increased by NT\$108 million, or 21%, to NT\$616 million (US\$21 million) in 2013 from NT\$508 million in 2012, principally due to the higher customer demand.

Revenue from assembly services for memory and logic/mixed-signal semiconductors decreased by NT\$107 million, or 2%, to NT\$6,274 million (US\$210 million) in 2013 from NT\$6,381 million in 2012. Revenue from assembly services for memory semiconductors increased by NT\$111 million, or 2%, to NT\$5,635 million (US\$189 million) in 2013 from NT\$5,524 million in 2012, primarily as a result of increased customer demand and capacity utilization rate. Revenue from assembly services for logic/mixed-signal semiconductors decreased by NT\$218 million, or 25%, to NT\$639 million (US\$21 million) in 2013 from NT\$857 million in 2012, principally due to a decreased average selling price.

Revenue from LCD and other flat-panel display driver semiconductor testing and assembly services increased by NT\$425 million, or 10%, to NT\$4,781 million (US\$160 million) in 2013 from NT\$4,356 million in 2012. This increase was principally as a result of an increase in customer demand and capacity utilization rate for LCD and other flat-panel display products in 2013.

Revenue from bumping services increased by NT\$790 million, or 27%, to NT\$3,711 million (US\$124 million) in 2013 from NT\$2,921 million in 2012. This increase was principally as a result of an increase in customer demand, average selling price and the increased capacity utilization rate for bumping services in 2013.

See “— Cost of Revenue and Gross Profit” for more information concerning our testing and assembly capacity utilization rates and the impact on our revenue, gross profit and profitability from any increases or decreases in our capacity utilization rate.

Cost of Revenue and Gross Profit. Cost of revenue decreased by NT\$846 million, or 5%, to NT\$15,922 million (US\$534 million) in 2013 from NT\$16,768 million in 2012, primarily due to the decrease of depreciation expenses of NT\$1,333 million (US\$45 million) and partially offset by the increases in employee benefit costs, inventory valuation allowance and operating leases of NT\$273 million (US\$9 million), NT\$92 million (US\$3 million) and NT\$115 million (US\$4 million), respectively.

Our gross profit increased to NT\$3,440 million (US\$115 million) in 2013 from NT\$2,453 million in 2012. Our gross margin was 17.8% in 2013, compared to 12.8% in 2012.

Our gross profit margin for testing services for memory and logic/mixed-signal semiconductors increased to 19.1% in 2013 from 10.7% in 2012, primarily due to the increased sales of higher margin logic/mixed-signal semiconductors testing services.

Our gross profit margin for assembly services for memory and logic/mixed-signal semiconductors increased to 10.8% in 2013 from 6.2% in 2012, primarily due to the increased customer demand and higher capacity utilization rate.

Our gross profit margin for LCD and other flat-panel display driver semiconductor testing and assembly services decreased to 28.4% in 2013 from 28.6% in 2012, primarily due to the change in product mix.

Our gross profit margin for bumping services increased to 14.3% in 2013 from 7.3% in 2012, primarily due to the increased average selling price and higher capacity utilization rate.

See “— Cost of Revenue and Gross Profit” for more information concerning our testing and assembly capacity utilization rates and the impact on our revenue, gross profit and profitability from any increases or decreases in our capacity utilization rates.

Other Operating Income. Other operating income increased by NT\$314 million, or 245%, to NT\$442 million (US\$15 million) in 2013 from NT\$128 million in 2012, primarily due to the increase of gain on disposal of property, plant and equipment of NT\$98 million (US\$3 million), reversal of allowance for impairment of receivables of NT\$62 million (US\$2 million) and reversal of accrued royalty fees of NT\$140 million (US\$5 million).

[Table of Contents](#)

Research and Development Expenses. Research and development expenses increased by NT\$59 million, or 12%, to NT\$564 million (US\$19 million) in 2013 from NT\$505 million in 2012, primarily due to the increase of employee benefit costs.

Sales and Marketing Expenses. Sales and marketing expenses increased by NT\$28 million, or 35%, to NT\$108 million (US\$4 million) in 2013 from NT\$80 million in 2012, primarily due to the increase of employee benefit costs, freight-out expense, commissions expense and allowance for impairment of accounts and notes receivable.

Administrative and General Expenses. Administrative and general expenses increased by NT\$62 million, or 10%, to NT\$699 million (US\$23 million) in 2013 from NT\$637 million in 2012, primarily due to the increase of employee benefit costs, depreciation expense and professional service fees.

Other Operating Expenses. Other operating expenses increased by NT\$52 million, or 106%, to NT\$101 million (US\$3 million) in 2013 from NT\$49 million in 2012, primarily due to the increase of accrued compensation of NT\$42 million (US\$1 million) and accrued royalty of NT\$40 million (US\$1 million) and partially offset by the decrease of loss on disposal of property, plant and equipment of NT\$37 million (US\$1 million).

Finance Costs. Finance costs decreased by NT\$46 million, or 20%, to finance costs of NT\$183 million (US\$6 million) in 2013 from NT\$229 million in 2012. This change was primarily due to the decrease of interest on bank loans by NT\$47 million (US\$2 million).

Other Non-Operating Income (Expenses), Net. Other non-operating expenses, net, changed by NT\$522 million, or 224%, to other non-operating income, net, of NT\$289 million (US\$10 million) in 2013 from other non-operating expenses, net, of NT\$233 million in 2012. This change was primarily due to the decrease of foreign exchange loss by NT\$482 million (US\$16 million).

Profit before Tax. As a result of the foregoing, profit before tax increased by 197% to NT\$2,516 million (US\$84 million) in 2013 from NT\$848 million in 2012.

Income Tax. We had an income tax expense of NT\$827 million (US\$28 million) in 2013 compared to income tax expense of NT\$178 million for 2012, primarily due to the increase of profit before tax.

Profit for the Year Attributable to Non-controlling Interests. The profits less losses of Modern Mind and ChipMOS Shanghai and of ChipMOS Taiwan and ThaiLin attributable to non-controlling interests amounted to NT\$354 million (US\$12 million) in 2013, compared to NT\$40 million in 2012.

Profit for the Year Attributable to the Company. As a result of the foregoing, the profit for the year attributable to the Company was NT\$1,335 million (US\$45 million) in 2013, compared to NT\$630 million in 2012.

Critical Accounting Policies

Commencing January 1, 2013, we prepare our consolidated financial statements in conformity with the IFRSs. Under the IFRSs, we are required to make certain estimates, judgments and assumptions about matters that are highly uncertain at the time those estimates, judgments and assumptions are made, and our financial condition or results of operations may be materially impacted if we use different but nonetheless reasonable estimates, judgments or assumptions about those matters for that particular period or if we change our estimates, judgments or assumptions from period to period.

Under the IFRSs, the significant accounting policies are set forth in Note 2 to our consolidated financial statements contained in this Annual Report on Form 20-F. The significant accounting policies that require us to make estimates and assumptions about the effect of matters that are inherently uncertain are discussed below.

Impairment of receivables

Receivables are assessed for indicators of impairment at the end of each reporting period, and are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the receivables, the estimated future cash flows of the receivables have been impacted. For the customer that we have reason to believe may have an inability to meet its financial obligations, we conduct an individual examination based on the available facts and circumstances to record a specific reserve. For the customers other than this, a general reserve is established based on a range of percentages applied to aging categories. These percentages are based on historical collection and write-off experience. If circumstances change, the estimate of the recoverability of amounts due to us could be reduced by a material amount. As of December 31, 2013, we provided NT\$7 million (US\$235 thousand) for the first type of reserve and NT\$171 thousand (US\$6 thousand) for the second type of reserve. See “Item 4. Information on the Company—Customers”.

The allowance we set aside for doubtful receivables was NT\$57 thousand as of December 31, 2012 and NT\$7 million (US\$235 thousand) as of December 31, 2013. The allowances as of December 31, 2012 and 2013 represented 0.0% and 0.2%, respectively, of our accounts receivable as of those dates. The reversal and allowance in 2012 and 2013 reflected an enlargement and reduction of NT\$2 million and NT\$7 million (US\$235 thousand), respectively, in accounts receivable that decreased and increased the sales and marketing expenses. If we were to change our estimate of the allowance for doubtful receivables either upward or downward 10%, our operating profit would be affected by NT\$86 thousand (US\$3 thousand) for 2013.

An increase in our allowance for doubtful receivables would increase our sales and marketing expenses, and decrease our current assets.

Deferred Tax Assets

Deferred tax assets are recognized for unused tax losses and tax credit to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine that amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

In 2012 and 2013, the Group has NT\$1,523 million and NT\$1,218 million (US\$41 million) of tax losses carried forward, respectively. These losses relate to subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognize deferred tax assets on the tax losses carried forward. If the Group was able to recognize all unrecognized deferred tax assets, profit and equity would have increased by NT\$305 million (US\$10 million).

As of December 31, 2012 and 2013, the ending balances for deferred tax assets were NT\$593 million and NT\$195 million (US\$7 million), respectively.

Impairment of Non-Financial Assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (“DCF”) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for the extrapolation purposes.

In determining whether any impairment charges were necessary for the property, plant and equipment and other non-current assets for the year ended December 31, 2013, we assumed that the semiconductor industry will continue its growth in the next few years. Based upon our assumption of growth in the semiconductor industry and our other assumptions in our internal budget, for the purpose of determining whether any impairment charges are necessary for the year ended December 31, 2013, an impairment loss of NT\$671 thousand (US\$22 thousand) and NT\$220 thousand (US\$7 thousand) were recognized with respect of property, plant and equipment and other non-current assets, respectively.

While we believe that our estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect our evaluations.

Defined Benefit Plans

The cost of the defined benefit pension plan and post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details are disclosed in Note 22 to our consolidated financial statements contained in this Annual Report on Form 20-F.

Share-Based Payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payments are disclosed in Note 31 to our consolidated financial statements contained in this Annual Report on Form 20-F. In 2013, the share-based compensation expense amounted to NT\$233 million (US\$8 million), which was taken into account when determining our profit for the year and shareholders' equity for the year ended December 31, 2013.

Senior Management's Discussion with the Audit Committee

Our management has discussed the critical accounting policies described above with the audit committee of our board of directors and the audit committee has reviewed our disclosure relating to the critical accounting policies in this section.

Impact of Foreign Currency Fluctuations and Governmental or Political Factors

For a discussion of the impact of foreign currency fluctuations and governmental economics, fiscal, monetary or political policies or factors that may directly or indirect impact us, see "Item 3. Key Information—Risks Factors—Risks Relating to Our Business—Fluctuations in exchange rates could result in foreign exchange losses" and "Item 3. Key Information—Risks Factors—Risks Relating to Countries in Which We Conduct Operations".

Liquidity and Capital Resources

Since our inception, we have funded our operations and growth primarily through the issuance of equity, a mixture of short- and long-term loans and cash flow from operations. As of December 31, 2013, our primary sources of liquidity were cash and cash equivalents of NT\$13,373 million (US\$448 million), short-term loans of NT\$3,021 million (US\$101 million) available to us in undrawn facilities, which have expired or will expire from January 2014 to November 2014, and long-term loans of NT\$454 million (US\$15 million) available to us in undrawn facilities, which will expire in May 2015. To meet our liquidity, capital spending and other capital needs, we have taken certain steps discussed below.

In December 2010, ChipMOS Taiwan reached agreement with and received approval from its bank creditors for an extension of its repayment schedule on its short-term loans. The following related key extended repayment terms and conditions apply to ChipMOS Taiwan's bank loans due between 2009 to 2013. For repayment of non-revolving short-term loans, ChipMOS Taiwan agreed to repay 20% of the outstanding principal on December 31, 2010, to repay the balance outstanding in eight quarterly installments by the end of 2012, and to set aside NT\$50 million per month with Bank of Taiwan from January 2011 until December 2012 to fund the scheduled estimated principal repayments. ChipMOS Taiwan may maintain its current revolving short-term facilities but is required to increase its collateral to secure up to 60% of the outstanding principal amount by the end of 2011. For repayment of long-term loans, ChipMOS Taiwan agreed to set aside with Bank of Taiwan NT\$300 million per month for 2011, NT\$270 million per month for 2012 and NT\$150 million per month for 2013 to meet the principal repayment schedule. The bank creditors agreed that ChipMOS Taiwan may arrange additional bank loans for purchasing operating materials by using its available assets as collateral. These banks also agreed not to unilaterally foreclose and seize any machinery, property or deposits of ChipMOS Taiwan and agreed to waive any penalties that might have to be imposed on the Company in case of breach under the existing loan agreements.

In July 2011, ChipMOS Taiwan obtained a syndicated loan facility from banks in Taiwan in the amount of NT\$8,410 million separated into two parts with its respective term of four years and five years. This loan facility was used to refinance the existing bank debts and equipment leases in July and August 2011.

[Table of Contents](#)

Our bank creditors provided us with a waiver in February 2010 relating to any potential covenant breaches under a syndicated loan facility agreement with Standard Chartered Bank (Hong Kong) Limited as agent. The application by the Company for early repayment of the outstanding loan in four installments was approved in April 2010 without penalty. The syndicated loan facility was fully repaid in January 2011. See “Item 3. Key Information—Risk Factors—Risks Relating to Our Business—Our significant amount of indebtedness and interest expense will limit our cash flow and could adversely affect our operations” for additional information.

Liquidity

The following table sets forth our cash flows with respect to operating activities, investing activities, financing activities and the effect of exchange rate changes on cash for the periods indicated.

	Year ended December 31,		
	2012	2013	2013
	NT\$	NT\$	US\$
	(in millions)		
Net cash generated from (used in):			
Operating activities	\$ 4,527.0	\$ 6,223.2	\$ 208.6
Investing activities	(2,599.8)	(3,005.6)	(100.7)
Financing activities	(312.3)	1,305.2	43.7
Net increase in cash and cash equivalents	<u>\$ 1,614.9</u>	<u>\$ 4,522.8</u>	<u>\$ 151.6</u>

Net Cash Generated from Operating Activities

Net cash generated from operating activities totaled NT\$6,223 million (US\$209 million) in 2013, compared to NT\$4,527 million in 2012. Net cash generated from operating activities was positively impacted by a profit before tax of NT\$2,516 million (US\$84 million) with depreciation expenses of NT\$3,292 million (US\$110 million) in 2013 compared to a profit before tax of NT\$848 million with depreciation expenses of NT\$4,623 million in 2012. The increase in net cash generated from operating activities was primarily due to a decrease of short-term deposits of NT\$354 million (US\$12 million) in 2013 compared to an increase of short-term deposits of NT\$344 million in 2012, an increase of accounts and notes receivable of NT\$2 million (US\$67 thousand) in 2013 compared to an increase of accounts and notes receivable of NT\$327 million in 2012 and an increase of accounts payable of NT\$67 million (US\$2 million) in 2013 compared to a decrease of accounts payable of NT\$241 million in 2012.

Net Cash Used in Investing Activities

Net cash used in investing activities totaled NT\$3,006 million (US\$101 million) in 2013, compared to NT\$2,600 million in 2012. The increase in net cash used in investing activities was primarily resulted from the increase in capital expenditures which was NT\$3,251 million (US\$109 million) in 2013, compared to NT\$2,749 million in 2012. The increase in net cash used in investing activities also was partially offset by the increase in proceeds from sales of property, plant and equipment which was NT\$151 million (US\$5 million) in 2013, compared to NT\$38 million in 2012.

Net Cash (Used in) Generated from Financing Activities

Net cash generated from financing activities totaled NT\$1,305 million (US\$44 million) in 2013, compared to net cash used in financing activities totaled NT\$312 million in 2012. The decrease in net cash used in financing activities was primarily the result of the net payments of long-term loans of NT\$2,204 million (US\$74 million) in 2013, compared to NT\$201 million in 2012, net proceeds of short-term loans of NT\$420 million (US\$14 million) in 2013, compared to net payments of short-term loans of NT\$180 million in 2012 and the increase in proceeds from partial disposal of a subsidiary of NT\$3,537 million (US\$119 million) in 2013.

Capital Resources

Capital expenditures in 2012 were funded by NT\$4,527 million in cash flows from operating activities. Capital expenditures in 2013 were funded by NT\$6,223 million (US\$209 million) in cash flows from operating activities.

Steps taken with respect to generating additional working capital and to saving cash are further discussed under “—Liquidity and Capital Resources.”

Loans

As of December 31, 2013, we had long-term loans of NT\$6,764 million (US\$227 million) (including current portions of such long-term loans of NT\$2,875 million (US\$96 million)). As of December 31, 2013, unused credit value of our long-term loans was approximately NT\$454 million (US\$15 million). As of December 31, 2013, NT\$2,732 million (US\$92 million) of our long-term loans were collateralized by equipment, and NT\$4,032 million (US\$135 million) were collateralized by land and buildings and prepaid rents-land use right. Our long-term loans were floating rate loans with a rate between 1.73% and 3.1645% as of December 31, 2013, repayable quarterly or semi-annually until November 2014 to March 2018.

We had entered into the following syndicated loan facilities:

- On March 21, 2003, we obtained a syndicated loan facility in the amount of NT\$1,000 million. This loan facility is separated into two parts with its respective term of seven years and five years. This loan facility is secured by ThaiLin's facilities and the testing equipment at Chupei. This loan facility was fully repaid in May 2011.
- On July 27, 2004, we obtained a syndicated loan facility in the amount of NT\$1,000 million for a term of five years. This loan facility is secured by our facilities at the Southern Taiwan Science Park and our testing and assembly equipment located within our facilities at Chupei, the Hsinchu Science Park and the Southern Taiwan Science Park. This loan facility was fully repaid in August 2011.
- On June 7, 2005, we obtained a syndicated loan facility in the amount of NT\$1,000 million for a term of four years. This loan facility is secured by our facilities at the Hsinchu Science Park. This loan facility was fully repaid in July 2011.
- In January 2006, we obtained a syndicated loan facility from banks in Taiwan in the amount of NT\$6,000 million for a term of five years. This loan facility is secured by our facilities at the Hsinchu Science Park and our testing and assembly equipment located within our facilities at Chupei, the Hsinchu Science Park and the Southern Taiwan Science Park. This loan facility was fully repaid in July 2011.
- In February 2006, we obtained a syndicated loan facility from banks in Taiwan in the amount of NT\$3,000 million for a term of six years. This loan facility is secured by ThaiLin's facilities at Chupei. The last withdraw date was August 2009, and the facility was adjusted to NT\$1,500 million. This loan facility was fully repaid in February 2012.
- In June 2007, we obtained a syndicated loan facility from banks in Taiwan in the amount of NT\$6,000 million for a term of five years. This loan facility is secured by our facilities at the Southern Taiwan Science Park and equipment located within our facilities at Chupei, the Hsinchu Science Park and the Southern Taiwan Science Park. In November 2009, the facility downward adjusted to NT\$2,100 million. This loan facility was fully repaid in August 2011.
- In July 2008, we obtained a syndicated loan facility from banks in Taiwan in the amount of US\$74.5 million for a term of three years. This loan facility is guaranteed by ChipMOS Taiwan. This loan facility was fully repaid in January 2011.
- On July 14, 2011, we obtained a syndicated loan facility from banks in Taiwan in the amount of NT\$8,410 million separated into two parts with its respective term of four years and five years. This loan facility is secured by existing land and buildings and equipment owned by ChipMOS Taiwan. This loan facility was fully drawn in 2011.
- On March 7, 2012, we obtained a bank loan facility from a bank in Shanghai in the amount of US\$9 million for a term of three years. This loan facility is secured by existing prepaid rents-land use right, buildings and equipment owned by ChipMOS Shanghai. This loan facility was drawn of US\$7 million and expired on March 7, 2014.
- On May 24, 2013, we obtained a bank loan facility from a bank in Taiwan in the amount of NT\$400 million (US\$13 million) for a term of two years. This loan facility is unsecured credit for ChipMOS Taiwan, drawn amount limited to NT\$600 million in total long-term loan and short-term loan drawn.

Certain of our loan agreements and indentures contain covenants that, if violated, could result in the obligations under these agreements becoming due prior to the originally scheduled maturity dates. These covenants include financial covenants that require us to:

- maintain current assets to current liabilities ratio above 1:1;
- maintain total indebtedness to shareholders' equity ratio below 1.4:1;
- maintain the profit before interest, taxes, depreciation and amortization to gross interest expense ratio above 2.5:1.

[Table of Contents](#)

In December 2009, ThaiLin obtained waiver from compliance with the earning to principal and interest ratio requirement for 2009. ThaiLin was in compliance with the financial ratio requirement for 2010 and 2011. In 2012, ThaiLin was not required to maintain any financial ratio of which syndicated loans were repaid in September 2012. In November 2010, ChipMOS Taiwan received three separate waiver request approvals from its creditors and was waived from compliance with the financial ratio requirements for 2010. ChipMOS Taiwan was in compliance with the financial ratio requirement for 2011 and 2012. Pursuant to a bank creditors meetings and the approval notice from Standard Chartered Bank on February 9, 2010, ChipMOS Bermuda, as borrower, and ChipMOS Taiwan, as guarantor, were waived from compliance with the financial ratio requirements as of December 31, 2009. ChipMOS Shanghai was not required to maintain any financial ratio during 2012 and 2013.

In December 2010, ChipMOS Taiwan further received approval for its request for repayment extension from over 50% of the creditor banks for its short-term loans and the amount of NT\$1,468 million has been extended on December 31, 2010. The key extension repayment terms include agreement by ChipMOS Taiwan to repay 20% of the outstanding short-term loans on December 31, 2010 and to repay the balance in eight installments by setting aside monthly installments of NT\$50 million with Bank of Taiwan, the largest bank creditor, commencing January 2011 to December 2012.

In addition, a substantial portion of our short-term and long-term borrowings may be subject to repayment upon a material deterioration of our financial condition, results of operations or our ability to perform under the loan agreements.

Set forth below are the maturities of our long-term bank loans outstanding as of December 31, 2013:

	As of December 31, 2013	
	NT\$	US\$
	(in millions)	
During 2014	\$ 2,875	\$ 96
During 2015	1,847	62
During 2016	1,917	64
During 2017	100	4
During 2018 and onwards	25	1
	<u>\$ 6,764</u>	<u>\$ 227</u>

As of December 31, 2013, certain of our property, plant and equipment and prepaid rent (land use rights) with an aggregate net book value of NT\$6,150 million (US\$206 million) and NT\$97 million (US\$3 million), respectively, were pledged as collateral in connection with our long-term borrowings. Approximately 48% of our property, plant and equipment and prepaid rent in terms of book value were pledged as collateral for our long-term loans.

Our unused credit lines for short-term loans, as of December 31, 2013, totaled NT\$3,021 million (US\$101 million), which have expired or will expire from January 2014 to November 2014. As of December 31, 2013, our unused long-term credit facilities totaled NT\$454 million (US\$15 million) which will expire in May 2015.

As of December 31, 2013, we had unsecured short-term credit loans for importing raw materials in the total amount of NT\$489 million (US\$16 million), which were due between February 2014 and June 2014, and unsecured export loan in the total amount of NT\$298 million (US\$10 million), which were due in March 2014.

We believe our current cash and cash equivalents, cash flow from operations and available credit facilities will be sufficient to meet our capital spending and other capital needs through the end of 2014. There can be no assurance regarding these matters, however, considering prevailing global economic conditions which continue to have a negative impact on our ability to accurately forecast our revenues, results of operations and cash position. See “Item 3. Key Information—Risk Factors—Risks Relating to Our Business—Our significant amount of indebtedness and interest expense will limit our cash flow and could adversely affect our operations”.

Research and development, patents and licenses

See the discussion under “Item 4. Information on the Company—Research and Development”.

Trend Information

See the discussion under “Item 4. Information on the Company—Industry Background” and “Item 4. Information on the Company—Competition”.

[Table of Contents](#)

Off-Balance Sheet Arrangements

As of December 31, 2013, we had no off-balance sheet arrangements.

Taxation

ChipMOS Taiwan is entitled to tax incentives generally available to Taiwan companies under the ROC Statute of Upgrading Industries, including tax credits of 30% for certain research and development and employee training expenses (and, if the amount of expenditure exceeds the average amount of expenditure for the preceding two years, 50% of the excess amount may be credited against tax payable) and from 5% to 7% for certain investments in automated equipment and technology. These tax credits must be utilized within five years from the date on which they were earned. In addition, except for the last year of the five-year period, the aggregate tax reduction from these tax credits for any year cannot exceed 50% of that year's income tax liability. In 2011, 2012 and 2013, tax credits resulted in tax savings for ChipMOS Taiwan of approximately NT\$164 million, NT\$33 million and NT\$60 million (US\$2 million), respectively.

ThaiLin was granted a ROC income tax exemption for a period of five years on income attributable to the expansion of its production capacity as a result of purchases of new equipment funded by capital increase in 2002, which expired on December 31, 2009.

ThaiLin is also entitled to other tax incentives generally available to Taiwan companies under the ROC Statute of Upgrading Industries, including tax credits of 5% to 7% for certain investment in automated equipment and technology. These tax credits must be utilized within five years from the date on which they were earned. In addition, except for the last year of the five-year period, the aggregate tax reduction from these tax credits for any year cannot exceed 50% of such year's income tax liability. In 2011, 2012 and 2013, tax credits resulted in tax savings for ThaiLin of approximately NT\$15 million, NT\$21 million and NT\$18 million (US\$1 million), respectively.

Profit for the year generated by ChipMOS Taiwan and ThaiLin after January 1, 1998, which is not distributed in the year following the year the profit was generated, is subject to income tax at the rate of 10%. If that profit for the year is subsequently distributed, the income tax previously paid on that income is credited against the amount of withholding tax payable by shareholders, who are not individuals or entities of the Republic of China (for taxation purposes), in connection with the distribution.

The ROC government enacted the ROC Alternative Minimum Tax Act ("AMT Act") that became effective on January 1, 2006. The alternative minimum tax ("AMT") imposed under the AMT Act is a supplemental tax which is payable if the income tax payable pursuant to the ROC Income Tax Act is below the minimum amount prescribed under the AMT Act. The taxable income for calculating the AMT includes most income that is exempted from income tax under various legislations, such as tax holidays and investment tax credits. The AMT rate for business entities is 12%. However, the AMT Act grandfathered certain tax exemptions and tax credits granted prior to the enactment of the AMT. The effects of the AMT on the tax expenses of ChipMOS Taiwan and ThaiLin were reflected in 2013.

In accordance with the relevant tax rules and regulations of the PRC, ChipMOS Shanghai is entitled to an income tax exemption starting from the first profit making year, with a full exemption available for the first two years and a 50% exemption available for three additional years thereafter. As the first profit-making year for ChipMOS Shanghai was 2004, the profits made in the years 2004 and 2005 were fully exempt, and the profits made in the years 2006 through 2008 were subject to a 50% tax exemption. Commencing January 1, 2009, ChipMOS Shanghai is subject to a 25% tax on profits. Any tax losses can only be carried forward for five years.

Tabular Disclosure of Contractual Obligations and Commercial Commitments

The following table summarizes our contractual obligations and commitments as of December 31, 2013, or the periods indicated:

Contractual Obligations	Payments Due by Period				
	Total NT\$	Less than 1 year NT\$	2-3 years NT\$ (in millions)	4-5 years NT\$	More than 5 years NT\$
Long-term debts ⁽¹⁾	\$6,971	\$ 2,996	\$ 3,848	\$ 127	\$ —
Short-term loans ⁽¹⁾	790	790	—	—	—
Operating leases	384	128	110	33	113
Capital commitments	278	278	—	—	—
Total contractual cash obligations	<u>\$8,423</u>	<u>\$ 4,192</u>	<u>\$ 3,958</u>	<u>\$ 160</u>	<u>\$ 113</u>

[Table of Contents](#)

Notes:

(1) Includes interest payments. Assumes level of relevant interest rates remains at December 31, 2013, level throughout all relevant periods.

In addition to the commitments set forth in the contractual obligations table above, we have certain outstanding purchase orders relating to the procurement of raw materials for which there are no definite delivery dates or deadlines.

Item 6. Directors, Senior Management and Employees

Directors and Senior Management

Our board of directors currently comprises of nine directors who were elected by our shareholders. The number of directors must not be less than three nor greater than nine according to our bye-laws, is determined by our board of directors but so long as a quorum of directors remains in office, our board of directors shall have power at any time and from time to time to appoint any individuals to be directors to fill casual vacancies up to such maximum number of directors. The quorum for a meeting of the directors may be fixed by our board and unless so fixed at any other number, shall be two individuals. The chairman of our board is appointed from among the members of our board.

There is no requirement under Bermuda law that a director be a shareholder.

The following table sets out the names of our directors and executive officers, their positions with our company and their ages as of March 31, 2014. The business address for our directors and executive officers is No. 1, R&D Road 1, Hsinchu Science Park, Hsinchu, Taiwan, and Republic of China.

Name	Age	Position	Term Expires
Shih-Jye Cheng	55	Chairman and Director/Chief Executive Officer	2014
Antonio R. Alvarez	57	Independent Director	2014
Chin-Shyh Ou	56	Deputy Chairman and Independent Director	2014
Hsing-Ti Tuan	69	Director	2015
Yeong-Her Wang	57	Independent Director	2015
Shou-Kang Chen	52	Chief Financial Officer and Director	2015
John Yee Woon Seto	69	Independent Director	2016
Chao-Jung Tsai	59	Director	2016
Rong Hsu	63	Independent Director	2016
Carl Lei	50	Acting President of ChipMOS Shanghai	—
Lafair Cho	51	Chairman and President of ThaiLin	—
Li-Chun Li	57	Chief Operating Officer	—
Steve Cheng	51	President of ChipMOS USA	—
Vincent Hsu	45	Vice President, LCDD Production Group	—
Michael Lee	48	Vice President, Wafer Bump Production Group	—
Ivan Hsu	48	Vice President, Memory Production Group	—
Jesse Huang	47	Vice President, Assembly Production Group	—
David W. Wang	64	Vice President, Strategy and Investment Relations	—
I-Fan Chiang	55	Vice President, I.T.M. Center	—
Ahsan Kyu	62	Vice President of ChipMOS USA	—

[Table of Contents](#)

Shih-Jye Cheng has served as one of our directors and chief executive officer since our inception. He became our chairman in May 2004. He is the sibling of President of ChipMOS USA, Mr. Steve Cheng and was our deputy chairman from our inception to May 2004. He has also served as a director and president of ChipMOS Taiwan since 1997, the chairman of ChipMOS Taiwan since June 2003, the chairman of ThaiLin from 2002 to 2013. He was a director of Syntax-Brilliant Corporation from November 2005 to June 2008, the chairman of ChipMOS Shanghai from 2002 to June 2005, the chairman of CHANTEK ELECTRONIC CO., LTD. (“Chantek”) from 2002 to November 2005, the chairman of ChipMOS Logic from January 2004 to November 2005, the chairman of Advanced Micro Chip Technology Co., Ltd. from 2003 to April 2004 and a director of Ultima Electronics Corp. from 2000 to June 2003. He was a division head of the back-end operation of Mosel from 1992 to 1997. Mr. Cheng has a master’s degree in business administration from Saginaw Valley State University. Mr. Cheng was indicted by the Taipei District Prosecutor’s Office for matters relating to the purchase by ChipMOS Taiwan and ThaiLin of certain repurchase notes in 2004. Mr. Cheng was found not guilty by the Taipei District Court on October 1, 2007 and by the High Court on September 3, 2013. The Taiwan High Court’s Prosecutor’s Office has filed a petition for appeal against the High Court’s decision on September 18, 2013. For more information, please see “Item 3. Key Information—Risk Factors—Risks Relating to Our Business—The ongoing criminal proceeding of and adverse publicity associated with Mr. Shih-Jye Cheng, our Chairman and Chief Executive Officer, and Mr. Hung-Chiu Hu, our former director, could have a material adverse effect on our business and cause our stock price to decline”.

Antonio R. Alvarez has served as one of our directors from July 2005. Mr. Alvarez is the chief operating officer of Aptina Imaging. Prior to that he was the chief operating officer of Advanced Analogic Technology from October 2011 until its acquisition by Skyworks in January 2012 and president and chief executive officer of Leadis Technology Inc. from November 2005 to January 2009. He was senior vice president and general manager of the memory products division of Cypress Semiconductor Corporation from 1998 to July 2005, and senior vice president of research and development from 1991 to 2001. He holds master’s and bachelor’s degrees in electrical engineering from Georgia Institute of Technology, where he is a member of the advisory board of the Electrical Engineering Department. He is a member of the Institute for Electrical and Electronic Engineers. Mr. Alvarez also serves on the Board of Sun-Edison Corporation since 2012.

Chin-Shyh Ou has served as one of our directors since August 2008. He has been the deputy chairman since August 2010. He has served as a director of ChipMOS Taiwan since June 2007. Mr. Ou joined the National Chengchi University as an associate professor in 1993 and a professor in 1997. In 1998, he joined National Chung Cheng University as a professor and the chairman of the Department of Accounting. He led a project to establish the Graduate Institute of Accounting and Information Technology at National Chung Cheng University in 1999. Mr. Ou earned a master degree in Public Policy and Management from Carnegie Mellon University, and a Ph.D. degree in Business Administration (Accounting) from the University of Minnesota. Mr. Ou holds several professional licenses and qualifications, including U.S. Certified Public Accountant and Certified Internal Auditor.

Hsing-Ti Tuan has served as one of our directors since August 2000. Mr. Tuan was the executive vice president of ProMOS Technologies Inc. in charge of R&D from 2005 to 2010. Mr. Tuan was the president of Mosel Vitelic Corp., USA from 1994 to 2009. Mr. Tuan was the acting president of Mosel from November 2004 to December 2005 and previously served as the executive vice president of their research and development division. He was also the vice president of Mosel from 1992 to 1996. Mr. Tuan holds a master’s degree in electrical engineering from Utah State University and a bachelor’s degree in electrical engineering from National Cheng Kung University in Taiwan.

Yeong-Her Wang has served as one of our directors since July 2004 and a member of the board of directors of ChipMOS Taiwan. He has been a professor in the Department of Electrical Engineering of National Cheng Kung University since 1992. He serves as the vice president of National Applied Research Laboratories between 2007 and 2012. He was also an associate dean of the College of Engineering between 1999 and 2003, chairman of the Department of Electrical Engineering between 1996 and 1999, associate director of the Department of Electrical Engineering between 1993 and 1996 and director of the Electrical Factory, College of Engineering of National Cheng Kung University between 1995 and 1996. He has been the independent director of Darfon Electronic Corp. and Giga Solution Tech Co. since 2006 and 2007, respectively. Mr. Wang holds Ph.D., master’s and bachelor’s degrees from National Cheng Kung University in Taiwan.

Shou-Kang Chen has served as one of our directors since June 2005. He has served as our chief financial officer, investor relations officer and head of the finance division of ChipMOS Taiwan since 2002. He was the head of our strategy development department from 2000 to 2001. He was the department head of the quality lab of ChipMOS Taiwan from 1998 to 2000. Mr. Chen holds a bachelor’s degree in mining and petroleum engineering and a master of science degree and a Ph.D. degree from the graduate school of mining, metallurgy and material science of National Cheng Kung University in Taiwan.

[Table of Contents](#)

John Yee Woon Seto has served as one of our directors since August 2010. He was a member of ChipMOS's Board of Directors from August 2000 to May 2004. Dr. Seto was a founder and senior vice president of operation and strategic planning of Vitelic Corporation U.S.A. He served as the executive vice president of the business group of Mosel Vitelic Inc. from 1995 to 2005. He was a director of Mosel Vitelic Inc. from 1999 to 2008. He served on the board of directors in a number of companies, such as ProMOS Technologies Inc. and Advanced Analogic Technologies Inc. He has been the president and CEO of International Capture Tech Co LTD since 2006. He holds a Ph.D. in electrical engineering from University of California at Berkeley.

Chao-Jung Tsai has served as one of our directors since November 2004. Mr. Tsai was a director of ChipMOS Taiwan from January 2001 to December 2005, as a representative of Siliconware Precision, where he was a director from June 2005 to December 2009 and served as a supervisor from June 2002 to June 2005. He was also a supervisor of Phoenix Precision Technology Co. Ltd. from June 2005 to December 2009. He was previously president of Grand Cathay Securities Co., Ltd. and assistant vice president of China Trust Commercial Bank Co., Ltd. Mr. Tsai received his bachelor's degree in statistics from National Cheng Kung University and master's degree in management of technology from National Chiao Tung University in Taiwan. He holds Taiwan CPA and CFA licenses.

Rong Hsu was appointed by our board of directors on October 1, 2008 to fill the vacancy from Mr. Takaki Yamada's resignation. He has served as one of our directors from July 2005 to August 2008. He has been the director of Device Integration, QMT since February 2009. He has been the vice president of Spatial Photonics Inc. since May 2006. He was a founder of eLCOS Microdisplay Technology Group where he was the president from April 2001 to December 2005, senior director of operations at Aurora Systems Co. from 1999 to March 2001, director of manufacturing for micro-display systems and testing at S-Vision Co. from 1996 to 1999, manager of manufacturing at nCHIP Co. from 1991 to 1996, research engineer at Lawrence Livermore National Laboratory from 1988 to 1991 and senior engineer at Intel Corporation from 1982 to 1988. He has a doctorate degree in material engineering from the University of Maryland, a master's degree in material science from Brown University and a bachelor's degree in mechanical engineering from National Taiwan University. He is a founding member and senior advisor of the Chinese American Semiconductor Professional Association.

Carl Lei has served as the acting president and vice president of assembly and testing operations of ChipMOS Shanghai since July 2010. Mr. Lei was the deputy director of Backend Operation of ProMOS from 2004 to 2010 and product manager of Mosel from 1998 to 2003. Mr. Lei received his bachelor's degree from Feng Chia University in Taiwan.

Lafair Cho has served as ThaiLin's chairman since June 17, 2013, the president since December 1, 2003 and a director since December 30, 2002. He was vice president of ThaiLin from February 1, 2003 to November 30, 2003. He has also served as vice president of the memory production group of ChipMOS Taiwan from July 2003 to August 2004 and as a director of ChipMOS Taiwan from October 2003 to June 2007. He served as a deputy assistant vice president of the IC testing division of ChipMOS Taiwan from April 2000 to December 2001 and as an assistant vice president of the IC testing division of ChipMOS Taiwan from January 2002 to January 2003. He served as manager of production material control of Mosel from 1993 to 1997. He holds a master's degree in industrial management from National Cheng Kung University in Taiwan.

Li-Chun Li has served as the Chief Operating Officer of ChipMOS Taiwan since January 2010. Prior to joining ChipMOS, he served as vice president of the Product Engineering group in Mosel-Vitelic (U.S.A.) and ProMOS Technologies Inc. from 2003 to 2009, and vice president of product development in Mosel-Vitelic (U.S.A.) and Mosel-Vitelic (Taiwan) from 1992 to 2003. Mr. Li received a bachelor's degree in electrical engineering from the University of California, Berkeley.

Steve Cheng is the sibling of our Director, Chairman and Chief Executive Officer, Mr. Shih-Jye Cheng and has served as the president of ChipMOS U.S.A. since August 2008. Mr. Cheng has served as the director of Finance and Administration in ChipMOS U.S.A. since July 2004. He has been serving in ChipMOS U.S.A. since November 1999. He received a bachelor's degree in business banking and insurance from Feng Chia University in Taiwan.

Vincent Hsu has served as ChipMOS Taiwan's vice president of LCDD production group since March 2012. He was assistant vice president of ChipMOS Taiwan from 2007 to 2012. He received a master's degree in Electrical Engineering from National Sun Yat-sen University in Taiwan.

Michael Lee has served as ChipMOS Taiwan's vice president of wafer bump production group since November 2011 and vice president for wafer sort business group since June 2004. He was assistant vice president of ChipMOS Taiwan from 2003 to 2004. Mr. Lee received a master's degree from National Chiao Tung University in Taiwan.

Ivan Hsu has served as ChipMOS Taiwan's vice president of memory production group since December 2004. He was ChipMOS Taiwan's assistant vice president from 2003 to 2004 and deputy assistant vice president from 2002 to 2003. Mr. Hsu received a bachelor's degree from Feng Chia University in Taiwan.

[Table of Contents](#)

Jesse Huang has served as ChipMOS Taiwan's vice president of assembly production group since April 2007. He was the assistant vice president of assembly engineering division formerly. He received a bachelor's degree in Physics from Soochow University in Taiwan.

David W. Wang has served as ChipMOS Taiwan's vice president of strategy and investor relations since May 2013. He joined ChipMOS Taiwan as vice president of strategy and development center in 2007. Prior to joining ChipMOS, he was the vice president of Fibera, Inc. from 2001 to 2007. Mr. Wang served as Senior Director at Lam Research where his responsibilities included new product introduction, system integration, field escalation and management of regional teams from 1996 to 2001. Mr. Wang also worked for IBM's Microelectronics Division where he as Senior Engineer/ Manager led advanced packaging materials, process development and marketing organizations. Mr. Wang is a member of IEEE and SEMI Taiwan Packaging and Test Committee and holds 45 US patents. He received his Ph.D and M.S. from the University of Michigan and Bachelor of Science degree from Fu Jen University.

I-Fan Chiang has served as ChipMOS Taiwan's vice president of ITM Center since July 2010. Mr. Chiang was a vice president of Websurf Technologies Taiwan from 2003 to June 2010. Mr. Chiang also served as a vice president of Hitrust Inc. from 2000 to 2003. Mr. Chiang holds a bachelor's degree in Electronic Engineering from Tamkang University in Taiwan.

Ahsan Kyu has served as Vice President of ChipMOS USA since 2007 for sales and engineering department. He has developed and handled most of ChipMOS' most strategic and valued US based customers. Mr. Kyu holds a Bachelor's Degree in Chemistry and Master's Degree in Electrical Engineering. He has over 32 years of experience in the semiconductor assembly engineering field, with past experiences providing professional services to notable companies such as Texas Instruments (formerly National Semiconductor), Integrated Device Technology, United Test and Assembly Center Ltd., Chantek, Integrated Silicon Solution Inc. and Siliconware Precision.

Board Practice and Terms of Directorship

Our board of directors consists of three classes of directors. The first class, consisting of Shih-Jye Cheng, Antonio R. Alvarez and Chin-Shyh Ou, is up for re-election at the annual general meeting in 2014 and then every third annual general meeting thereafter. The second class, consisting of Hsing-Ti Tuan, Yeong-Her Wang and Shou-Kang Chen, is up for re-election at the annual general meeting in 2015 and then every third annual general meeting thereafter. The third class, consisting of John Yee Woon Seto, Chao-Jung Tsai and Rong Hsu, is up for re-election at the annual general meeting in 2016 and then every third annual general meeting thereafter.

Any director vacates his or her office if he or she:

- is prohibited by law from being a director or ceases to be a director by virtue of the Bermuda Companies Act;
- resigns from his or her office;
- becomes bankrupt under the laws of any country or compounds with his or her creditors;
- becomes of unsound mind or a patient for the purpose of any statute or applicable law relating to mental health and the board resolves that his or her office is vacated; or
- is removed by a resolution passed by our shareholders at a special general meeting called for that purpose.

[Table of Contents](#)

Share Ownership

The following table sets forth certain information as of March 31, 2014 with respect to our common shares owned by our directors and executive officers.

Name	Number of Common Shares Held	Percentage of Shares Issued and Outstanding	Number of Options Held ⁽¹⁾	Exercise Price of Options (US\$)	Expiration Date of Options
Shih-Jye Cheng	623,584	2.1%	100,561	2.55-11.1435	2014/8/31-2018/8/31
Antonio R. Alvarez	—	—	*	*	*
Chin-Shyh Ou	—	—	*	*	*
Hsing-Ti Tuan	*	*	*	*	*
Yeong-Her Wang	*	*	*	*	*
Shou-Kang Chen	*	*	*	*	*
John Yee Woon Seto	*	*	*	*	*
Chao-Jung Tsai	—	—	*	*	*
Rong Hsu	*	*	*	*	*
Carl Lei	*	*	*	*	*
Lafair Cho	—	—	*	*	*
Li-Chun Li	—	—	*	*	*
Steve Cheng	*	*	—	—	—
Vincent Hsu	—	—	*	*	*
Michael Lee	—	—	*	*	*
Ivan Hsu	*	*	*	*	*
Jesse Huang	*	*	*	*	*
David W. Wang	—	—	*	*	*
I-Fan Chiang	—	—	*	*	*
Ahsan Kyu	—	—	—	—	—

Notes:

* Indicate actual numbers held and/or including options exercisable or vested within 60 days after March 31, 2014, would beneficially own less than 1% of our ordinary shares.

(1) Each option covers one of our common shares.

Compensation Committee

The aggregate compensation paid in 2013 to our directors and our executive officers, including cash and accrued pension payable upon retirement, was approximately NT\$125 million (US\$4 million). In 2013, we granted options to purchase 202,160 of our common shares and 13,480 cash-settled share appreciation rights to our directors and executive officers as set forth in the table below. These options share appreciation rights will vest over a period of four years, with an equal proportion vesting on each of August 31, 2014, 2015, 2016 and 2017, except for certain options granted on August 31, 2013 that vested on August 31, 2014.

Number of common shares issuable upon exercise of options / Number of cash-settled share appreciation rights	Expiration date	Exercise price (US\$)	Considerations paid for options / share appreciation rights granted
172,160	August 31, 2019	14.0675	None
30,000	August 31, 2023	14.0675	None
13,480	August 31, 2019	14.0675	None

We do not provide our directors with any benefits upon termination of employment.

Our compensation committee currently consists of Mr. Antonio R. Alvarez, Dr. John Yee Woon Seto and Dr. Rong Hsu, all of whom are independent directors according to NASDAQ Marketplace Rules requirements. This committee reviews and recommends to our board of directors the compensation of all our directors and officers on at least an annual basis.

Audit Committee

Under our audit committee charter adopted on February 28, 2001 and amended on May 14, 2004, December 21, 2004, August 27, 2009, August 31, 2012 and May 24, 2013, our audit committee:

- is directly responsible for the appointment, compensation, retention and oversight of the work of our external auditors or any other public accounting firm engaged for the purpose of preparing or issuing an audit report or to perform audit, review or attestation services;
- oversees our accounting principles and policies, financial reporting and internal control over financial reporting, internal audit controls and procedures, financial statements and independent audits;
- meets with management, our external auditors and, if appropriate, the head of the auditing department to discuss audited financial statements, audit reports or other communications, including, without limitation, any audit problems or difficulties relating to our financial statements, any major issues regarding accounting principles and the adequacy of our internal control over financial reporting;
- pre-approves, or adopts appropriate procedures to pre-approve all audit and non-audit services, if any, provided to us by our external auditors;
- establishes our internal complaints procedure for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission thereof by our employees;
- evaluates the independence of and discuss with management the timing and process for implementing the rotation of the audit partners of the outside auditors; and
- reviews and approves all our related party transactions.

The audit committee currently consists of Dr. John Yee Woon Seto, Dr. Chin-Shyh Ou and Dr. Yeong-Her Wang, all of whom are independent directors according to NASDAQ Marketplace Rules requirements. Dr. Chin-Shyh Ou serves as a financial expert to the Audit Committee.

Nominations Committee

Under our nominations committee charter adopted on August 26, 2005, our nominations committee:

- identifies individuals qualified to become members of the board of directors, selects or recommends nominees to the board of directors and, in the case of a vacancy of a director, recommends to the board of directors an individual to fill such vacancy;
- develops and recommends to the board of directors standards to be applied in making determinations as to the absence of material relationships between us and a director;
- identifies members of the board of directors qualified to fill vacancies on any committee thereof and recommends the appointment of the identified member(s) to the respective committee;
- assists our management in the preparation of the disclosure in our annual proxy statement regarding the operations of the nominations committee; and
- performs any other duties or responsibilities expressly delegated to the nominations committee by the board of directors from time to time relating to the nomination of members of the board of directors and any committee thereof.

Dr. Yeong-Her Wang, Dr. Rong Hsu and Dr. Chin-Shyh Ou are currently the members of our nominations committee.

Special Committee

In connection with the indictment of Mr. Shih-Jye Cheng by the Taipei District Prosecutor's Office, our board of directors formed a special committee to evaluate the circumstances surrounding the indictment. As of March 31, 2014, the special committee was solely comprised of Mr. Yeong-Her Wang, our Company's independent director. The special committee has engaged K&L Gates LLP (formerly Kirkpatrick & Lockhart Preston Gates Ellis LLP) as its independent international legal counsel and Baker & McKenzie as its independent ROC legal counsel, and Ernst & Young (formerly know as Diwan, Ernst & Young) as its accounting advisor to assist in its evaluation and provide recommendations.

[Table of Contents](#)

On June 28, 2006, the special committee issued its report, including its findings and recommendations. Based upon the results of its investigation, it found that: (1) Mr. Cheng has declared himself not guilty of the charges described in the indictment; (2) Baker & McKenzie, after reviewing the indictment and the prosecutor's exhibits, have found that the evidence produced by the prosecutor seems to be inadequate and that there is a low probability of the charges in the indictment being founded; (3) the financial advisor to the special committee have found that we suffered no loss (not taking into account exchange rate factors) and that all monies (capital and interest) were remitted back to our subsidiaries involved; (4) we have suffered no identifiable harm to our reputation or our business; and (5) Mr. Cheng has not been impaired by the indictment to perform as our chairman and chief executive officer. The special committee recommended that our board maintains Mr. Cheng as our chairman and chief executive officer with full responsibilities and our board unanimously (with Mr. Cheng having recused himself) resolved to accept and adopt the special committee's recommendation with regard to Mr. Cheng.

Our board of directors also resolved to continue the role of the special committee, for the duration of the ongoing criminal proceeding involving Mr. Cheng to actively monitor any developments of the criminal investigation and take or recommend any appropriate action in light of such developments.

During its engagement by the special committee, Ernst & Young identified certain internal control weaknesses that existed during the relevant period of the special committee's investigation within ChipMOS Taiwan, ThaiLin and ChipMOS Logic (which was merged into ThaiLin on December 1, 2005). These weaknesses were in areas related to segregation of duties and of corporate governance on investment authorizations, insufficiency of training for financial personnel in respect of derivative transactions, and non-compliance with the applicable ROC regulations. These identified internal control weaknesses have either been addressed previously or have been remedied by our company and our subsidiaries.

In light of the identification of these internal control weaknesses, the special committee recommended that the audit committee of the board of directors lead a special task force and report to the board of the directors as to the effectiveness of the implementation of internal control over financial reporting, with an aim to enhance our company's financial personnel's knowledge of derivative transactions. The board of directors unanimously resolved to accept and adopt the special committee's recommendation in this regard.

In August 2006, we engaged Ernst & Young to design certain employee training sessions regarding derivative transactions and the applicable accounting treatment for these transactions.

See "Item 3. Key Information—Risk Factors—Risks Relating to Our Business—The ongoing criminal proceeding of and adverse publicity associated with Mr. Shih-Jye Cheng, our Chairman and Chief Executive Officer, and Mr. Hung-Chiu Hu, our former director, could have a material adverse effect on our business and cause our stock price to decline".

Employees

The following table sets forth, as of the dates indicated, the number of our full-time employees serving in the functions indicated:

Function	As of December 31,			As of
	2011	2012	2013	March 31,
General operations	3,193	3,069	3,434	3,275
Quality control	384	400	406	389
Engineering	1,377	1,345	1,365	1,288
Research and development	276	313	330	353
Sales, administration and finance	229	176	178	168
Others	335	383	375	372
Total	5,794	5,686	6,088	5,845

[Table of Contents](#)

The following table sets forth, as of the dates indicated, a breakdown of the number of our full-time employees by geographic location:

Location	As of December 31,			As of
	2011	2012	2013	March 31, 2014
ThaiLin	596	544	520	478
ChipMOS Taiwan Hsinchu Production Group	1,664	1,564	1,680	1,633
ChipMOS Taiwan Southern Taiwan Production Group	2,997	2,962	3,282	3,131
Shanghai	531	609	600	597
Japan and the United States	6	7	6	6
Total	<u>5,794</u>	<u>5,686</u>	<u>6,088</u>	<u>5,845</u>

Our employees are not covered by any collective bargaining agreements. We have not experienced any strikes or work stoppages by our employees and believe that our relationship with our employees is good.

Share Option Plan and Share Appreciation Rights Plan

We adopted a broad-based share option plan in 2001, which was amended at a special general meeting on March 19, 2004 to increase the number of shares available for issuance under the share option plan from 1,450,000 to 2,250,000. In August 2006, we adopted a second broad-based share option plan, which has 1,750,000 shares available for issuance. In September 2011, we adopted a third broad-based share option plan, which has 1,000,000 shares available for issuance. Each share option plan provides that our directors, officers, employees and those of our affiliates may, at the discretion of our board of directors or a committee, be granted options to purchase our shares at an exercise price of no less than the par value of our common shares. The board or the committee has completed discretion to determine which eligible individuals are to receive option grants, the number of shares subject to each grant, the exercise price of all options granted, the vesting schedule to be in effect for each option grant and the maximum term for which each granted option is to remain outstanding, up to a maximum term of ten years. Shares available for issuance under these plans are replenished by shares that were subject to forfeited and expired share options.

In 2011, we granted 692,624 share options, with an exercise price, at the time of grant, ranging from US\$4.59 to US\$6.222 per share. In 2011, 148,403 share options were forfeited, nil share options were expired and 96,103 share options were exercised. In 2012, we granted 204,316 share options, with an exercise price, at the time of grant, ranging from US\$11.1095 to US\$11.1435 per share. In 2012, 103,426 share options were forfeited, 289,268 share options were expired and 668,246 share options were exercised. In 2013, we granted 688,996 share options, with an exercise price, at the time of grant, ranging from US\$9.2225 to US\$14.0675 per share. In 2013, 75,944 share options were forfeited, 253,194 share options were expired and 500,383 share options were exercised. As of December 31, 2013, we had 1,565,023 share options outstanding, with an exercise price ranging from US\$2.3796 to US\$21.488.

In September 2006 and August 2008, we adopted a share appreciation rights ("SARs") plan pursuant to which we may issue up to 500,000 and 750,000 cash-settled SARs to our directors, officers, employees and those of our affiliates. Under the share appreciation rights plan, each holder of SARs, issued thereunder will be entitled to receive, on the applicable exercise date, cash in an amount equal to the excess of the market value of our common shares on such date over the exercise price of such rights. Our board of directors or a relevant committee thereof has completed discretion over the administration of the share appreciation rights plan, including determining the recipients of the share appreciation right awards, the number of rights awarded, the exercise date, the exercise price and other relevant terms. Unless earlier terminated by our board of directors or the relevant board committee, the plan will remain effective until September 2016 and August 2018.

In 2011, 525,885 SARs were granted, with an exercise price, at the time of grant, ranging from US\$5.151 to US\$6.222. In 2011, 70,621 SARs were forfeited, nil SARs were expired and 32,832 SARs were exercised. In 2012, 43,660 SARs were granted, with an exercise price, at the time of grant, ranging from US\$11.1095 to US\$11.1435. In 2012, 67,375 SARs were forfeited, 154,106 SARs were expired and 231,270 SARs were exercised. In 2013, 521,020 SARs were granted, with an exercise price, at the time of grant, ranging from US\$9.2225 to US\$14.0675. In 2013, 46,501 SARs were forfeited, 53,375 SARs were expired and 249,563 SARs were exercised. As of December 31, 2013, we had 812,429 SARs outstanding, with an exercise price, at the time of grant, ranging from US\$2.448 to US\$14.0675.

Where applicable, the share numbers and exercise price of our share option plan and share appreciation rights plan disclosed in the foregoing paragraph are adjusted to reflect the effect of the Company's 1-for-every-4 reverse stock split effective on January 21, 2011.

[Table of Contents](#)

Item 7. Major Shareholders and Related Party Transactions

Major Shareholders

The following table and information set out certain information as of March 31, 2014 regarding the ownership of our common shares by (1) each person known to us to be the owner of more than five percent of our common shares and (2) the total amount owned by our directors and executive officers as a group.

<u>Identity of person or group</u>	<u>Number of shares owned</u>	<u>Percentage Owned</u>
Baupost Group LLC/MA ⁽¹⁾	3,283,235	11.0
He & Fang 2005 Revocable Living Trust ⁽²⁾	2,583,637	8.7
Siliconware Precision Industries Co., Ltd. ⁽³⁾	2,243,749	7.5
Directors and executive officers, as a group ⁽⁴⁾	696,696	2.3

Notes:

- (1) According to the Schedule 13G filed by Baupost Group LLC/MA with the SEC on February 13, 2014.
- (2) According to the Schedule 13G/A filed by He Zhengxu with the SEC on January 8, 2014.
- (3) Siliconware Precision completed a share purchase and subscription transaction with ChipMOS Taiwan and us on March 27, 2007, pursuant to which we and ChipMOS Taiwan purchased all of Siliconware Precision's equity interest in ChipMOS Taiwan, and Siliconware Precision subscribed for 3,043,749 of our common shares through a private placement. See "Item 4. Information on the Company—Our Structure and History—ChipMOS TECHNOLOGIES INC." In November 2012, Siliconware Precision sold 800,000 shares pursuant to the Secondary Offering.
- (4) Excludes exercisable/vested options of our common shares and Mosel's beneficial ownership of our common shares which may be considered to be beneficially held by some of our directors or officers. Includes shares held by certain family members of certain directors.

The share numbers disclosed in the foregoing notes, are adjusted to reflect the effect of the Company's 1-for-every-4 reverse stock split effective on January 21, 2011.

As of March 31, 2014, approximately 88% of our common shares were held of record by shareholders located in the United States. All holders of our common shares have the same voting rights with respect to their shares.

Related Party Transactions

ChipMOS TECHNOLOGIES INC.

On April 16, 2013, as part of ChipMOS Taiwan's listing plan on the TWSE, we completed the sale of 6.5 million outstanding ChipMOS Taiwan shares or 0.8% of the total number of ChipMOS Taiwan's outstanding shares, at the price of NT\$15.0 per share to ChipMOS Taiwan's underwriters for the TWSE listing plan, Yuanta Securities Company Limited and Capital Securities Corp., and to certain others, including non-US employees of ChipMOS Taiwan. Also, from September 2, 2013 to October 3, 2013, we completed another sale of 180 million outstanding ChipMOS Taiwan shares or 21.4% of the total number of ChipMOS Taiwan's outstanding shares, at the price of NT\$20.0 per share to investors and certain non-US employees of ChipMOS Taiwan. On April 9, 2014, ChipMOS Bermuda sold approximately 1.3 million ChipMOS Taiwan shares as "green shoe" option to market investors. As of the date of this Annual Report on Form 20-F, we continue to own approximately 522 million ChipMOS Taiwan shares representing 60.4% of ChipMOS Taiwan's outstanding shares. See "Item 3. Key Information—Risk Factors—ChipMOS Taiwan's ability to maintain its listing and trading status on the Taiwan Stock Exchange is dependent on factors outside of the Company or ChipMOS Taiwan's control and satisfaction of stock exchange requirements. ChipMOS Taiwan may not be able to overcome such factors that disrupt its trading status on the main board of Taiwan Stock Exchange or satisfy other eligibility requirements that may be required of it in the future" for additional information on ChipMOS Taiwan's listing plan.

[Table of Contents](#)

Siliconware Precision Industries Co., Ltd.

As of March 31, 2014, Siliconware Precision owned 7.5% of our outstanding common shares and 15.8% of ChipMOS Taiwan's outstanding shares. On March 27, 2007, we completed a share purchase and subscription transaction with ChipMOS Taiwan and Siliconware Precision, under which we and ChipMOS Taiwan purchased all of Siliconware Precision's equity interest in ChipMOS Taiwan, and Siliconware Precision subscribed to 3,043,749 (adjusted to reflect the effect of 1-for-every-4 reverse stock split effective on January 21, 2011) of our newly issued common shares through a private placement. ChipMOS Taiwan became our wholly-owned subsidiary on September 14, 2007. In February 2010, we agreed to sell 15.8% of ChipMOS Taiwan's outstanding shares to Siliconware Precision. The share purchase transaction was completed in January 2011. In April 2014, as part of ChipMOS Taiwan's listing, Siliconware Precision sold 225 thousand outstanding ChipMOS Taiwan shares as "green shoe" options. As of the date of this Annual Report on Form 20-F, we own 60.4% and Siliconware Precision owned 15.4% of ChipMOS Taiwan's outstanding shares. Siliconware Precision is an independent provider of semiconductor testing and packaging services. Siliconware Precision currently has, and is expected to continue to have from time to time in the future, contractual and other business relationships with us. No revenue was derived from Siliconware Precision in 2011. From April 2011 onwards, Siliconware Precision is not our related party as it owned less than 10% of our outstanding common shares.

Mosel Vitelic Inc.

As of March 31, 2014, Mosel indirectly owned 1.3% of our outstanding common shares. Mosel designs and manufactures semiconductor products, including DRAM, SRAM, flash memory, LCD and other flat-panel display driver semiconductors and power-related semiconductors. Mosel and its affiliates currently have, and are expected to continue to have from time to time in the future, contractual and other business relationships with us. Commencing April 1, 2011, Mosel and its direct and indirect subsidiaries are no longer related parties to the Company.

Registration Rights Agreements with Siliconware Precision, Giant Haven, ProMOS and Powertech Technology Inc.

In March 2007, we issued 3,043,749 common shares pursuant to a share purchase and subscription agreement with ChipMOS Taiwan and Siliconware Precision, and we entered into a registration rights agreement, dated March 27, 2007, with Siliconware Precision, pursuant to which Siliconware Precision agreed not to sell or otherwise transfer any of our common shares it acquired in the share purchase and acquisition for a period of nine months after March 27, 2007, and we granted to Siliconware Precision certain rights, including demand registration, "piggyback" registration and Form F-3 registration rights, to require us to register its common shares for sale under the Securities Act. In addition, we entered into a registration rights agreement, dated August 8, 2007, with Giant Haven, ProMOS and Powertech Technology Inc., pursuant to which we granted to Mosel, ProMOS and Powertech Technology Inc. certain registration rights, including customary demand and "piggyback" registration rights, to register its common shares for the sale of our common shares under the Securities Act. In March 2009, ThaiLin acquired 1,015,158 common shares from ProMOS pursuant to its enforcement of the collateral under a Stock Pledge Agreement entered into between ThaiLin and ProMOS dated December 3, 2008.

The share numbers disclosed in the foregoing paragraph are adjusted to reflect the effect of the Company's 1-for-every-4 reverse stock split effective on January 21, 2011.

ChipMOS TECHNOLOGIES (Shanghai) LTD.

Since 2002, we have managed our PRC operations, ChipMOS Shanghai, through Modern Mind, our controlled subsidiary. Whilst we did not own any equity interest in Modern Mind, we had controlled Modern Mind through our ownership of the MMT Notes. Under the MMT Assignment Agreement signed on April 22, 2011, ChipMOS Bermuda has agreed to sell the MMT Notes to ThaiLin for a purchase price of approximately US\$40 million subject to certain closing conditions. The Assignment Agreement transaction completed in October 2011 and ThaiLin immediately converted the MMT Notes into common shares of Modern Mind and purchased all of the remaining common shares of Modern Mind from Jesper, with ChipMOS Shanghai becoming a wholly-owned subsidiary of ThaiLin.

Under a technology transfer agreement dated August 1, 2002 which expired on August 1, 2012, we licensed certain technologies and systems, and agreed to provide certain technical support and consulting services to ChipMOS Shanghai relating to those technologies and systems, and ChipMOS Shanghai paid an aggregate of US\$25 million to us in 2002 for the technology and services we provide under this agreement. Under another technology transfer agreement dated October 3, 2011 which became effective on August 1, 2012, we licensed certain technologies and systems, and agreed to provide certain technical support and consulting services to ChipMOS Shanghai relating to those technologies and systems, and ChipMOS Shanghai will pay an aggregate of RMB27 million to us by forty installments on the last day of each quarter during the term of this agreement.

[Table of Contents](#)

On July 1, 2010, ChipMOS Bermuda and ChipMOS Shanghai entered into an exclusive services agreement, pursuant to which ChipMOS Shanghai will provide its services exclusively to ChipMOS Bermuda or customers designated by ChipMOS Bermuda. Under the exclusive services agreement, ChipMOS Bermuda agrees to procure some of the equipment and consign such equipment for use by ChipMOS Shanghai. The exclusive services agreement has a term of ten years and will automatically be renewed for periods of ten years, unless terminated by either party at least 30 days prior to the expiration of such ten-year term. In addition, ChipMOS Bermuda may terminate the exclusive services agreement at any time by giving 30 days' prior notice.

ThaiLin Semiconductor Corp.

On March 4, 2008, ChipMOS Taiwan made a loan in an amount of NT\$145 million that bears interest at a rate of 4.69% per annum to Kolin, a major shareholder of ThaiLin. The loan was originally secured by a pledge by Kolin of 11 million common shares of ThaiLin. On August 22, 2008, Kolin repaid NT\$15 million of the loan. On December 23, 2008, ChipMOS Taiwan notified Kolin to proceed with the transfer of the collateral's ownership, the payment of unpaid loan and interest accrued in the amount of NT\$130 million, and the payment of interest incurred due to loan repayment default under the loan. On January 20, 2009, Kolin informed ChipMOS that it could not fulfill request made by ChipMOS, including the transfer of shares since it is prohibited to do so under an interim restrictive order of disposition. Subsequently, Kolin was granted on March 27, 2009, pursuant to a ruling of Taiwan District Court on (Civil Ruling No.7 and No.9 of 2009), the approval for its reorganization and declaration of creditor's rights application. Therefore, such shares shall still be deemed as the creditor's collateral. ChipMOS made the creditor's rights application on April 21, 2009. On January 31, 2011, a final ruling of Taiwan High Court (Civil Ruling No.186 of 2010) confirmed its approval of the reorganization plan of Kolin. On March 15, 2012, ChipMOS Taiwan entered into an agreement with Kolin whereby Kolin agreed to dispose of the common shares of ThaiLin that were pledged to ChipMOS Taiwan and use the proceeds to settle the outstanding debt to ChipMOS Taiwan. The loan had been fully repaid and the subject pledge has been released accordingly in 2013.

As of March 31, 2014, ThaiLin did not hold any of our outstanding shares. ThaiLin's previous holding includes 1,015,158 shares acquired pursuant to ThaiLin's enforcement of the collateral provided by ProMOS under the Stock Pledge Agreement dated December 3, 2008, entered into between ThaiLin and ProMOS, 506,364 shares accumulated from the Rule 10b5-1/10b-18 securities purchase program launched in December 2008, and 467,059 shares acquired pursuant to the interest shares payment and 4,485,630 shares acquired pursuant to the conversion of 2009 Notes in March 2011. In November 2012, ThaiLin sold 2,000,000 shares under the Secondary Offering. In May 2013, ThaiLin sold 380,506 shares to Tokyo Seimitsu. In November 2013 and January 2014, ThaiLin sold 2,000,000 shares and 2,093,705 shares, respectively, to ChipMOS Bermuda and the shares were then retired and cancelled.

The share numbers disclosed in the foregoing paragraph are adjusted to reflect the effect of the Company's 1-for-every-4 reverse stock split effective on January 21, 2011.

[Table of Contents](#)

ProMOS Technologies Inc.

As of March 31, 2014, Mosel directly and indirectly owned 12.0% of ProMOS.

On July 1, 2003, ChipMOS Taiwan entered into a long-term agreement with ProMOS, under which ChipMOS Taiwan reserves a specified amount of capacity for DRAM testing and assembly services to ProMOS and under which ProMOS guarantees to place orders in the amount of the reserved capacity. This agreement was superseded in July 2007 when ChipMOS Taiwan and ProMOS entered into a new long-term agreement with similar terms and conditions, except that under the new agreement, ProMOS will give ChipMOS six month rolling forecast on testing and assembly service orders to be placed to us, and ProMOS guarantees that such orders will represent no less than certain percentage of ProMOS' total production volume of these products (excluding OEM products). The price for the services of ChipMOS Taiwan under this agreement will be agreed upon quarterly, subject to certain price adjustments. If ChipMOS Taiwan is unable to test and assemble the agreed number of DRAM, ProMOS may use a third party to cover the shortfall and ChipMOS Taiwan may be liable for, among other damages, any operation loss of ProMOS caused by such delay or any additional costs in using a third party to cover the shortfall. If ProMOS fails to place orders in the amount of the reserved capacity, ChipMOS Taiwan is entitled to damages calculated based on the difference between the value of the reserved capacity and the value of the actual used capacity, provided that the value of the capacity by ChipMOS Taiwan that has been used for other customers shall be deducted. In March 2008, ProMOS failed to place orders in the amount of the reserved capacity. In November 2008, we entered into a revised subcontracting contract with ProMOS by requiring ProMOS to provide wafers with a value of 80% of the subcontracting fee as collateral. In May 2009, a further revised subcontracting contract was entered into by and between us and ProMOS under which ProMOS provided us with wafer as pledge and Work-In-Process, or WIP and existing finished goods as lien material. Part of ProMOS' receivables will be recovered through sales of the pledged wafer and lien material back to ProMOS with a discount to market price, and the remaining outstanding accounts receivables will be secured by equipment mortgage under the same contract arrangement. Effective March 2009, we started to request prepayment from ProMOS. As of December 31, 2009, other receivables from ProMOS amounted to NT\$409 million and 100% allowance was made by ChipMOS Taiwan. NT\$7 million was received by April 2010. Under the amended subcontracting contract, ProMOS paid ChipMOS Taiwan NT\$200 million in May 2010. The remaining NT\$202 million was paid in nine monthly installments with final installment payment ending on March 15, 2011. As of December 31, 2010, ChipMOS Taiwan received NT\$336 million and the related allowance of NT\$409 million was reversed to other non-operating income. All payments have been received in March 2011. In May 2010, the collection term provided to ProMOS was revised to 30 days upon delivery and this was further revised to 45 days upon delivery in October 2010. Since June 2011, we request ProMOS to pay in advance prior to delivery.

As of December 31, 2009, other receivables from ProMOS amounted to NT\$55 million and 100% allowance was made by ThaiLin. In June 2010, ThaiLin agreed a settlement with ProMOS in the amount of NT\$24 million and it was collected during the same year. The allowance of NT\$24 million was reversed to other non-operating income. Commencing in June 2010, the collection term was revised to 30 days upon delivery. In January 2011, the collection term was revised to 45 days after delivery. Since June 2011, we request ProMOS to pay in advance prior to delivery.

Commencing April 1, 2011, since Mosel is no longer a related party to us, ProMOS is also not considered our related party.

Item 8. Financial Information

Consolidated Financial Statements and Other Financial Information

Please see "Item 18. Financial Statements" and pages F-1 through F-60.

Legal Proceedings

In February 2006, ChipMOS Taiwan and ChipMOS USA received notice of a lawsuit filed by Tessera Technologies, Inc., or Tessera. The complaint was initially filed in United States District Court for the Northern District of California (Civil Action No. C05-04063CW), or the California court. In an amended complaint, Tessera added ChipMOS Taiwan and ChipMOS USA, among several other semiconductor companies, as co-defendants. The amended complaint alleges that ChipMOS Taiwan, ChipMOS USA and the other co-defendants infringed certain patents owned by Tessera and that ChipMOS Taiwan is in breach of a license agreement with Tessera, or the Tessera license agreement. Tessera also sought unspecified damages and injunctive relief. ChipMOS Taiwan and ChipMOS USA have responded to the lawsuit by denying Tessera's claims of patent infringement and breach of contract. ChipMOS USA and ChipMOS Taiwan have also raised various counterclaims for declaratory judgment and related affirmative defenses that the Tessera patents are invalid and unenforceable. In May 2007, the California court, with the concurrence of ChipMOS Taiwan and ChipMOS USA, stayed all litigation in the California court as a result of a related investigation by the International Trade Commission, or ITC, initiated by Tessera against certain other co-defendants. In addition, a co-defendant in the Tessera lawsuit requested the United States Patent and Trademark Office to reexamine the patentability of each of Tessera's patents that are at issue in the case in the California court. The requests were granted and, in February 2007, the U.S. Patent and Trademark Office concluded that certain claims of the patents were invalid on the basis of prior art. In April 2008, ChipMOS Bermuda, ChipMOS USA and ChipMOS Taiwan received notice that Tessera requested the ITC to initiate another investigation alleging that the sale for and after importation into the United States as well as importation into the United States of certain small format non-tape based BGA semiconductor packages by ChipMOS Bermuda, ChipMOS Taiwan and ChipMOS USA infringe three of the five Tessera patents at issue in the case pending in the California court. Tessera sought, among other things, an investigation by the ITC and general exclusion orders to prohibit the infringing products from entry into the United States. The ITC initiated the investigation in May 2008. On March 13, 2009, after the close of discovery, Tessera submitted a request to terminate the proceedings at the ITC, which the judge granted on July 17, 2009. No petitions for review were filed. The ITC issued an order to terminate the investigation on August 7, 2009. Due to the completion of a companion investigation against other companies by ITC, the stayed litigations in the Northern District of California resumed in January 2012. On July 19, 2012, Tessera filed a stipulation with the California court dismissing its breach of contract claim against the companies. Accordingly, this litigation was then limited to only Tessera's patent infringement allegations against the companies. A court-ordered mediation was held on December 13, 2012 but was unsuccessful. On November 8, 2013, we entered into a settlement agreement with Tessera settling the subject matter. As part of the Settlement Agreement, ChipMOS Taiwan agreed to pay a one-time payment of US\$1,375 thousand, including 20% Taiwan tax withholding, to Tessera in exchange for Tessera releasing, discharging and agreeing to never sue ChipMOS Bermuda, ChipMOS Taiwan and ChipMOS USA relating to the license agreement. On November 9, 2013, the parties filed a stipulation with the Court to dismiss the pending litigation.

In April 1999, Motorola, Inc. ("Motorola") and ChipMOS Taiwan entered into an immunity agreement (the "Agreement") whereby each party covenanted not to sue each other for the use of certain Ball Grid Array ("BGA") patents. In December 2004, Motorola spun off its semiconductor division, and thereby formed Freescale Semiconductor, Inc. ("Freescale"), who then assumed Motorola's rights and obligations under the Agreement. On October 16, 2006, Freescale unilaterally terminated the Agreement, alleging that ChipMOS Taiwan breached the Agreement. ChipMOS Taiwan argued that Freescale's unilateral termination of the Agreement has no legal effect, and continues to accrue royalty payments for products it believes are covered by the Agreement. The payments previously returned by Freescale and accrued by ChipMOS Taiwan have been deposited in a separate escrow account. On July 13, 2009, Freescale alleged that ChipMOS Taiwan breached the Agreement by failing to pay royalties on certain BGA packages assembled by ChipMOS Taiwan. ChipMOS Taiwan filed an answer to deny all allegations, and also filed counterclaims against Freescale alleging that Freescale engaged in patent misuse by seeking to obtain royalties on certain of ChipMOS Taiwan's BGA products that were not covered by any Freescale patent included under the Agreement, and for declaratory judgment of patent non-infringement and invalidity. On December 11, 2009, Freescale filed a motion to dismiss the declaratory judgment counterclaims filed by ChipMOS Taiwan and to stay all other patent related claims and issues until its breach of contract claims could be decided. On July 29, 2010, the Court found that the Agreement constituted a "Total Sales Royalty" agreement, however, Freescale's motion was partly denied for patent misuse issue. A mediation was held between the parties on October 28, 2010 but was unsuccessful. The fact discovery and expert discovery process regarding patent misuse issue closed in middle June 2011. An Order granting Freescale's motion for partial summary judgment and denying ChipMOS' cross-motion for partial judgment was given on September 8, 2011. An Order granting in part and denying in part ChipMOS' Motion for Reconsideration was given on March 30, 2012. The Court reinstated ChipMOS' claims for patent misuse and its affirmative defenses for patent exhausted, mutual mistake and license. Freescale refiled its motions to strike ChipMOS' jury demand and for summary judgment on ChipMOS' affirmative defenses of exhaustion, mutual mistake and license. The Court has granted those motions on January 24, 2013 and later denied ChipMOS Taiwan' motion for reconsideration of those rulings in April 2013. On June 20, 2013, ChipMOS Taiwan entered into a settlement agreement with Freescale to resolve pending lawsuit between the parties in a judicial settlement conference conducted in the Court. As part of the settlement agreement, ChipMOS Taiwan agreed to pay Freescale US\$8 million to settle the claims in exchange the parties entering into a new License Agreement for the use of Freescale's BGA packaging technology from 2011 to 2015 and filing a Joint Stipulation for the Dismissal of all claims pending between them. The Joint Stipulation for Dismissal was filed on July 26, 2013 and the case was closed by the Court.

[Table of Contents](#)

Other than the matters described above, we were not involved in any material litigation in 2013 and are not currently involved in any material litigation.

For certain information regarding legal proceedings relating to certain of our current and former directors, see “Item 3.—Key Information—Risk Factors—Risks Related to Our Business—The ongoing criminal proceeding of and adverse publicity associated with Mr. Shih-Jye Cheng, our Chairman and Chief Executive Officer, and Mr. Hung-Chiu Hu, our former director, could have a material adverse effect on our business and cause our stock price to decline”.

Dividend Policy

Company paid a cash dividend of US\$0.14 per common share for a total cash cost of US\$4.1 million on October 30, 2013 to all common shareholders of record on relevant record date. The payment of future dividends is subject to the Board’s continuing determination that the payment of dividends are in the best interests of the Company’s shareholders and are in compliance with all laws and agreements of the Company applicable to the declaration and distribution.

Item 9. The Offer and Listing

Listing

Since March 17, 2010, the NASDAQ Capital Market has been the principal trading market for our common shares, which are not listed or quoted on any other markets in or outside the United States. Our common shares were formerly quoted on the NASDAQ Global Market (formerly the NASDAQ National Market) under the symbol “IMOS” since June 19, 2001, and our common shares were formerly quoted on the NASDAQ Global Select Market since July 1, 2006. The CUSIP number for our common shares is “G2110R114”. Our Shareholders approved a reverse stock split of ChipMOS’s common stock in January 2011 with a ratio of 1-for-every-4 shares effective on January 21, 2011. As a result, the number of outstanding shares of ChipMOS common stock is reduced to 27,725,782 shares, from 110,908,341 shares prior to the reverse stock split becoming effective. As of March 31, 2014, there were 29,773,557 common shares issued and outstanding. The table below sets forth for the periods indicated, historical prices for the high, low and average closing prices on the NASDAQ National Market, the NASDAQ Global Select Market or the NASDAQ Capital Market for our common shares.

	NASDAQ Price per share ⁽¹⁾ (US\$)		
	High	Low	Average
2009	3.97	0.80	2.45
2010	7.68	2.40	4.80
2011	9.81	4.48	6.94
2012	19.04	5.47	11.91
2013	20.60	10.32	15.83
2012			
First Quarter	19.04	5.47	10.93
Second Quarter	18.48	9.61	12.68
Third Quarter	15.85	8.79	12.41
Fourth Quarter	16.03	9.74	11.59
2013			
First Quarter	13.32	10.32	11.29
Second Quarter	19.35	12.36	16.42
Third Quarter	20.60	15.03	17.16
Fourth Quarter	20.60	15.86	18.16
2013			
November	20.48	15.86	17.68
December	20.60	19.03	19.71
2014			
January	19.57	18.13	18.88
February	22.98	18.41	20.78
March	23.16	21.40	22.59
First Quarter	23.16	18.13	20.75
April (through April 23, 2014)	23.35	21.03	22.16

Note:

(1) The figures in the table contain historical prices reflecting the effect of our reverse stock split which was approved by our Shareholders on January 21, 2011.

Item 10. Additional Information

Description of Share Capital

Our authorized share capital is US\$3,250,000 consists of 62,500,000 common shares of par value US\$0.04 per share, and 18,750,000 preferred shares of par value US\$0.04 per share.

Common Shares

Each shareholder is entitled to one vote for each common share held on all matters submitted to a vote of shareholders. Cumulative voting for the election of directors is not provided for in our bye-laws, which means that the holders of a majority of the shares voted can elect all of the directors then standing for election.

Preferred Shares

Currently there are no specific rights attached to the preferred shares. The specific rights of the preferred shares could include rights, preferences or privileges in priority to our common shares and the establishment of such rights or the delegation to the board of directors to establish such rights will need to be approved by our shareholders. As of March 31, 2014, no preferred shares have been issued by our company.

Bermuda Law

We are an exempted company organized under the Bermuda Companies Act. The rights of our shareholders are governed by Bermuda law and our memorandum of association and bye-laws. The Bermuda Companies Act differs in some material respects from laws generally applicable to United States corporations and their shareholders.

Dividends

Under Bermuda law, a company may not declare or pay dividends from time to time by its board of directors if there are reasonable grounds for believing that the company is, or would after the payment be, unable to pay its liabilities as they become due or that the realizable value of its assets would thereby be less than its liabilities. (However, in order to avoid the possibility of an unauthorised reduction of capital, the Company complies with former requirement of section 54(1)(b) of the Bermuda Companies Act, i.e. that whenever the board of directors is making determination based on the latter benchmark - the realizable value of its assets, it should consider whether “*the realizable value of its assets would thereby be less than the aggregate of its liabilities, issued share capital and share premium accounts*”, rather than “liabilities” alone.). The holders of common shares are entitled to receive dividends out of assets legally available for such purposes at times and in amounts as our board of directors may from time to time determine. Any dividend unclaimed for a period of six years from its date of declaration will be forfeited and will revert to our company.

Voting Rights

Under Bermuda law, except as otherwise provided in the Bermuda Companies Act or our bye-laws, questions brought before a general meeting of shareholders are decided by a majority vote of shareholders present at the meeting. Our bye-laws provide that, subject to the provisions of the Bermuda Companies Act, and except for the resolutions for approving the extraordinary transaction, any question properly proposed for the consideration of the shareholders will be decided by a simple majority of the votes cast, either on a show of hands or on a poll, with each shareholder present (and each person holding proxies for any shareholder) entitled to one vote on a show of hands, or on a poll, one vote for each fully paid-up common share held by the shareholder. In the case of an equality of votes cast, the chairman of the meeting shall have a second or casting vote. Any resolution for any of the following extraordinary transactions will require the approval of shareholders holding at least 70.0% of the total voting rights of all the shareholders having the right to vote at such meeting:

- a resolution for the merger, amalgamation or any other consolidation of us with any other company, wherever incorporated;
- a resolution for the sale, lease, exchange, transfer or other disposition of all or substantially all of our consolidated assets; or
- a resolution for the adoption of any plan or proposal for the liquidation of our company.

Rights in Liquidation

Under Bermuda law, in the event of liquidation or winding-up of a company, after satisfaction in full of all claims of creditors and subject to the preferential rights accorded to any series of preferred shares, the proceeds of the liquidation or winding-up are distributed pro rata in species or in kind among the holders of our common shares in accordance with our bye-laws.

Meetings of Shareholders

Under Bermuda law, a company is required to convene at least one general shareholders' meeting as an annual general meeting each calendar year, unless according to the provisions of the Bermuda Companies Act, shareholders elect to dispense with the holding of annual general meetings. Bermuda law provides that a special general meeting may be called by the board of directors and must be called upon the request of shareholders holding not less than 10% of the paid-up capital of the company carrying the right to vote. Bermuda law also requires that shareholders be given at least five days' advance notice of a general meeting but the accidental omission to give notice to any person does not invalidate the proceedings at a meeting. Under our bye-laws, we must give each shareholder written notice at least five days prior to the annual general meeting, unless otherwise agreed by all shareholders having the right to vote at that annual general meeting, and written notice at least five days prior to any special general meeting, unless otherwise agreed by a majority of shareholders having a right to vote at that special general meeting, and together holding at least 95% of the paid-up capital of the company carrying the right to vote at that meeting.

Under Bermuda law, the number of shareholders constituting a quorum at any general meeting of shareholders is determined by the bye-laws of the company. Our bye-laws provide that at least two shareholders present in person or by proxy and holding shares representing at least 50% of the total voting rights of all shareholders having the right to vote at the meeting constitute a quorum. Our bye-laws further provide that, in respect of a general meeting adjourned for lack of quorum, at least two shareholders present in person or by proxy holding shares representing 33 1/3% of the total voting rights of all shareholders having the right to vote at the meeting constitute a quorum.

Access to Books and Records and Dissemination of Information

Under Bermuda law, members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda. These documents include a company's certificate of incorporation, its memorandum of association (including its objects and powers), and any alteration to its memorandum of association and documents relating to an increase or reduction of authorized share capital. The shareholders have the additional right to inspect the bye-laws of the company, minutes of general meetings, and the company's audited financial statements, which, unless agreed by all shareholders and directors, must be laid before the annual general meeting. The register of shareholders of a company is also open to inspection by shareholders and by members of the general public for not less than two hours each day without charge. Any member of the public may require a copy of the register, or of any part thereof, on the payment of a fee. A company is required to maintain its share register in Bermuda but may, subject to the provisions of Bermuda law, establish a branch register outside Bermuda. We maintain a share register in Hamilton, Bermuda and a branch register in New Jersey, USA. A company is required to keep at its registered office a register of its directors and officers which is open for inspection for not less than two hours each day by members of the public without charge. Bermuda law does not, however, provide a general right for shareholders to inspect or obtain copies of any other corporate records.

Election or Removal of Directors

Under Bermuda law and our bye-laws, directors are elected or appointed at an annual general meeting and serve until re-elected or re-appointed or until their successors are elected or appointed, unless they are earlier removed for cause or resign or otherwise cease to be directors under Bermuda law or our bye-laws.

A director may be removed for cause at a special general meeting of shareholders specifically called for that purpose, provided that the director is served with at least 14 days' notice. The director has a right to be heard at that meeting. Any vacancy created by the removal of a director at a special general meeting may be filled at that meeting by the election of another director in his or her place or, in the absence of any election by the shareholders, by the board of directors.

Board Actions

Our bye-laws provide that the quorum necessary for the transaction of business is two individual directors of the board, and that questions arising at a properly convened meeting of the board of directors must be approved by a majority of the votes present and entitled to be cast. In the case of an equality of votes, the chairman of the meeting is entitled to a second or casting vote.

The board of directors may appoint any of our directors to act as our managing director or other senior executive, on such terms and conditions as it may determine, including with respect to remuneration.

Amendment of Memorandum of Association and Bye-Laws

Bermuda law provides that the memorandum of association of a company may, with the consent of the Minister of Finance of Bermuda (if required), be amended by a resolution passed at a general meeting of shareholders of which due notice has been given. Our bye-laws, other than the bye-law separating our board of directors into three classes, may be amended by the board of directors if the amendment is approved by a majority of votes cast by our directors and by our shareholders by a resolution passed by a majority of votes cast at a general meeting. Any amendment to our bye-law separating a board of directors into three classes must be approved by our board of directors and by shareholders holding shares representing at least 60% of the total voting rights of all our shareholders having the right to vote at such general meeting.

Under Bermuda law, the holders of an aggregate of no less than 20% in par value of a company's issued share capital or any class of issued share capital have the right to apply to the Bermuda Court for an annulment of any amendment of the memorandum of association adopted by shareholders at any general meeting. Where an application is made, the amendment becomes effective only to the extent that it is confirmed by the Bermuda Court. An application for the annulment of an amendment of the memorandum of association must be made within 21 days after the date on which the resolution altering the company's memorandum of association is passed and may be made on behalf of the person entitled to make the application by one or more of their number as they may appoint in writing for the purpose. No application may be made by persons voting in favor of the amendment.

Appraisal Rights and Shareholder Suits

Under Bermuda law, in the event of an amalgamation or a merger of two Bermuda companies, a shareholder who did not vote in favour of the amalgamation or the merger and who is not satisfied that fair value has been paid for such shareholder's shares may apply to the Bermuda Court to appraise the fair value of those shares. The Bermuda Companies Act provides that, subject to the terms of a company's bye-laws, the amalgamation or merger of a Bermuda company with another company requires the amalgamation or merger agreement to be approved by the board of directors and, except where the amalgamation or merger is between a holding company and one or more of its wholly-owned subsidiaries or between two or more wholly-owned subsidiaries, by meetings of the holders of shares of each company and of each class of such shares at a meeting of the shareholders by seventy-five percent of the members present and entitled to vote at that meeting in respect of which the quorum shall be two persons holding or representing at least one-third of the issued shares of each company or class, as the case may be. Under our bye-laws, any resolution proposed for consideration at any general meeting to approve the merger, amalgamation or any other consolidation of our company with any other company, wherever incorporated shall require the approval of our shareholders holding shares representing at least 70% of the total voting rights of all our shareholders, and the quorum to be at least 2 shareholders present in person or by proxy holdings shares representing at least 50% of the total voting rights of all our shareholders.

Class actions and derivative actions are generally not available to shareholders under Bermuda law. The Bermuda Court, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association or bye-laws. Further consideration would be given by the Bermuda Court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it.

When the affairs of a company are being conducted in a manner oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to the Bermuda Court for an order regulating the company's conduct of affairs in the future or compelling the purchase of the shares by any shareholder, by other shareholders or by the company.

Exchange Controls

The following discussion is based on the advice of Appleby, our Bermuda counsel.

The BMA, has designated us as non-resident for exchange control purposes. The BMA has granted its consent under the Exchange Control Act 1972 and regulations promulgated thereunder for the issue or transfer to non-residents of Bermuda for exchange control purposes of our common shares, subject to the common shares remaining quoted on the NASDAQ Capital Market.

Share Issuance and Transfers by Non-Bermuda and Bermuda Residents

Under Bermuda law, there are no limitations on the rights of non-Bermuda residents to hold or vote their shares of Bermuda companies. Because we have been designated as a non-resident for Bermuda exchange control purposes, there are no restrictions on our ability to transfer funds in and out of Bermuda or to pay dividends to United States residents who are holders of our common shares other than in respect of local Bermuda currency.

Table of Contents

Under Bermuda law, we are an exempted company. An exempted company is exempt from the provisions of Bermuda law, which stipulate that at least 60% of the equity must be beneficially owned by Bermuda persons. Persons regarded as residents of Bermuda for exchange control purposes require specific consent under the Exchange Control Act 1972 to acquire securities issued by us. The Exchange Control Act 1972 permits companies to adopt bye-law provisions relating to the transfer of securities. None of Bermuda law, our memorandum of association or our bye-laws imposes limitations on the right of foreign nationals or non-residents of Bermuda to hold our shares or vote such shares.

As an exempted company, we may not participate in certain business transactions, including, among others: (1) the acquisition or holding of land in Bermuda, except (i) land acquired for its business by way of lease or tenancy agreement for a term not exceeding fifty years, or (ii) with the consent of the Minister of Finance granted in his discretion, land by way of lease or tenancy agreement for a term not exceeding twenty-one years in order to provide accommodation or recreational facilities for its officers and employees; (2) the taking of mortgages on land in Bermuda to secure an amount in excess of US\$50,000 without the consent of the Bermuda Minister of Finance; (3) the acquisition of any bonds, or debentures secured on any land in Bermuda except bonds or debentures issued by the Government or a public authority; or (4) the carrying on of business of any kind in Bermuda, except, among others, to carry business with persons outside Bermuda, in furtherance of our business carried on outside Bermuda or under a license granted by the Bermuda Minister of Finance.

The Bermuda government actively encourages foreign investment in exempted entities like us that are based in Bermuda but do not operate in competition with local business. In addition to having no restrictions on the degree of foreign ownership, we are subject neither to taxes on our income or dividends nor to any foreign exchange controls in Bermuda. In addition, there is no capital gains tax in Bermuda, and profits can be accumulated by us without limitation.

Director's Interests

Under our bye-laws, our director may, notwithstanding his office be a party to, or otherwise interested in, any transaction or arrangement with our company or in which our company is otherwise interested. He or she may also be a director or officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any corporate body promoted by our company or in which our company is interested. Therefore, where it is necessary, so long as our director declares the nature of his or her interest at the first opportunity at a meeting of the board or by writing to the directors as required by the Bermuda Companies Act, that director shall not by reason of his or her office be accountable to our company for any benefit he or she derives from any office or employment to which our bye-laws allow him or her to be appointed or from any transaction or arrangement in which our bye-laws allow him or her to be interested, and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit. A general notice to our directors by a director or officer declaring that he or she is a director or officer or has an interest in a person and is to be regarded as interested in any transaction or arrangement made with that person shall be sufficient declaration of interest in relation to any transaction or arrangement so made.

Share Issuance and Transfer

We have been designated as a non-resident for exchange control purposes by the BMA, whose permission for the issuance and transfer of common shares has been obtained subject to the common shares being quoted on the NASDAQ Capital Market.

The transfer of common shares between persons regarded as non-resident in Bermuda for exchange control purposes and the issuance of shares after the completion of the currently contemplated offering of our common shares to those persons may be effected without specific consent under the Exchange Control Act 1972 of Bermuda and regulations thereunder subject to the common shares remaining quoted on the NASDAQ Capital Market. Issuance and transfer of shares to any person regarded as resident in Bermuda for exchange control purposes require specific prior approval under the Exchange Control Act 1972.

There are no limitations on the rights of persons regarded as non-residents of Bermuda for foreign exchange control purposes who own common shares to hold or vote their common shares. Since we have been designated as a non-resident for Bermuda exchange control purposes, there are no restrictions on our ability to transfer funds in and out of Bermuda or to pay dividends to United States residents or other non-residents of Bermuda who are holders of common shares, other than in respect of local Bermuda currency. Furthermore, it is not our intent to maintain Bermuda dollar deposits and, accordingly, will not pay dividends on the common shares in Bermuda currency.

[Table of Contents](#)

Share certificates are issued only in the names of corporations or individuals, being the registered holders of shares as represented by such share certificates. Where an applicant for common shares acts in a special capacity, such as an executor or trustee, certificates may, at the request of that applicant, record the capacity in which the applicant is acting. Our recording of any special capacity, however, shall not be construed as obliging us either to investigate, or to incur any responsibility or liability in respect of, the proper administration of any trust or estate. Except as ordered by a court of competent jurisdiction or as required by law, regardless of whether or not we have had notice of a trust, no notice shall be taken of any trust, equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or any other right in respect of any common shares except an absolute right to the entirety thereof in the registered holder.

Transfer Agent and Registrar

Appleby Management (Bermuda) Ltd. serves as our principal registrar and transfer agent in Bermuda for the common shares. Computershare Shareowner Services, LLC serves as our United States transfer agent and registrar for the common shares.

Material Contracts

We have entered into the following contracts within the two years preceding the date of this Annual Report on Form 20-F that are or may be material:

- On February 26, 2010, the Company entered into a share purchase agreement (the “Share Purchase Agreement”) with Siliconware Precision to sell to Siliconware Precision our holding of 133 million common shares of ChipMOS Taiwan with a consideration of approximately NT\$1,630 million. The purchase shares represent 15.8% of the total number of ChipMOS Taiwan’s outstanding shares. Under the terms and conditions of the Share Purchase Agreement, Siliconware Precision paid the purchase price in four installments to ChipMOS Bermuda, with the final installment scheduled to be paid on or before March 31, 2011. The share purchase transaction was completed in January 2011.
- On February 26, 2010, ChipMOS Taiwan entered into an equipment purchase agreement (the “Equipment Purchase Agreement”) with Siliconware Precision to purchase its DRAM testers and LCD driver assembly and test equipment with a purchase price of approximately NT\$1,630 million. Under the terms and conditions of the Equipment Purchase Agreement, ChipMOS Taiwan will pay the purchase price in four installments to Siliconware Precision, with the final installment paid on or before March 31, 2011. All of the purchased equipment will be shipped to and installed at ChipMOS’ plant no later than July 31, 2010. In January 2011, the Company has paid the final installment to Siliconware Precision and completed the Equipment Purchase Agreement transaction.
- On April 22, 2011, the Company entered MMT Assignment Agreement with ThaiLin to sell the MMT Notes to ThaiLin for a purchase price of approximately US\$40 million subject to certain closing conditions. The MMT Assignment Agreement was completed in October 2011. Post completion of the MMT Assignment Agreement transaction, ThaiLin immediately converted the MMT Notes into common shares of Modern Mind and purchased all of the remaining common shares of Modern Mind from Jesper, with ChipMOS Shanghai becoming a wholly-owned subsidiary of ThaiLin.
- On July 14, 2011, ChipMOS Taiwan obtained a syndicated loan facility from banks in Taiwan in the amount of NT\$8,410 million separated into two parts with its respective term of four years and five years. This loan facility was used to refinance the existing bank debts and equipment leases in July and August 2011. As of December 31, 2011, this loan facility was fully drawn.
- On October 26, 2012, the Company entered Underwriting Agreement with ThaiLin, Siliconware Precision, Cowen and Company, LLC and Craig-Hallum Capital Group LLC for the Secondary Offering of up to 2.8 million Company’s Common Shares.
- On May 20, 2013, ThaiLin entered Share Purchase Agreement with Tokyo Seimitsu for the sale of 380,506 Company’s Common Shares for a purchase price of approximately US\$5 million.
- On November 21, 2013, the Company entered Share Purchase Agreement with ThaiLin for the purchase of 4,093,705 Company’s Common Shares.
- On September 5, 2013, the Company entered Share Purchase Agreement with ADATA Technology Co., Ltd., for the purchase of 8 million ChipMOS Taiwan’s Common Shares at a price of NT\$20 per share and for a total consideration of NT\$160 million (US\$5 million).
- On September 5, 2013, the Company entered Share Purchase Agreement with GIC Private Limited for the purchase of 33,646 thousand ChipMOS Taiwan’s Common Shares at a price of NT\$20 per share and for a total consideration of approximately NT\$673 million (US\$23 million).

[Table of Contents](#)

- On September 5, 2013, the Company entered Share Purchase Agreement with Soaring Elite Limited. for the purchase of 15 million ChipMOS Taiwan's Common Shares at a price of NT\$20 per share and for a total consideration of NT\$300 million (US\$10 million)
- On September 5, 2013, the Company entered Share Purchase Agreement with TLC Capital Co., Ltd for the purchase of 9,750 thousand ChipMOS Taiwan's Common Shares at a price of NT\$20 per share and for a total consideration of NT\$195 million (US\$7 million).
- On September 5, 2013, the Company entered Share Purchase Agreement with Yi-Feng Chen for the purchase of 13 million ChipMOS Taiwan's Common Shares at a price of NT\$20 per share and for a total consideration of NT\$260 million (US\$9 million).

Please see also "Item 7. Major Shareholders and Related Party Transactions" for further summary information regarding the contracts listed under "Item 10. Additional Information – Material Contracts" that are with certain of our related parties.

Bermuda Taxation

This summary is based on laws, regulations, treaty provisions and interpretations now in effect and available as of the date of this Annual Report on Form 20-F. The laws, regulations, treaty provisions and interpretations, however, may change at any time, and any change could be retroactive to the date of issuance of our common shares. These laws, regulations and treaty provisions are also subject to various interpretations, and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below.

At the date hereof, there is no Bermuda income, corporation or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by us or our shareholders other than shareholders ordinarily resident in Bermuda. We are not subject to stamp or other similar duty on the issuance, transfer or redemption of our common shares.

We have obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event there is enacted in Bermuda any legislation imposing tax computed on profits or income or computed on any capital assets, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, such tax shall not be applicable to us or to our operations, or to the common shares, debentures or our other obligations until March 28, 2016, except insofar as such tax applies to persons ordinarily resident in Bermuda and holding such common shares, debentures or our other obligations or any real property or leasehold interests in Bermuda owned by us. No reciprocal income tax treaty affecting us exists between Bermuda and the United States.

As an exempted company, we are liable to pay in Bermuda an annual government fee calculated on a sliding scale basis by reference to our assessable capital, which is the aggregate of our authorized common share capital and the premium on our issued common shares currently at a rate not exceeding US\$31,120 per annum.

United States Federal Income Tax Consequences

The discussion below is for general information only and is not, and should not be interpreted to be, tax advice to any holder of our common shares. Each holder or a prospective holder of our common shares is urged to consult his, her or its own tax advisor.

General

This section is a general summary of the material United States federal income tax consequences to U.S. Holders, as defined below, of the ownership and disposition of our common shares as of the date of this report. This summary is based on the provisions of the Internal Revenue Code of 1986, as amended, or the Code, the applicable Treasury regulations promulgated and proposed thereunder, judicial decisions and current administrative rulings and practice, all of which are subject to change, possibly on a retroactive basis. The summary applies to you only if you hold our common shares as a capital asset within the meaning of Section 1221 of the Code. The United States Internal Revenue Service, or the IRS, may challenge the tax consequences described below, and we have not requested, nor will we request, a ruling from the IRS or an opinion of counsel with respect to the United States federal income tax consequences of acquiring, holding or disposing of our common shares. This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to the ownership of our common shares. In particular, the discussion below does not cover tax consequences that depend upon your particular tax circumstances nor does it cover any state, local or foreign law, or the possible application of the United States federal estate or gift tax. You are urged to consult your own tax advisors regarding the application of the United States federal income tax laws to your particular situation as well as any state, local, foreign and United States federal estate and gift tax consequences of the ownership and disposition of the common shares. In addition, this summary does not take into account any special United States federal income tax rules that apply to a particular U.S. or Non-U.S. Holder of our common shares, including, without limitation, the following:

- a dealer in securities or currencies;
- a trader in securities that elects to use a market-to-market method of accounting for its securities holdings;
- a financial institution or a bank;
- an insurance company;
- a tax-exempt organization;
- a person that holds our common shares in a hedging transaction or as part of a straddle or a conversion transaction;
- a person whose functional currency for United States federal income tax purposes is not the U.S. dollar;
- a person liable for alternative minimum tax;
- a person that owns, or is treated as owning, 10% or more, by voting power or value, of our common shares;
- certain former U.S. citizens and residents who have expatriated; or
- a person that receives our shares pursuant to the exercise of employee stock options or otherwise as compensation.

U.S. Holders

For purposes of the discussion below, you are a “U.S. Holder” if you are a beneficial owner of our common shares who or that is:

- an individual United States citizen or resident alien of the United States (as specifically defined for United States federal income tax purposes);
- a corporation, or other entity treated as a corporation for United States federal income tax purposes, created or organized in or under the laws of the United States, any State or the District of Columbia;
- an estate whose income is subject to United States federal income tax regardless of its source; or
- a trust (x) if a United States court can exercise primary supervision over the trust’s administration and one or more United States persons are authorized to control all substantial decisions of the trust or (y) if it was in existence on August 20, 1996, was treated as a United States person prior to that date and has a valid election in effect under applicable Treasury regulations to be treated as a United States person.

If a partnership holds our common shares, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner of a partnership holding our common shares, you should consult your tax advisor.

Distributions

Subject to the “passive foreign investment company” (“PFIC”) rules discussed below, for cash dividends, the gross amount of any such distribution (other than in liquidation) that you receive with respect to our common shares generally will be taxed to you as dividend income to the extent such distribution does not exceed our current or accumulated earnings and profits (“E&P”), as calculated for U.S. federal income tax purposes. Such income will be includable in your gross income as ordinary income on the date of receipt. Dividends received by individuals and certain other non-corporate taxpayers from “qualified foreign corporations” are taxed at the rate of either 0 percent, 15 percent or 20 percent, depending upon the particular taxpayer’s U.S. federal income tax bracket; provided that the recipient-shareholder has held his or her shares as a beneficial owner for more than 60 days during the 121-day period beginning on the date which is 60 days before the shares’ ex-dividend date. A foreign corporation is a “qualified foreign corporation” if the stock with respect to which it pays dividends is traded on an established securities market in the United States, provided that the foreign corporation is not a PFIC. Our stock is traded on an established securities market in the United States, although we cannot guarantee that our stock will be so traded in the future. We believe that we should not be treated as a PFIC for U.S. federal income tax purposes. No assurance can be given, however, that the IRS may not disagree and seek to treat us as a PFIC. If we were a PFIC with respect to a particular U.S. Holder, dividends received from us will be taxed at regular ordinary income tax rates and certain other rules will apply. See “Passive Foreign Investment Company (PFIC),” below. Holders of our shares should consult their own tax advisers regarding the availability of the reduced dividend tax rate in light of their own particular circumstances.

Certain U.S. Holders that are individuals, estates or trusts will be required to pay an additional 3.8 percent Medicare contribution tax on net investment income, including interest, dividends, and capital gain. U.S. Holders should consult their tax advisors as to the application of this additional tax.

To the extent any distribution exceeds our E&P, the distribution will first be treated as a tax-free return of capital to the extent of your adjusted tax basis in our common shares and will be applied against and reduce such basis on a dollar-for-dollar basis (thereby increasing the amount of gain and decreasing the amount of loss recognized on a subsequent disposition of such shares). To the extent that such distribution exceeds your adjusted tax basis, the distribution will be taxed as gain recognized on a sale or exchange of our common shares. See “Sale, Exchange or Other Disposition of Our Common Shares,” below. Because we are not a U.S. corporation, no dividends-received deduction will be allowed to corporations with respect to dividends paid by us.

For United States foreign tax credit limitation purposes, dividends received on our common shares will be treated as foreign source income and will generally be “passive category income”, or in the case of certain holders, “general category income.” You may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of foreign withholding taxes, if any, imposed on dividends paid on our common shares. The rules governing United States foreign tax credits are complex, and we recommend that you consult your tax advisor regarding the applicability of such rules to you.

Sale, Exchange or Other Disposition of Our Common Shares

Subject to the PFIC rules discussed below, generally, in connection with the sale, exchange or other taxable disposition of our common shares:

- you will recognize capital gain or loss equal to the difference (if any) between:
 - the amount realized on such sale, exchange or other taxable disposition and
 - your adjusted tax basis in such common shares (your adjusted tax basis in the shares you hold generally will equal your U.S. dollar cost of such shares);
- such gain or loss will be long-term capital gain or loss if your holding period for our common shares is more than one year at the time of such sale or other disposition;
- such gain or loss will generally be treated as United States source for United States foreign tax credit purposes; and
- your ability to deduct capital losses is subject to limitations.

Long-term capital gains recognized by individuals and certain other non-corporate taxpayers, are taxed at the rate of 0, 15 or 20 percent, depending upon the particular taxpayer’s U.S. federal income tax bracket. Certain U.S. Holders that are individuals, estates or trusts will be required to pay an additional 3.8 percent Medicare contribution tax on net investment income, including interest, dividends, and capital gain. U.S. Holders should consult their tax advisors as to the application of this additional tax.

Passive Foreign Investment Company (PFIC)

We believe that our common shares should not be treated as stock of a PFIC for United States federal income tax purposes, but this conclusion is a legal and factual determination that is made annually and thus may be subject to change. If we were treated as a PFIC, unless a U.S. Holder elects to be taxed annually on a mark-to-market basis with respect to the shares, gain realized on the sale or other disposition of your common shares would in general not be treated as capital gain. Instead, you would be treated as if you had realized such gain ratably over your holding period for the common shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for such year, together with an interest charge in respect of the tax attributable to each such year. With certain exceptions, your common shares will be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your common shares. Dividends that you receive from us will not be eligible for the special tax rates applicable to qualified dividend income if we are treated as a PFIC with respect to you either in the taxable year of the distribution or the preceding taxable year, but instead will be taxable at rates applicable to ordinary income. Further, any distribution in respect of our common shares in excess of 125 percent of the average annual distributions on our common shares received by you during the preceding three years or your holding period, whichever is shorter, would be allocated ratably over your holding period for the common shares and subject to taxation as described for sales or other dispositions above.

Non-U.S. Holders

If you are not a U.S. Holder, you are a “Non-U.S. Holder.”

Distributions on Our Common Shares

You generally will not be subject to U.S. federal income tax, including withholding tax, on distributions made on our common shares unless:

- you conduct a trade or business in the United States and
- the distributions are effectively connected with the conduct of that trade or business (and, if an applicable income tax treaty so requires as a condition for you to be subject to U.S. federal income tax on a profit for the year basis in respect of income from our common shares, such distributions are attributable to a permanent establishment that you maintain in the United States).

If you meet the two tests above, you generally will be subject to tax in respect of such dividends in the same manner as a U.S. Holder, as described above. In addition, any effectively connected dividends received by a non-U.S. corporation may also, under certain circumstances, be subject to an additional “branch profits tax” at a 30 percent rate or such lower rate as may be specified by an applicable income tax treaty.

Sale, Exchange or Other Disposition of Our Common Shares

Generally, you will not be subject to U.S. federal income tax, including withholding tax, in respect of gain recognized on a sale or other disposition of our common shares unless:

- your gain is effectively connected with a trade or business that you conduct in the United States (and, if an applicable income tax treaty so requires as a condition for you to be subject to U.S. federal income tax on a profit for the year basis in respect of gain from the sale or other disposition of our common shares, such gain is attributable to a permanent establishment maintained by you in the United States), or
- you are an individual Non-U.S. Holder and are present in the United States for at least 183 days in the taxable year of the sale or other disposition, and certain other conditions exist.

You will be subject to tax in respect of any gain effectively connected with your conduct of a trade or business in the United States generally in the same manner as a U.S. Holder, as described above. Effectively connected gains realized by a non-U.S. corporation may also, under certain circumstances, be subject to an additional “branch profits tax” at a rate of 30 percent or such lower rate as may be specified by an applicable income tax treaty.

Backup Withholding and Information Reporting

Payments, including dividends and proceeds of sales, in respect of our common shares that are made in the United States or by a United States related financial intermediary will be subject to United States information reporting rules. In addition, such payments may be subject to United States federal backup withholding tax. You will not be subject to backup withholding provided that:

- you are a corporation or other exempt recipient, or
- you provide your correct United States federal taxpayer identification number and certify, under penalties of perjury, that you are not subject to backup withholding.

Amounts withheld under the backup withholding rules may be credited against your United States federal income tax, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS in a timely manner.

Documents on Display

We are subject to the information requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements, we file reports and other information with the Securities and Exchange Commission. These materials may be inspected and copied at the Commission's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Commission's Public Reference Room by calling the Commission in the United States at 1-800-SEC-0330. The Commission also maintains a web site at <http://www.sec.gov> that contains reports, proxy statements and other information regarding registrants that file electronically with the Commission.

Item 11. Quantitative and Qualitative Disclosure about Market Risk

Market Risks

Our exposure to financial market risks relates primarily to changes in interest rates and foreign exchange rates. To mitigate these risks, we utilize derivative financial instruments, the application of which is primarily for hedging, and not for speculative, purposes.

Interest Rate Risks

As of December 31, 2013, we had aggregate debts outstanding of NT\$7,551 million (US\$253 million), which was incurred for capital expenditure and general operating expenses. Of our outstanding debts as of December 31, 2013, 100% bear interest at variable rates. The interest rate for the majority of our variable rate debts varies based on a fixed percentage spread over the prime rate established by our lenders. Our variable rate debts had an annual weighted average interest rate of 2.346% as of December 31, 2013. Accordingly, we have cash flows and earnings exposure due to market interest rate changes for our variable rate debts. An increase in interest rates of 1% would increase our annual interest charge by NT\$76 million (US\$3 million) based on our outstanding floating rate indebtedness as of December 31, 2013.

As of December 31, 2012 and 2013, we had no interest rate swap agreements outstanding.

Foreign Currency Exchange Rate Risks

Our foreign currency exposure gives rise to market risks associated with exchange rate movements against the NT dollar, the Japanese yen and the US dollar. As of December 31, 2013, 52.8% of our financial assets and 19.5% of our financial liabilities are denominated in the US dollar and Japanese yen, respectively. To minimize foreign currency exchange risk, from time to time we utilize forward exchange contracts and foreign currency options to hedge our exchange rate risk on foreign currency assets or liabilities positions. These hedging transactions help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements. An average appreciation of the NT dollar against all other relevant foreign currencies of 5% would decrease our exchange gain by NT\$364 million (US\$12 million) based on our outstanding assets and liabilities denominated in foreign currencies as of December 31, 2013. As of December 31, 2012 and 2013, we had no outstanding forward exchange or foreign currency option contracts.

See Note 30 of our audited consolidated financial statements for additional information on financial risk management.

Item 12. Description of Securities Other Than Equity Securities

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.

Item 15. Controls and Procedures

Disclosure Controls and Procedures. An evaluation was carried out under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934). Based upon that evaluation, the chief executive officer and chief financial officer concluded that these disclosure controls and procedures were effective as of December 31, 2012.

Management's Annual Report on Internal Control Over Financial Reporting. Management's Report on Internal Control Over Financial Reporting is set forth below.

Management's Report on Internal Control Over Financial Reporting

April 25, 2014

Management of ChipMOS TECHNOLOGIES (Bermuda) LTD. (together with its consolidated subsidiaries, the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934). The Company's internal control over financial reporting is a process designed under the supervision of the Company's chief executive officer and chief financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

As of December 31, 2013, the Company's management, with the participation of the Company's chief executive officer and chief financial officer, conducted an assessment of the effectiveness of the Company's internal control over financial reporting using criteria set forth in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, the Company's management has concluded that the Company's internal control over financial reporting as of December 31, 2013 was effective.

Moore Stephens, an independent registered public accounting firm, has audited our consolidated financial statements included in the Annual Report of the Company on Form 20-F for the year ended December 31, 2013 and has issued an attestation report on the Company's internal control over financial reporting as of December 31, 2013. The attestation report is set forth in "Item 18. Financial Statements".

/s/ Shih-Jye Cheng

Name: Shih-Jye Cheng

Title: Chairman and Chief Executive Officer

/s/ Shou-Kang Chen

Name: Shou-Kang Chen

Title: Chief Financial Officer

Changes in Internal Control Over Financial Reporting. During 2013, no change to our internal control over financial reporting occurred that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

Our Board of Directors have determined that Chin-Shyh Ou, one of our independent directors, qualified as audit committee financial expert and meets the independence requirement as defined in Item 16A to Form 20-F.

Item 16B. Code of Ethics

We have adopted a Code of Business Conduct and Ethics, which applies to our directors, officers and employees. A copy of our Code of Business Conduct and Ethics is filed as Exhibit 11.1 to this Annual Report on Form 20-F.

[Table of Contents](#)

Item 16C. Principal Accountant Fees and Services

The table below summarizes the aggregate fees that we paid or accrued for services provided by Moore Stephens for the years ended December 31, 2012 and 2013.

	<u>2012</u>	<u>2013</u>
	NT\$	NT\$
	(In thousands)	
Audit Fees	\$ 9,151	\$ 9,247
Audit Related Fees	—	—
Tax Fees	—	—
All Other Fees	2,382	1,283
Total	<u>\$ 11,533</u>	<u>\$ 10,530</u>

Audit Fees. This category includes the audit of our annual financial statements and services that are normally provided by the independent auditors in connection with statutory and regulatory filings or engagements for those fiscal years. For 2012 and 2013, this category primarily include the audit of our financial statements and our internal control over financial reporting contained in this Annual Report on Form 20-F.

Audit-Related Fees. This category includes fees reasonably related to the performance of the audit or review of our financial statements and not included in the category of Audit Fees (described above).

Tax Fees. This category includes aggregate fees for respective years for services relating to tax compliance, advice and planning.

All Other Fees. This category includes aggregate fees for respective years for services other than the services included in the above. For 2012, this category primarily include the fees for services received relating to Company's transaction with respect to the Registration Statement on Form F-3 declared effective in September 2012. For 2013, the fees incurred under this category are primarily the fees for services received relating to Company's transaction with respect to the application of ChipMOS Taiwan listing on the TWSE.

All non-audit services are pre-approved by our Audit Committee on a case-by-case basis. Accordingly, we have not established any pre-approval policies and procedures.

All audit services that Moore Stephens was engaged to carry out after May 6, 2003, the effective date of revised Rule 2-01(c)(7) of Regulation S-X entitled "Audit Committee Administration of the Engagement" on strengthening requirements regarding auditor independence, were pre-approved by the Audit Committee.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Repurchase Programs. On August 26, 2011, our Board of Directors approved and subsequently implemented a Rule 10b5-1 and 10b-18 share repurchase program in accordance with the Securities Exchange Act 1934, as amended, on November 17, 2011 to purchase through a broker our common shares, with a maximum purchase amount of US\$10 million (Repurchase Program I). Repurchase Program I was terminated on August 20, 2012.

On August 10, 2012, our Board of Directors approved and subsequently implemented a Rule 10b5-1 and 10b-18 share repurchase program in accordance with the Securities Exchange Act 1934, as amended, on August 20, 2012 to purchase through a broker our common shares, with a maximum purchase amount of US\$10 million (Repurchase Program II). Repurchase Program II was completed on October 16, 2012.

On March 14, 2013, our Board of Directors approved and subsequently implemented a Rule 10b5-1 and 10b-18 share repurchase program in accordance with the Securities Exchange Act 1934, as amended, on May 24, 2013 to purchase through a broker our common shares, with a maximum purchase amount of US\$7.5 million (Repurchase Program III). This repurchase program was terminated on November 21, 2013.

[Table of Contents](#)

Other repurchases. On November 21, 2013, our Board of Directors approved the repurchase of 4,093,705 of our common shares from ThaiLin to be consummated at two closings (“ThaiLin Repurchase”). The first closing of 2,000,000 common shares occurred on November 26, 2013 and the second closing of 2,093,705 common shares occurred on January 16, 2014.

On November 29, 2013, Mr. S. J. Cheng, our Chairman of Board of Directors and Chief Executive Officer, has entered into a 10b5-1 sales plan for the sale of up to 250,000 shares of ChipMOS common shares between May 20, 2014 and June 20, 2014. The plan was entered into for personal tax planning and diversification purposes. Upon completion of the plan, Mr. Cheng expects to still own or hold over 370,000 common shares of ChipMOS.

The table sets forth certain information about the purchase of our common shares by the Issuer’s repurchase programs for the year ended as of December 31, 2013.

Purchases of Equity Securities by the Issuer

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share (US\$)</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (US\$ Million)</u>
January – February, 2012 (Repurchase Program I)	47,100	7.69	47,100	None
September – October, 2012 (Repurchase Program II)	653,610	15.30	653,610	None
June – November, 2013 (Repurchase Program III) ⁽¹⁾	87,100	15.41	87,100	None
Total	<u>787,810</u>		<u>787,810</u>	

Note:

(1) Does not include repurchases of November 21, 2013 ThaiLin Repurchase.

Item 16F. Change in Registrant’s Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Our corporate governance practices are governed by applicable Bermuda law, specifically, the Bermuda Companies Act, and our memorandum of association and bye-laws. Also, because our securities are listed on the NASDAQ, we are subject to corporate governance requirements applicable to NASDAQ-listed foreign private issuers under NASDAQ listing rules.

Under NASDAQ Rule 5615(a)(3), NASDAQ-listed foreign private issuers may, in general, follow their home country corporate governance practices instead of most NASDAQ corporate governance requirements. However, all NASDAQ-listed, foreign private issuers must comply with NASDAQ Rules 5605(c)(2)(A)(ii), 5605(c)(3), 5625 and 5640.

Table of Contents

Item 16G requires a foreign private issuer to provide in its annual report filed with the Securities and Exchange Commission a brief, general summary of any significant ways its corporate governance practices differ from those followed by NASDAQ-listed domestic companies. The table below provides this summary information as required by Item 16G and by NASDAQ Rule 5615(a) (3):

<u>NASDAQ Listing Rule</u>	<u>Corporate Governance Practice To Be Followed by Domestic Companies</u>	<u>Our Corporate Governance Practice</u>
5605(b)	Requires a majority independent board and an independent director executive session.	We follow the same NASDAQ listing rule governance practice as followed by domestic companies.
5605(c)(1)	Audit committee charter requirements.	We follow the same NASDAQ listing rule governance practice as followed by domestic companies.
5605(c)(2)(A)(ii)	Audit committee composition and independence requirements.	We follow the same NASDAQ listing rule governance practice as followed by domestic companies.
5605(c)(2)(A)(i), (iii), (iv)	Audit committee financial sophistication requirements.	We follow governance practices under Bermuda law: Bermuda Companies Act does not have such requirement.
5605(c)(3)	Audit committee responsibilities and authority requirements.	We follow the same NASDAQ listing rule governance practice as followed by domestic companies.
5605(d), (e)	Requires independent director oversight of executive officer compensation and director nominations.	We follow governance practices under Bermuda law: Bermuda Companies Act does not have such requirement. All compensation committee members are independent directors. All directors who approve executive officer compensation and director nominations are independent directors.
5610	Requires a code of conduct for directors, officers and employees.	We follow the same NASDAQ listing rule governance practice as followed by domestic companies.
5620	Annual shareholder meeting requirements.	We follow governance practices under Bermuda law. The Bermuda Companies Act and our bye-laws provide for certain requirements for the annual shareholder meeting, including the following: (a) an annual general meeting at least once in every calendar year unless according to the provisions of Bermuda Companies Act, shareholders elect to dispense with the holding of annual general meetings; (b) the Bermuda Companies Act does not have express provisions requiring proxy solicitation; and (c) under bye-law 49, the quorum for any annual general meeting shall be at least two shareholders present in person or by proxy and holding shares representing at least fifty percent (50%) of the total voting rights of all the shareholders having the right to vote at such meeting and entitled to vote.
5625	Requires an issuer to notify NASDAQ of any material noncompliance with the Rule 5600 series.	We follow the same NASDAQ listing rule governance practice as followed by domestic companies.
5630	Requires oversight of related party transactions.	We follow the same NASDAQ listing rule governance practice as followed by domestic companies.

Table of Contents

<u>NASDAQ Listing Rule</u>	<u>Corporate Governance Practice To Be Followed by Domestic Companies</u>	<u>Our Corporate Governance Practice</u>
5635	Circumstances that require shareholder approval.	<p>We follow governance practices under Bermuda law. The Bermuda Companies Act and our bye-laws provide for certain circumstances which require shareholders' approval, including but not limited to the following:</p> <p>(a) under bye-law 5, subject to the Bermuda Companies Act, all or any of the special rights for the time being attached to any class of shares for the time being issued may from time to time be altered or abrogated with the consent in writing of the holders of not less than 75% of the issued shares of that class or with the sanction of a resolution of our shareholders passed at a separate general meeting of the holders of such shares voting in person or by proxy;</p> <p>(b) under bye-law 129, subject to the Bermuda Companies Act and our bye-laws, any resolution proposed for consideration at any general meeting to approve (i) the merger, amalgamation or any other consolidation of us with any other company, wherever incorporated; (ii) any sale, lease, exchange, transfer or other disposition of all or substantially all of our consolidated assets; and (iii) the adoption for any plan or proposal for our liquidation, shall require the approval of our shareholders holding shares representing at least 70% of the total voting rights of all the shareholders having the right to vote at such meeting; and</p> <p>(c) under the Bermuda Companies Act, there are provisions setting out the requirements as well as specified shareholders' approval for a scheme of arrangement, compulsory acquisition, amalgamation or merger.</p>
5640	Shareholder voting rights requirements.	We follow the same NASDAQ listing rule governance practice as followed by domestic companies.

PART III

Item 17. Financial Statements

The Company has elected to provide the financial statements and related information specified in Item 18 in lieu of Item 17.

Item 18. Financial Statements

The financial statements and related information of the Company are located at pages F-1 to F-60.

Item 19. Exhibits

<u>Exhibits</u>	<u>Description</u>
1.1	Memorandum of Association of ChipMOS TECHNOLOGIES (Bermuda) LTD. ⁽¹⁾
1.2	Bye-laws of ChipMOS TECHNOLOGIES (Bermuda) LTD. ⁽¹⁰⁾
2.1	Certificate of Incorporation of ChipMOS TECHNOLOGIES (Bermuda) LTD., dated August 15, 2000. ⁽¹⁾
4.1	Joint Venture Agreement, dated July 14, 1997, between Mosel Vitelic Inc. and Siliconware Precision Industries Co., Ltd. ⁽¹⁾
4.2	Asset Sales Agreement, dated June 14, 1999, between Microchip Technology Taiwan and ChipMOS TECHNOLOGIES INC. ⁽¹⁾
4.3	Tessera Compliant Chip License Agreement, dated April 20, 1999, between Tessera Inc. and ChipMOS TECHNOLOGIES INC. ⁽¹⁾
4.4	License Agreement, dated April 1, 1999, between Fujitsu Ltd. and ChipMOS TECHNOLOGIES INC. ⁽¹⁾
4.5	Sales Agreement, dated February 10, 2000, between Sharp Corp. and ChipMOS TECHNOLOGIES INC. ⁽¹⁾

[Table of Contents](#)

<u>Exhibits</u>	<u>Description</u>
4.6	Raw Materials Processing Agreement, dated August 10, 2000, between Mosel Vitelic Inc. and ChipMOS TECHNOLOGIES INC. ⁽¹⁾
4.7	Raw Materials Processing Agreement, dated January 1, 2001, between Siliconware Precision Co. Ltd. and ChipMOS TECHNOLOGIES INC. ⁽¹⁾
4.8	Integrated Circuit Processing Agreement, dated January 1, 2001, between Siliconware Precision Co. Ltd. and ChipMOS TECHNOLOGIES INC. ⁽¹⁾
4.9	Integrated Circuit Processing and Warehousing Management Agreement, dated August 10, 2000, between Mosel Vitelic Inc. and ChipMOS TECHNOLOGIES INC. ⁽¹⁾
4.10	Land Lease Agreement, dated November 26, 1997, between Science Based Industrial Park Administration and ChipMOS TECHNOLOGIES INC. ⁽¹⁾
4.11	Land Lease Agreement, dated November 26, 1997, between Science Based Industrial Park Administration and ChipMOS TECHNOLOGIES INC. ⁽¹⁾
4.12	Land Lease Agreement, dated September 1, 1997, between Science Based Industrial Park Administration and ChipMOS TECHNOLOGIES INC. ⁽¹⁾
4.13	Purchase Agreement, dated July 31, 1997, between ChipMOS TECHNOLOGIES INC. and Mosel Vitelic Inc. ⁽¹⁾
4.14	Form of Share Exchange Covenant Letter from the Company to the Shareholders. ⁽¹⁾
4.15	Amendment to the Integrated Circuit Processing and Warehousing Management Agreement, dated August 10, 2000, between Mosel Vitelic Inc. and ChipMOS TECHNOLOGIES INC, dated September 1, 2001. ⁽²⁾
4.16	Purchase Agreement, dated October 15, 2003, between ChipMOS TECHNOLOGIES INC. and DenMOS Technology Inc. ⁽²⁾
4.17	Sale and Purchase Agreement, dated April 25, 2003, between ChipMOS TECHNOLOGIES INC. and Ron How Investment Corp. (English Translation) ⁽³⁾
4.18	Sale and Purchase Agreement, dated April 25, 2003, between ChipMOS TECHNOLOGIES INC. and Yuan Shan Investment Corp. (English Translation) ⁽³⁾
4.19	Sale and Purchase Agreement, dated April 25, 2003, between ChipMOS TECHNOLOGIES INC. and Mosel Vitelic Inc. (English Translation) ⁽³⁾
4.20	Laser Stamping Machine Lease Agreement, dated November 1, 2002, between ChipMOS TECHNOLOGIES INC. and CHANTEK ELECTRONIC CO., LTD. (English Translation) ⁽³⁾
4.21	Automatic Stamping Machine Lease Agreement, dated December 1, 2002, between ChipMOS TECHNOLOGIES INC. and CHANTEK ELECTRONIC CO., LTD. (English Translation) ⁽³⁾
4.22	Raw Materials Processing Agreement, dated January 1, 2003, between ChipMOS TECHNOLOGIES INC. and CHANTEK ELECTRONIC CO., LTD. (English Translation) ⁽³⁾
4.23	Integrated Circuit Processing Agreement, dated January 1, 2003, between ChipMOS TECHNOLOGIES INC. and CHANTEK ELECTRONIC CO., LTD. (English Translation) ⁽³⁾
4.24	Technology Transfer Agreement, dated December 24, 2002, between ChipMOS TECHNOLOGIES INC. and ThaiLin Semiconductor Corp. (English Translation) ⁽³⁾
4.25	Tester Equipment Lease Agreement, dated November 14, 2002, between ChipMOS TECHNOLOGIES INC. and ThaiLin Semiconductor Corp. (English Translation) ⁽³⁾
4.26	Tester Equipment Lease Agreement, dated December 3, 2002, between ChipMOS TECHNOLOGIES INC. and ThaiLin Semiconductor Corp. (English Translation) ⁽³⁾
4.27	Joint Engagement Letter, undated, by and among Ultima Electronics Corp., ChipMOS TECHNOLOGIES INC. and Sun-Fund Securities Ltd. (English Translation) ⁽³⁾
4.28	Lease Agreement, dated June 1, 2002, between ChipMOS TECHNOLOGIES INC. and SyncMOS Technologies, Inc. (English Translation) ⁽³⁾

Table of Contents

<u>Exhibits</u>	<u>Description</u>
4.29	Technology Transfer Agreement, dated August 1, 2002, between ChipMOS TECHNOLOGIES (Bermuda) LTD. and ChipMOS TECHNOLOGIES (Shanghai) LTD. ⁽³⁾
4.30	Promissory Note from Modern Mind Technology Limited to Jesper Limited, dated November 4, 2002. ⁽³⁾
4.31	Deed of Variation, dated December 2, 2002, between Modern Mind Technology Limited and Jesper Limited. ⁽³⁾
4.32	Deed of Assignment, dated December 27, 2002, between Jesper Limited and ChipMOS TECHNOLOGIES (Bermuda) LTD. ⁽³⁾
4.33	Deed of Assignment, dated June 25, 2003, between Jesper Limited and ChipMOS TECHNOLOGIES INC. ⁽³⁾
4.34	Agreement, dated May 3, 2003, between Jesper Limited and Modern Mind Technology Limited. ⁽³⁾
4.35	Master loan agreement, dated July 12, 2004, among ChipMOS TECHNOLOGIES (Bermuda) LTD., Modern Mind Technology Limited and Jesper Limited. ⁽⁵⁾
4.36	Cooperation Agreement, dated March 27, 2002, between Shanghai Qingpu Industrial Zone Development (Group) Company and ChipMOS TECHNOLOGIES (Bermuda) LTD. (English Translation) ⁽³⁾
4.37	Deed of assignment, dated December 17, 2003, between ChipMOS TECHNOLOGIES INC. and ChipMOS TECHNOLOGIES (Bermuda) LTD. ⁽⁴⁾
4.38	Supplemental deed of assignment, dated May 14, 2004 between ChipMOS TECHNOLOGIES INC. and ChipMOS TECHNOLOGIES (Bermuda) LTD. ⁽⁴⁾
4.39	Second supplemental deed of assignment, dated October 11, 2004, between ChipMOS TECHNOLOGIES (Bermuda) LTD. and ChipMOS TECHNOLOGIES INC. ⁽⁵⁾
4.40	Assignment agreement, dated April 7, 2004, between ChipMOS TECHNOLOGIES (Bermuda) LTD. and ChipMOS TECHNOLOGIES INC. ⁽⁴⁾
4.41	Supplemental assignment agreement, dated May 14, 2004, between ChipMOS TECHNOLOGIES (Bermuda) LTD. and ChipMOS TECHNOLOGIES INC. ⁽⁴⁾
4.42	Second supplemental assignment agreement, dated October 11, 2004, between ChipMOS TECHNOLOGIES (Bermuda) LTD. and ChipMOS TECHNOLOGIES INC. ⁽⁵⁾
4.43	Patent license agreement, dated April 7, 2004, between ChipMOS TECHNOLOGIES (Bermuda) LTD. and ChipMOS TECHNOLOGIES INC. ⁽⁴⁾
4.44	Supplemental patent license agreement dated July 8, 2004, between ChipMOS TECHNOLOGIES (Bermuda) LTD. and ChipMOS TECHNOLOGIES INC. ⁽⁵⁾
4.45	Second supplemental patent license agreement dated October 11, 2004, between ChipMOS TECHNOLOGIES (Bermuda) LTD. and ChipMOS TECHNOLOGIES INC. ⁽⁵⁾
4.46	Third supplemental patent license agreement dated December 30, 2004, between ChipMOS TECHNOLOGIES (Bermuda) LTD. and ChipMOS TECHNOLOGIES INC. ⁽⁵⁾
4.47	Assembly and Testing Service Agreement, dated November 27, 2005, between ChipMOS TECHNOLOGIES INC. and Spansion LLC. ⁽⁶⁾
4.48	Share Purchase and Subscription Agreement, dated February 13, 2007, among ChipMOS TECHNOLOGIES (Bermuda) LTD., ChipMOS TECHNOLOGIES INC. and Siliconware Precision Industries Co., Ltd. ⁽⁷⁾
4.49	Registration Rights Agreement, dated March 27, 2007, between ChipMOS TECHNOLOGIES (Bermuda) LTD. and Siliconware Precision Industries Co., Ltd. ⁽⁷⁾
4.50	Share Exchange Agreement, dated as of April 12, 2007, between ChipMOS TECHNOLOGIES (Bermuda) LTD. and ChipMOS TECHNOLOGIES INC. ⁽⁹⁾
4.51	Assignment Agreement, dated April 12, 2007, between ChipMOS TECHNOLOGIES (Bermuda) LTD. and ChipMOS TECHNOLOGIES INC. ⁽⁸⁾
4.52	Form of Change In Control Severance Agreement. ⁽⁹⁾

Table of Contents

Exhibits	Description
4.53	Southern Taiwan Science Park Administration Land Lease Agreement, dated June 1, 2007, between Southern Taiwan Science Park Administration and ChipMOS TECHNOLOGIES INC. (English Translation) ⁽⁹⁾
4.54	Second Amendment to Assembly and Test Service Agreement, dated July 16, 2007, by and between Spansion LLC and ChipMOS TECHNOLOGIES INC. ⁽⁹⁾
4.55	Service Agreement for Integrated Circuit Products, dated July 17, 2007, by and between ProMOS Technologies Inc. and ChipMOS TECHNOLOGIES INC. (English Translation) ⁽⁹⁾
4.56	Registration Rights Agreement, dated August 8, 2007, among ChipMOS TECHNOLOGIES (Bermuda) LTD., Giant Haven Investment Limited, ProMOS Technologies Inc. and Powertech Technology Inc. ⁽⁹⁾
4.57	Third Amendment to Assembly and Test Services Agreement, dated November 30, 2007, by and between Spansion LLC and ChipMOS TECHNOLOGIES INC. ⁽⁹⁾
4.58	Science Park Administration Land Lease Agreement, dated December 1, 2007, between Science Park Administration and ChipMOS TECHNOLOGIES INC. (English Translation) ⁽⁹⁾
4.59	Lease Agreement, dated April 2, 2008, between ChipMOS TECHNOLOGIES INC. and ThaiLin Semiconductor Corp. (English Translation) ⁽⁹⁾
4.60	Master Lease Agreement and Addendums to the Master Lease Agreement, dated November 9, 2009, between ChipMOS TECHNOLOGIES INC. and GE Money Taiwan Limited. ⁽¹¹⁾
4.61	Transfer of Claim Agreement, dated January 25, 2010, between ChipMOS TECHNOLOGIES INC. and Citigroup Financial Products Inc. ⁽¹¹⁾
4.62	Share Purchase Agreement, dated February 26, 2010, between ChipMOS TECHNOLOGIES (Bermuda) LTD. and Siliconware Precision Industries Co., Ltd. ⁽¹¹⁾
4.63	Equipment Purchase Agreement, dated February 26, 2010, between ChipMOS TECHNOLOGIES INC. and Siliconware Precision Industries Co., Ltd. ⁽¹¹⁾
4.64	Assignment and Assumption Agreement, effective on April 22, 2011 between ChipMOS TECHNOLOGIES (Bermuda) LTD. and ThaiLin Semiconductor Corp. ⁽¹²⁾
4.65	Syndicated Loan Agreement, dated July 14, 2011, between ChipMOS TECHNOLOGIES INC. and Taiwan Cooperative Bank, Bank of Taiwan and Land Bank of Taiwan as the lead Arrangers. ⁽¹³⁾
4.66	Underwriting Agreement, dated October 26, 2012, between the Company, ThaiLin, Siliconware Precision, Cowen and Company, LLC and Craig-Hallum Capital Group LLC. ⁽¹⁴⁾
4.67	Share Purchase Agreement, dated November 21, 2013, between ChipMOS TECHNOLOGIES (Bermuda) LTD. and ThaiLin Semiconductor Corp.
8.1	List of principal subsidiaries of ChipMOS TECHNOLOGIES (Bermuda) LTD.
11.1	Code of Business Conduct and Ethics. ⁽⁴⁾
12.1	Certification of Chief Executive Officer required by Rule 13a-14(a) under the Exchange Act.
12.2	Certification of Chief Financial Officer required by Rule 13a-14(a) under the Exchange Act.
13.1	Certification of Chief Executive Officer required by Rule 13a-14(b) under the Exchange Act.
13.2	Certification of Chief Financial Officer required by Rule 13a-14(b) under the Exchange Act.
15.1	Consent of independent registered public accounting firm.

(1) Incorporated by reference to our Registration Statement on Form F-1 (File No. 333-13218), filed on February 28, 2001.

(2) Incorporated by reference to our Annual Report on Form 20-F (File No. 0-31106), filed on June 17, 2002.

(3) Incorporated by reference to our Annual Report on Form 20-F (File No. 0-31106), filed on June 30, 2003.

(4) Incorporated by reference to our Annual Report on Form 20-F (File No. 0-31106), filed on June 17, 2004.

(5) Incorporated by reference to our Annual Report on Form 20-F (File No. 0-31106), filed on June 29, 2005.

(6) Incorporated by reference to our Registration Statement on Form F-3 (File No. 333-130230), filed on December 9, 2005.

(7) Incorporated by reference to Schedule 13D filed with the United States Securities and Exchange Commission by Siliconware Precision Industries Co., Ltd. on April 4, 2007.

(8) Incorporated by reference to our Annual Report on Form 20-F (File No. 0-31106), filed on June 8 2007.

(9) Incorporated by reference to our Annual Report on Form 20-F (File No. 0-31106), filed on June 6, 2008.

(10) Incorporated by reference to our Annual Report on Form 20-F (File No. 0-31106), filed on June 4, 2009.

[Table of Contents](#)

- (11) Incorporated by reference to our Annual Report on Form 20-F (File No. 0-31106), filed on June 4, 2010.
- (12) Incorporated by reference to our Annual Report on Form 20-F (File No. 0-31106), filed on June 3, 2011.
- (13) Incorporated by reference to our Annual Report on Form 20-F (File No. 0-31106), filed on April 26, 2012.
- (14) Incorporated by reference to our Interim Report on Form 6-K (File No. 0-31106), filed on October 26, 2012.

We have not included as exhibits certain instruments with respect to our debt, the amount of debt authorized under each of which does not exceed 10% of our total assets, and we agree to furnish a copy of any such instrument to the Commission upon request.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant certifies that it meets all the requirements for filing on Form 20-F and it has duly caused this Annual Report on Form 20-F to be signed on its behalf by the undersigned, thereunto duly authorized, in Taipei, Taiwan, Republic of China, on April 25, 2014.

ChipMOS TECHNOLOGIES (Bermuda) LTD.

By: /s/ Shih-Jye Cheng

Name: Shih-Jye Cheng

Title: Chairman and Chief Executive Officer

[Table of Contents](#)

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page(s)
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Income Statements	F-4
Consolidated Statements of Comprehensive Income	F-5
Consolidated Statements of Financial Position	F-6
Consolidated Statements of Changes in Equity	F-8
Consolidated Statements of Cash Flows	F-9
Notes to the Consolidated Financial Statements	F-11

**Report of Independent Registered Public Accounting Firm to the Board of Directors and Shareholders of
ChipMOS TECHNOLOGIES (Bermuda) LTD.
(Incorporated in Bermuda with limited liability)**

We have audited the accompanying consolidated statements of financial position of ChipMOS TECHNOLOGIES (Bermuda) LTD. and subsidiaries (collectively, the “Group”) as of January 1, 2012, December 31, 2012 and 2013, and the related consolidated income statements, statements of comprehensive income, changes in equity, and cash flows for each of the two years in the period ended December 31, 2013, all expressed in New Taiwan dollars. We have also audited the Group’s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Group’s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Group’s internal control over financial reporting based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

[Table of Contents](#)

**Report of Independent Registered Public Accounting Firm to the Board of Directors and Shareholders of
ChipMOS TECHNOLOGIES (Bermuda) LTD.
(Incorporated in Bermuda with limited liability) (Continued)**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of January 1, 2012, December 31, 2012 and 2013, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2013, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also, in our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

*Certified Public Accountants
Hong Kong*

March 11, 2014

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Consolidated Income Statements
For the years ended December 31, 2012 and 2013

	<u>Note</u>	<u>2012</u> NT\$000	<u>2013</u> NT\$000	<u>2013</u> US\$000
Revenue	4	19,220,560	19,361,930	649,076
Cost of revenue		<u>(16,767,941)</u>	<u>(15,922,395)</u>	<u>(533,771)</u>
Gross profit		2,452,619	3,439,535	115,305
Other operating income	6	127,949	442,411	14,831
Research and development expenses		(505,429)	(564,476)	(18,923)
Sales and marketing expenses		(79,936)	(107,651)	(3,609)
Administrative and general expenses		(637,566)	(699,126)	(23,437)
Other operating expenses		<u>(48,745)</u>	<u>(100,849)</u>	<u>(3,381)</u>
Operating profit		1,308,892	2,409,844	80,786
Finance costs	7	(228,565)	(183,005)	(6,135)
Other non-operating income (expense), net	8	<u>(232,555)</u>	<u>289,256</u>	<u>9,697</u>
Profit before tax		847,772	2,516,095	84,348
Income tax	9	<u>(178,116)</u>	<u>(827,094)</u>	<u>(27,727)</u>
Profit for the year		<u>669,656</u>	<u>1,689,001</u>	<u>56,621</u>
Attributable to:				
Equity holders of the Company		629,781	1,335,348	44,765
Non-controlling interests		<u>39,875</u>	<u>353,653</u>	<u>11,856</u>
		<u>669,656</u>	<u>1,689,001</u>	<u>56,621</u>
Earnings per share:	10			
Basic		22.92	45.55	1.53
Diluted		22.25	44.27	1.48

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2012 and 2013

	<u>2012</u>	<u>2013</u>	<u>2013</u>
	NT\$000	NT\$000	US\$000
Profit for the year	669,656	1,689,001	56,621
Other comprehensive income (loss):			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations	(20,192)	27,438	920
Net other comprehensive income (loss) to be reclassified to profit or loss in the subsequent periods	(20,192)	27,438	920
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Net actuarial losses	(75,079)	(30,574)	(1,025)
Income tax effect	12,763	5,198	174
Net other comprehensive loss not to be reclassified to profit or loss in the subsequent periods	(62,316)	(25,376)	(851)
Other comprehensive income (loss) for the year, net of tax	(82,508)	2,062	69
Total comprehensive income for the year, net of tax	<u>587,148</u>	<u>1,691,063</u>	<u>56,690</u>
Attributable to:			
Equity holders of the Company	553,522	1,325,326	44,429
Non-controlling interests	33,626	365,737	12,261
	<u>587,148</u>	<u>1,691,063</u>	<u>56,690</u>

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Consolidated Statements of Financial Position
January 1, 2012, December 31, 2012 and 2013

	<u>Note</u>	<u>January 1, 2012 NT\$000</u>	<u>December 31, 2012 NT\$000</u>	<u>December 31, 2013 NT\$000</u>	<u>December 31, 2013 US\$000</u>
Assets					
Non-current assets					
Available-for-sale financial assets	12	39,121	11,635	8,594	288
Property, plant and equipment	13	14,364,194	12,475,283	12,811,953	429,499
Deferred tax assets	9	716,993	593,062	194,926	6,535
Refundable deposits		21,415	21,070	20,460	686
Prepaid rent – non-current portion	14	98,022	91,873	94,657	3,173
Other non-current assets		22,537	20,154	20,325	681
		<u>15,262,282</u>	<u>13,213,077</u>	<u>13,150,915</u>	<u>440,862</u>
Current assets					
Inventories	15	1,533,866	1,687,889	1,519,403	50,935
Accounts and notes receivable	16	3,790,847	4,120,115	4,114,626	137,936
Other receivables		107,448	179,473	164,233	5,506
Short-term deposits	17	396,979	629,893	181,931	6,099
Other current assets		68,759	105,286	104,437	3,501
Cash and cash equivalents	17	7,246,056	8,863,616	13,372,770	448,299
		<u>13,143,955</u>	<u>15,586,272</u>	<u>19,457,400</u>	<u>652,276</u>
Total assets		<u>28,406,237</u>	<u>28,799,349</u>	<u>32,608,315</u>	<u>1,093,138</u>

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Consolidated Statements of Financial Position (Continued)
January 1, 2012, December 31, 2012 and 2013

	<u>Note</u>	<u>January 1, 2012 NT\$000</u>	<u>December 31, 2012 NT\$000</u>	<u>December 31, 2013 NT\$000</u>	<u>December 31, 2013 US\$000</u>
Equity and liabilities					
Capital and reserves					
Issued capital	18	39,041	39,013	37,165	1,246
Reserves	19	11,211,865	11,773,443	13,386,426	448,757
Other component of equity	19	433,902	416,896	438,652	14,705
Treasury stock	20	<u>(924,781)</u>	<u>(635,741)</u>	<u>(297,580)</u>	<u>(9,976)</u>
Equity attributable to equity holders of the Company		10,760,027	11,593,611	13,564,663	454,732
Non-controlling interests		<u>3,974,843</u>	<u>3,995,690</u>	<u>7,024,963</u>	<u>235,500</u>
Total equity		14,734,870	15,589,301	20,589,626	690,232
Non-current liabilities					
Bank loans – non-current portion	21	8,484,300	6,739,927	3,888,972	130,371
Long term deferred revenue		95,304	89,350	92,084	3,087
Accrued pension cost	22	259,192	474,338	490,489	16,443
Guarantee deposit		<u>1,940</u>	<u>2,478</u>	<u>2,192</u>	<u>73</u>
		<u>8,840,736</u>	<u>7,306,093</u>	<u>4,473,737</u>	<u>149,974</u>
Current liabilities					
Accounts payable		1,130,730	890,077	956,799	32,075
Payables to contractors and equipment suppliers		415,391	484,659	858,239	28,771
Other payables		1,667,353	1,669,206	1,541,409	51,673
Current tax payable		20,283	34,308	320,687	10,751
Receipts in advance		185,469	26,117	30,579	1,025
Deferred revenue		2,383	2,291	2,423	81
Other current liabilities		178,078	203,016	173,380	5,812
Bank loans – current portion	21	684,028	2,227,800	2,874,756	96,372
Short-term bank loans	23	546,916	366,481	786,680	26,372
		<u>4,830,631</u>	<u>5,903,955</u>	<u>7,544,952</u>	<u>252,932</u>
Total liabilities		13,671,367	13,210,048	12,018,689	402,906
Total equity and liabilities		28,406,237	28,799,349	32,608,315	1,093,138

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2012 and 2013

	Attributable to equity holders of the Company							
	Share capital	Reserves		Other component of equity	Treasury stock	Total	Non- controlling interests	Total equity
		(Note 19)	Retained earnings	Foreign currency translation reserve				
		(Note 20)	(Note 20)	(Note 20)				
NT\$000	NT\$000	NT\$000	NT\$000	NT\$000	NT\$000	NT\$000	NT\$000	
January 1, 2012	39,041	15,123,913	(3,912,048)	433,902	(924,781)	10,760,027	3,974,843	14,734,870
Profit for the year	—	—	629,781	—	—	629,781	39,875	669,656
Other comprehensive income	—	—	(59,253)	(17,006)	—	(76,259)	(6,249)	(82,508)
Total comprehensive income	—	—	570,528	(17,006)	—	553,522	33,626	587,148
Share-based payments	792	187,872	—	—	—	188,664	—	188,664
Repurchase / Cancellation of shares	(820)	(234,273)	(70,742)	—	—	(305,835)	—	(305,835)
Disposal of shares held by a subsidiary	—	244,188	—	—	284,108	528,296	—	528,296
Capital surplus used to cover accumulated deficits	—	(3,787,431)	3,787,431	—	—	—	—	—
Cash dividend (Note 11)	—	—	(117,521)	—	—	(117,521)	—	(117,521)
Other movement	—	(27,811)	9,337	—	4,932	(13,542)	(12,779)	(26,321)
December 31, 2012	39,013	11,506,458	266,985	416,896	(635,741)	11,593,611	3,995,690	15,589,301
Profit for the year	—	—	1,335,348	—	—	1,335,348	353,653	1,689,001
Other comprehensive income	—	—	(31,778)	21,756	—	(10,022)	12,084	2,062
Total comprehensive income	—	—	1,303,570	21,756	—	1,325,326	365,737	1,691,063
Share-based payments	593	187,501	—	—	—	188,094	—	188,094
Repurchase / Cancellation of shares	(102)	(28,428)	(11,675)	—	—	(40,205)	—	(40,205)
Disposal of shares held by a subsidiary	(2,339)	(190,900)	—	—	338,161	144,922	—	144,922
Partial disposal of a subsidiary	—	399,626	(9,755)	—	—	389,871	3,146,906	3,536,777
Cash dividend (Note 11)	—	—	(122,491)	—	—	(122,491)	—	(122,491)
Changes in non-controlling interests	—	—	—	—	—	—	(483,370)	(483,370)
Other movement	—	71,554	13,981	—	—	85,535	—	85,535
December 31, 2013	37,165	11,945,811	1,440,615	438,652	(297,580)	13,564,663	7,024,963	20,589,626

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2012 and 2013

	<u>2012</u>	<u>2013</u>	<u>2013</u>
	<u>NT\$000</u>	<u>NT\$000</u>	<u>US\$000</u>
Cash flows from operating activities			
Profit before tax	847,772	2,516,095	84,348
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	4,623,038	3,292,144	110,364
Amortization of assets	8,775	2,804	94
(Reversal) / allowance for impairment of accounts and notes receivable	(2,410)	7,415	249
Reversal of impairment of other receivables	—	(64,779)	(2,172)
Interest expense	227,765	180,426	6,049
Interest income	(31,823)	(42,722)	(1,432)
Impairment of available-for-sale financial assets	27,486	3,041	101
Impairment of property, plant and equipment	6,843	671	22
Impairment of other non-current assets	1,540	220	7
Loss (gain) on disposal of property, plant and equipment, net	14,013	(121,212)	(4,063)
Share-based payments	181,763	232,590	7,797
Deferred income	(2,324)	(2,375)	(80)
Accrued pension cost	167,012	(22,797)	(764)
Changes in operating assets and liabilities:			
Accounts and notes receivables	(326,855)	(1,926)	(64)
Other receivables	(68,905)	81,401	2,729
Inventories	(154,023)	168,486	5,648
Other current assets	(35,971)	(1,103)	(37)
Short-term deposits	(343,560)	354,006	11,867
Accounts payable	(240,653)	66,722	2,237
Other payables	2,574	(127,698)	(4,281)
Receipts in advance	(159,352)	4,464	150
Other current liabilities	24,940	(29,638)	(994)
	<u>4,767,645</u>	<u>6,496,235</u>	<u>217,775</u>
Interest received	28,659	41,343	1,386
Interest paid	(228,486)	(180,525)	(6,052)
Income tax paid	(40,809)	(133,881)	(4,488)
Net cash generated from operating activities	<u>4,527,009</u>	<u>6,223,172</u>	<u>208,621</u>
Cash flows from investing activities			
Proceeds from sales of property, plant and equipment	37,848	151,093	5,065
Acquisition of property, plant and equipment	(2,748,627)	(3,251,283)	(108,994)
Decrease in refundable deposits	345	610	20
Decrease in financial assets	110,647	93,955	3,150
Net cash used in investing activities	<u>(2,599,787)</u>	<u>(3,005,625)</u>	<u>(100,759)</u>

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the years ended December 31, 2012 and 2013

	<u>2012</u>	<u>2013</u>	<u>2013</u>
	<u>NT\$000</u>	<u>NT\$000</u>	<u>US\$000</u>
Cash flows from financing activities			
Proceeds from short-term bank loans	—	420,199	14,087
Proceeds from long-term bank loans	595,927	23,801	798
Payments on short-term bank loans	(180,435)	—	—
Payments on long-term bank loans	(796,528)	(2,227,800)	(74,683)
Increase (decrease) in guarantee deposits	538	(286)	(10)
Cash received (paid) in respect of share-based payments	6,901	(44,496)	(1,492)
Payments on repurchase of shares	(305,835)	(40,205)	(1,348)
Proceeds from disposal of shares held by a subsidiary	528,296	144,922	4,858
Proceeds from partial disposal of a subsidiary	—	3,536,777	118,565
Cash dividend	(117,521)	(122,491)	(4,106)
Changes in non-controlling interests	(43,688)	(385,194)	(12,913)
Net cash (used in) generated from financing activities	<u>(312,345)</u>	<u>1,305,227</u>	<u>43,756</u>
Net increase in cash and cash equivalents	1,614,877	4,522,774	151,618
Effect of foreign exchange rate changes	2,683	(13,620)	(457)
Cash and cash equivalents at beginning of year	7,246,056	8,863,616	297,138
Cash and cash equivalents at end of year	<u>8,863,616</u>	<u>13,372,770</u>	<u>448,299</u>
Partial cash paid for investing activities			
Cash paid for acquisition of property, plant and equipment :			
Total acquisitions	2,817,895	3,624,863	121,517
Decrease in payable to contractors and equipment suppliers	(69,268)	(373,580)	(12,523)
	<u>2,748,627</u>	<u>3,251,283</u>	<u>108,994</u>

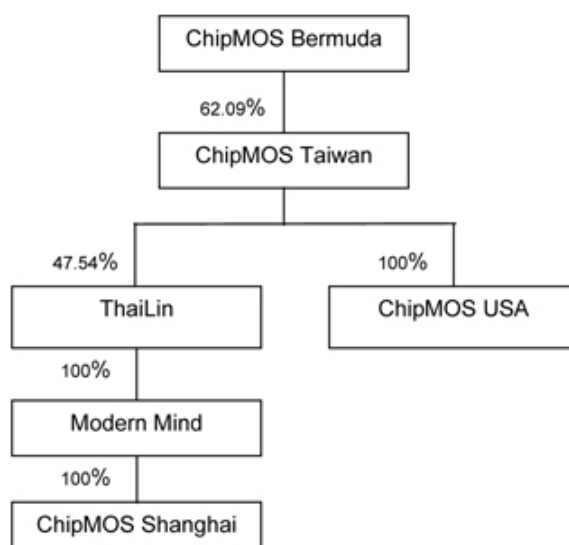
ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2012 and 2013

1. Corporate and group information

ChipMOS TECHNOLOGIES (Bermuda) LTD. (the “Company” or “ChipMOS Bermuda”) was incorporated under the laws of Bermuda on August 1, 2000, and its common shares have been traded on the NASDAQ Global Select Market since June 2001. In February 2010, ChipMOS Bermuda submitted an application to the NASDAQ Stock Market to transfer its listing to the NASDAQ Capital Market from the NASDAQ Global Select Market. The NASDAQ Stock Market has determined that the Company meets the NASDAQ Capital Market initial listing criteria set forth in Listing Rule 5505. Its common shares have been traded on the NASDAQ Capital Market since March 17, 2010.

On January 21, 2011, the Company’s shareholders approved a one-for-four share combination of its common stock which became effective on January 21, 2011. As a result of this reverse stock split, every four shares of the Company’s common stock that were issued and outstanding as of January 21, 2011 were automatically combined into one issued and outstanding share with par value change from US\$0.01 to US\$0.04 per share, and the number of authorized but unissued shares of the Company’s common stock was proportionally reduced. A proportionate adjustment was also made to the Company’s outstanding stock options and convertible notes. No fractional shares were issued in connection with this reverse stock split, but rather shareholders who were entitled to fractional shares received cash in aggregate of NT\$239 thousand in lieu of receiving fractional shares.

As of December 31, 2013, the consolidated financial statements of the Company include:



ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

1. Corporate and group information (continued)

ChipMOS TECHNOLOGIES INC. (“ChipMOS Taiwan”) was incorporated in Taiwan on July 28, 1997 as a joint venture company between Mosel Vitelec Inc. (“MVI”) and Siliconware Precision Industries Co. Ltd. (“SPIL”). Its operations consist of testing and assembly of semiconductors. In connection with a corporate restructuring on January 12, 2001, the holders of an aggregate of 583,419 thousand common shares of ChipMOS Taiwan executed a Purchase and Subscription Agreement whereby they transferred their shares of ChipMOS Taiwan to ChipMOS Bermuda in exchange for 14,585 thousand common shares in ChipMOS Bermuda. The selling shareholders, who previously held an aggregate of 70.25% of the entire outstanding common shares of ChipMOS Taiwan, thus became the holder of the entire outstanding common shares of ChipMOS Bermuda. Because 100% of the outstanding common shares of ChipMOS Bermuda were owned by former shareholders of ChipMOS Taiwan, the exchange of shares has been accounted for as a merger as if ChipMOS Bermuda was the acquirer. Equity and operations attributable to ChipMOS Taiwan shareholders not participating in the exchange offer were reflected as noncontrolling interests in the historical financial statements. In March 2007, ChipMOS Bermuda, ChipMOS Taiwan and SPIL completed a share purchase and subscription transaction whereby ChipMOS Bermuda purchased 100% of SPIL’s equity interest in ChipMOS Taiwan at US\$0.75 per share. SPIL also subscribed to 3,043,749 newly issued common shares of ChipMOS Bermuda through a private placement of US\$6.28 per share. After the transaction, ChipMOS Taiwan became a 99.14% subsidiary of ChipMOS Bermuda and SPIL owned 14.7% of ChipMOS Bermuda. In September 2007, another share exchange transaction was completed whereby ChipMOS Bermuda offered to exchange one share of ChipMOS Bermuda for 8.4 shares of ChipMOS Taiwan shares. The exchange was completed in September 2007 and ChipMOS Taiwan became a wholly-owned subsidiary of ChipMOS Bermuda. In February 2010, ChipMOS Bermuda entered into a Share Purchase Agreement with SPIL to sell to SPIL the holding of 133,000 thousand common shares of ChipMOS Taiwan for a consideration of NT\$1,630,580 thousand. In January 2011, the transaction was completed. As part of ChipMOS Taiwan’s listing plan on the Taiwan Stock Exchange (“TWSE”), on April 16, 2013, ChipMOS Bermuda completed the sale of 6.5 million outstanding ChipMOS Taiwan shares, at the price of NT\$15.0 per share to ChipMOS Taiwan’s underwriters of the TWSE listing plan and to certain others, including non-US employees of ChipMOS Taiwan (Note 27). Also, on October 3, 2013, ChipMOS Bermuda completed another sale of 180.0 million outstanding ChipMOS Taiwan shares, at the price of NT\$20.0 per shares to investors and certain non-US employees of ChipMOS Taiwan (Note 27). As of December 31, 2013, ChipMOS Bermuda owned 62.09% (2012:84.22%) of ChipMOS Taiwan’s outstanding shares.

ThaiLin Semiconductor Corp. (“ThaiLin”) was incorporated on May 15, 1996 and is listed on the GreTai Securities Market in Taiwan. ThaiLin is engaged in wafer and semiconductor testing services. On December 31, 2002, ChipMOS Taiwan acquired an equity interest of 41.8% in ThaiLin. On December 1, 2003, ChipMOS Taiwan obtained controlling influence over ThaiLin’s decisions on its operations, personnel and financial policies. Therefore, ThaiLin has been consolidated into these financial statements from December 1, 2003 in spite of the fact that ChipMOS Taiwan holds an equity interest of less than 50% in ThaiLin. As of December 31, 2013, ChipMOS Taiwan held a 47.54% (2012: 42.87%) equity interest in ThaiLin.

ChipMOS U.S.A., Inc. (“ChipMOS USA”) was incorporated in the United States of America in October 1999. It engages in sales and customer services and all the expenses incurred from these activities are charged to current income. ChipMOS USA began generating revenue in 2001. As of December 31, 2013, ChipMOS Taiwan owned 100% (2012: 100%) of the outstanding shares of ChipMOS USA.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

1. Corporate and group information (continued)

MODERN MIND TECHNOLOGY LIMITED (“Modern Mind”) was incorporated in the British Virgin Islands on January 29, 2002. Modern Mind conducts its operations through ChipMOS TECHNOLOGIES (Shanghai) LTD. (“ChipMOS Shanghai”). ChipMOS Shanghai a wholly-owned subsidiary of Modern Mind was established in the People’s Republic of China (“PRC”) on June 7, 2002. ChipMOS Shanghai is engaged in wafer testing, semiconductor assembly and testing, and module and subsystem manufacturing. ChipMOS Shanghai commenced commercial production in 2003. ChipMOS Bermuda acquired a 100% equity interest in Modern Mind on December 12, 2002, and then transferred it to Jesper Limited (“Jesper”) on December 31, 2002. In December 2002 and 2003, ChipMOS Bermuda acquired from Jesper and ChipMOS Taiwan, respectively, convertible notes issued by Modern Mind (“MMT Notes”) that are convertible into a controlling equity interest in Modern Mind if the repayment is not made when due. Under an Assignment and Assumption Agreement signed on April 22, 2011, ChipMOS Bermuda agreed to sell the MMT Notes to ThaiLin for a purchase price US\$39,950 thousand. On October 3, 2011, the transaction was completed. On October 3, 2011, ThaiLin converted the MMT Notes into common shares of Modern Mind and purchased all of the remaining common shares of Modern Mind from Jesper. Modern Mind and its wholly-owned subsidiary, ChipMOS Shanghai, became a wholly-owned subsidiaries of ThaiLin. ChipMOS Bermuda’s interest in ChipMOS Shanghai was reduced to 36.11% then. Prior to October 3, 2011, ChipMOS Bermuda consolidated Modern Mind and its wholly-owned subsidiary, ChipMOS Shanghai in reliance on International Accounting Standard 27 (Revised) “Consolidated and Separate Financial Statements”. ChipMOS Bermuda had a parent-subsidiary relationship with Modern Mind by means other than record ownership of voting stock. This relationship was based on ChipMOS Bermuda’s power to direct or cause the direction of the management and policies of Modern Mind and ChipMOS Shanghai. As of December 31, 2013, ThaiLin owned 100% (2012: 100%) of the outstanding shares of Modern Mind and Modern Mind owned 100% (2012: 100%) of the outstanding shares of ChipMOS Shanghai.

2. Basis of preparation of financial statements and principal accounting policies

a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements have been prepared under the historical cost convention and are presented in New Taiwan dollars (“NT\$”), which is the Company’s functional currency.

First time adoption of IFRSs

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) were previously prepared in accordance with accounting principles generally accepted in the Republic of China (“ROC GAAP”), which differ from IFRSs in some significant areas. To prepare the consolidated financial statements, management has modified certain of its accounting policies that were previously applied under ROC GAAP in order to comply with the IFRSs.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

2. Basis of preparation of financial statements and principal accounting policies (continued)

a) Basis of preparation (continued)

Comparative figures and figures as of the transition date (January 1, 2012) have been modified to reflect such adjustments. Note 34 includes a reconciliation between equity figures of consolidated financial statements prepared in accordance with the ROC GAAP on the transition date (January 1, 2012) and on the adoption date (December 31, 2012) and the profit and total comprehensive income figures for the year ended December 31, 2012 and those presented in accordance with the IFRSs in these consolidated financial statements, as well as the effects of the adjustments to cash flows.

The format of the primary financial statements under ROC GAAP is governed by Financial Supervisory Commission. International Accounting Standard (“IAS”) 1 “Presentation of Financial Statements” requires certain disclosures to be made on the face of the primary statements and other required disclosures may be made in the notes or on the face of the financial statements, unless another standard specifies otherwise. The transition to IFRSs has resulted in the Group changing the format of its income statements, statements of financial position and statements of cash flows, as well as the disclosure of certain line items not prescribed by ROC GAAP.

As a general rule, the Group is required to establish its IFRSs accounting policies for the year ended December 31, 2013 and apply these retrospectively. However, advantage has been taken of certain exemptions granted by IFRS 1 “First-time adoption of International Financial Reporting Standards” (“IFRS 1”) as further described below:

- 1) The Group elected not to apply IFRS 3 “Business Combinations”, retrospectively to business combinations which occurred before January 1, 2012.
- 2) The Group elected to take the optional exemption from applying IFRS 2 “Share-based Payment”, retrospectively for the share-based payment transactions granted and vested before January 1, 2012.
- 3) The Group elected not to apply IAS 19 “Employee Benefits”, retrospectively to employee benefits and recognize all cumulative actuarial gains and losses in retained earnings as of January 1, 2012.
- 4) The Group elected to take the optional exemption from applying IAS 32 “Financial Instruments: Presentation”, retrospectively from the transactions occurred before January 1, 2012.
- 5) The Group elected not to apply IAS 39 “Financial Instruments: Recognition and Measurement” (“IAS 39”), retrospectively for the transactions occurred before January 1, 2012.
- 6) The Group elected not to apply IAS 23 “Borrowing Costs”, retrospectively for the transactions occurred before January 1, 2012.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

2. Basis of preparation of financial statements and principal accounting policies (continued)

b) Basis of consolidation

The consolidated financial statements include the accounts of ChipMOS Bermuda and all entities controlled by ChipMOS Bermuda. Control is achieved where the Company has power over the investees, that expose or give rights to variable returns from its involvement with the investees, and the Company is able to use its power to affect the amount of returns from the investees. Generally control is achieved with a shareholding of more than one half of the voting rights over the relevant activities of the investee. The existence and effect of potential voting rights that are exercisable or convertible are considered when assessing whether the Company controls another entity.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

The Company's consolidated financial statements for the years ended December 31, 2012 and 2013 include the financial results of ChipMOS Taiwan and its subsidiaries, ThaiLin, ChipMOS USA, and Modern Mind and its wholly-owned subsidiary, ChipMOS Shanghai.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. 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 and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to the consolidated income statements or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

2. Basis of preparation of financial statements and principal accounting policies (continued)

c) Significant judgements and estimates

The preparation of consolidated financial statements requires management to make estimates and judgements that affect the recorded amounts of assets, liabilities, revenue and expenses of the Group. The Group continually evaluates these estimates, including those related to share-based payments, impairment of receivables, impairment of non-financial assets, defined benefit plans and deferred tax assets. The Group bases its estimates on historical experience and other assumptions, which it believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions and conditions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Management has considered the development, selection and disclosure of the Group's critical accounting policies and estimates.

Judgements

In the process of applying the Group's accounting policies, management have made the following judgements which have the most significant effect on the amounts recognized in the consolidated financial statements:

Entities in which the Group holds less than 50% of the voting rights

ChipMOS Bermuda consolidated ThaiLin in reliance on IFRS 10 "Consolidated Financial Statements" which requires a company to consolidate an entity, notwithstanding the lack of majority ownership, if such consolidation is necessary to present fairly its financial position and results of operations because of the existence of a parent-subsidiary relationship by means other than record ownership and by means other than record ownership of voting stock. This relationship is based on ChipMOS Bermuda's power to direct or cause the direction of the management and policies of ThaiLin.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them.

The assumptions and models used for estimating fair value for share-based payments are disclosed in Note 31.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

2. Basis of preparation of financial statements and principal accounting policies (continued)

c) Significant judgements and estimates (continued)

Estimates and assumptions (continued)

Impairment of receivables

Receivables are assessed for indicators of impairment at the end of each reporting period, and are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the receivables, the estimated future cash flows of the receivables have been impacted. For the customer that we have reason to believe may have an inability to meet its financial obligations, we conduct an individual examination based on the available facts and circumstances to record a specific reserve. For the customers other than this, a general reserve is established based on a range of percentages applied to aging categories. These percentages are based on historical collection and write-off experience. If circumstances change, the estimate of the recoverability of amounts due to us could be reduced by a material amount.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for the extrapolation purposes.

Defined benefit plans

The cost of the defined benefit pension plan and post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details are disclosed in Note 22.

Deferred tax assets

Deferred tax assets are recognized for unused tax losses and tax credit to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine that amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has NT\$1,218,080 thousand (US\$40,834 thousand) (2012: NT\$1,522,756 thousand) of tax losses carried forward. These losses relate to subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognize deferred tax assets on the tax losses carried forward. If the Group was able to recognize all unrecognized deferred tax assets, profit and equity would have increased by NT\$304,520 thousand (US\$10,209 thousand).

Further details on deferred taxes are disclosed in Note 9.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

2. Basis of preparation of financial statements and principal accounting policies (continued)

d) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost, less provisions for depreciation and impairment losses, if any. Details are set out in Note 13.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the item has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the consolidated income statements in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of the item, the expenditure is capitalized as an additional cost of the item. When an item of property, plant and equipment is sold, its cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from the disposal, being the difference between the net disposal proceeds and the carrying amount of the asset, is included in consolidated income statements.

Depreciation is provided on the straight-line method, based on the estimated economic useful life of the individual assets, as follows:

Buildings and auxiliary equipment	1 to 54 years
Machinery and equipment	1 to 6 years
Tools	1 to 3 years
Other equipment	1 to 7 years

e) Impairment of non-financial assets

Where an indication of impairment exists, or when periodical impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the recoverable amount of the asset is estimated. An asset's recoverable amount is the higher of the value in use of the asset or cash-generating unit to which it belongs and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated income statements in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognized for the asset in prior years. A reversal of such impairment loss is credited to the consolidated income statements in the period in which it arises.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

2. Basis of preparation of financial statements and principal accounting policies (continued)

f) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average cost basis and includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

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.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. 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. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

g) Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially recognized at fair values. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period, subsequent to initial recognition, loans and receivables (including accounts and notes receivables, other receivables, short-term deposits and cash and cash equivalents) are carried at amortized cost using the effective interest method, less any identified impairment losses.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

2. *Basis of preparation of financial statements and principal accounting policies (continued)*

g) Financial instruments (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified in any of the other categories.

The Group's available-for-sale equity investments do not have a quoted market price in an active market and their fair value cannot be reliably measured. They are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are evaluated for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as accounts receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. The Group assesses the collectability of receivables by performing the account aging analysis and examining current trends in the credit quality of its customers.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for similar financial assets, such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss either directly or through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated income statements. When an account receivable is considered uncollectible, it is written off either directly or against the allowance account. Subsequent recoveries of amounts previously written off are credited to the consolidated income statements.

Derecognition of financial assets

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Financial liabilities

Financial liabilities include bank loans, accounts payable and other monetary liabilities. All financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortized cost using the effective interest method. Financial liabilities are derecognized when they extinguished, i.e. when the obligation is discharged or cancelled, or expires.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

2. Basis of preparation of financial statements and principal accounting policies (continued)

h) Dividends

Dividends are simultaneously proposed and declared, because the Company's Bye Laws grant the directors the authority to declare dividends. Consequently, dividends are recognized immediately as a liability when they are proposed and declared.

i) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the consolidated income statements in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognized in the consolidated income statements as an integral part of the aggregate net lease payments made. Contingent rentals, if any, are charged to the consolidated income statements in the accounting period in which they are incurred.

j) Treasury stock

Treasury stock is stated at cost and shown as a deduction in equity. When the Company retires treasury stock, the treasury stock account is reduced and the share capital as well as the capital surplus – share premium are reversed on a pro rata basis. When the book value of the treasury stock exceeds the sum of par value and share premium, the difference is charged to capital surplus and to retained earnings for any remaining amount. The Company's stock held by its subsidiary is treated as treasury stock.

k) Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated income statements.

l) Foreign currency translation

The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

2. Basis of preparation of financial statements and principal accounting policies (continued)

l) Foreign currency translation (continued)

The functional currencies of certain overseas subsidiaries are currencies other than the New Taiwan dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period, and their income and expense items are translated into New Taiwan dollars at the weighted average exchange rates for the year. The resulting exchange differences are recorded in other comprehensive income and the cumulative balance is included in exchange reserve in the consolidated statements of changes in equity. On disposal of a foreign entity, the deferred cumulative amount recognized in exchange reserve relating to that particular foreign operation is recognized in the consolidated income statements.

For the purpose of the consolidated statements of cash flows, the cash flows of overseas subsidiaries are translated into New Taiwan dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into New Taiwan dollars at the weighted average exchange rates for the year.

m) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits arising in the course of business will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Rendering of services

The Group recognized revenue upon completion of testing and assembly services. Other criteria that the Group uses to determine when to recognize revenue are: (1) existence of persuasive evidence of the services provided, (2) customers' fixed commitment to use our service, (3) the selling price is fixed or determinable and (4) collectability is reasonably measured.

The Group does not take ownership of: (1) bare semiconductor wafers received from customers that are assembled into finished semiconductors, and (2) assembled semiconductors received from the customers that it tests. The title and risk of loss remains with the customer for those bare semiconductors and/or assembled semiconductors. Accordingly, the customer-supplied semiconductor materials are not included in the consolidated financial statements.

The Group does not provide warranties to customers except in cases of defects in the assembly services provided and deficiencies in 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.

Interest income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

n) Government grant

A government grant is recognized at its fair value and credited to the consolidated income statements. The grant relates to land use rights in the People's Republic of China. The fair value of the land use rights is credited to a deferred income account and is recognized as income in the consolidated income statements over the period of the rights.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

2. Basis of preparation of financial statements and principal accounting policies (continued)

o) Research and development costs

Research and development costs are expensed as incurred as the expenses do not fulfill the criteria for capitalization under IAS 38 “Intangible Assets”.

p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to the consolidated income statements in the period in which they are incurred.

q) Pension and other post-employment benefits

The Group operates defined contribution and defined benefit plans in the Republic of China. For defined contribution retirement benefit plans, payments to the benefit plan are recognized as an expense when the employees have rendered service entitling them to the contribution. For defined benefit retirement plans, the cost of providing benefit is recognized based on actuarial calculations.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the year end. Actuarial gains and losses are recognized in other comprehensive income in the period which they incur. Past service costs are recognized in the consolidated income statements on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognizes restructuring-related costs. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the changes in the net defined benefit obligation, including i) service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements, and ii) net interest expense or income, under cost of revenue, research and development expenses, sales and marketing expenses and administrative and general expenses in the consolidated income statements.

The employees of the subsidiary within the Group which operates in the PRC are required to participate in the central pension scheme operated by the local municipal government. The PRC subsidiary is required to contribute a percentage of its payroll costs to the central pension scheme as specified by the local municipal government.

Employee entitlements to annual leave are recognized when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

r) Share-based payments

Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions) or share appreciation rights, which are settled in cash (cash-settled transactions).

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

2. Basis of preparation of financial statements and principal accounting policies (continued)

r) Share-based payments (continued)

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognized, together with a corresponding increase in capital surplus in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense that had the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Cash-settled transactions

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.

s) Income tax

Income tax represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statements because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

2. Basis of preparation of financial statements and principal accounting policies (continued)

s) Income tax (continued)

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the consolidated income statements, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

t) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group.
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. Translation into U.S. dollar amounts

The Company maintains its accounts and expresses its consolidated financial statements in New Taiwan dollars. For convenience purposes, U.S. dollar amounts presented in the accompanying consolidated financial statements have been translated from New Taiwan dollars to U.S. dollars at the noon buying rate in the City of New York for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York as of December 31, 2013, which was NT\$29.83 to US\$1.00. These convenience translations should not be construed as representations that the New Taiwan dollar amounts have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

4. Segment 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 chief operating decision maker has been identified as the Chief Executive Officer/Chairman, who reviews these segment results by Testing, Assembly, Testing and Assembly for Liquid Crystal Display (“LCD”) and other Flat-Panel Display Driver Semiconductors and Bumping when making decisions about allocating resources and assessing the performance of the Group. Financial segment information is as below:

The Group uses operating profit (loss) as the measurement for segment profit (loss) and the basis of performance assessment. There was no material inconsistency between the accounting policies of the operating segment and the accounting policies described in Note 2.

	2012						Total NT\$000
	Testing NT\$000	Assembly NT\$000	LCD NT\$000	Bumping NT\$000	Others NT\$000	Elimination NT\$000	
Revenue							
External customers	5,563,238	6,380,612	4,356,271	2,920,439	—	—	19,220,560
Inter-segment	14,070	42,407	—	—	45,263	(101,740)	—
Total revenue	<u>5,577,308</u>	<u>6,423,019</u>	<u>4,356,271</u>	<u>2,920,439</u>	<u>45,263</u>	<u>(101,740)</u>	<u>19,220,560</u>
Gross profit	561,247	401,568	1,270,199	221,247	45,263	(46,905)	2,452,619
Operating profit	163,574	52,081	1,019,533	102,623	(70,475)	41,556	1,308,892
Depreciation and amortization	(2,449,194)	(788,438)	(1,087,279)	(372,653)	(54,295)	120,046	(4,631,813)
Interest income	—	—	—	—	31,823	—	31,823
Interest expense	—	—	—	—	(227,765)	—	(227,765)
Impairment loss recognized during the year	—	—	—	—	(35,869)	—	(35,869)
Expenditure for segment assets	528,846	418,014	980,716	917,714	38	(27,433)	2,817,895
Property, plant and equipment	4,192,179	2,465,372	3,527,329	2,429,603	547	(139,747)	12,475,283

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

4. Segment Information (continued)

	2013							Total US\$000
	Testing NT\$000	Assembly NT\$000	LCD NT\$000	Bumping NT\$000	Others NT\$000	Elimination NT\$000	Total NT\$000	
Revenue								
External customers	4,596,117	6,273,672	4,781,221	3,710,920	—	—	19,361,930	649,076
Inter-segment	4,923	130,634	—	—	44,211	(179,768)	—	—
Total revenue	4,601,040	6,404,306	4,781,221	3,710,920	44,211	(179,768)	19,361,930	649,076
Gross profit	720,015	768,267	1,352,510	529,290	44,211	25,242	3,439,535	115,305
Operating profit	336,959	374,420	1,057,372	332,364	165,130	143,599	2,409,844	80,786
Depreciation and amortization	(1,314,987)	(590,899)	(1,008,206)	(390,963)	(53,963)	64,070	(3,294,948)	(110,458)
Interest income	—	—	—	—	43,983	(1,261)	42,722	1,432
Interest expense	—	—	—	—	(180,426)	—	(180,426)	(6,049)
Impairment recognized during the year	—	—	—	—	(3,932)	—	(3,932)	(130)
Expenditure for segment assets	350,081	770,218	2,053,704	455,367	74	(4,581)	3,624,863	121,517
Property, plant and equipment	3,239,589	2,672,015	4,564,714	2,470,019	379	(134,763)	12,811,953	429,499

Geographic information:

Area	2012 NT\$000	2013 NT\$000	2013 US\$000
	ROC	13,631,585	13,955,389
U.S.	1,400,707	830,911	27,855
Singapore	2,779,346	2,838,978	95,172
Korea	310,419	611,357	20,495
Japan	491,092	516,995	17,331
Others	607,411	608,300	20,392
	<u>19,220,560</u>	<u>19,361,930</u>	<u>649,076</u>

Net revenue from customers representing at least 10% of the total revenue:

Customers	2012		2013		2013
	Amount NT\$000	%	Amount NT\$000	%	Amount US\$000
Novatek Microelectronics Corp. (“Novatek”)	3,941,108	21	3,838,436	20	128,677
Micron Technology, Inc. Group (“Micron”)	2,713,780	14	2,896,514	15	97,101

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

5. Operating costs and expenses

	<u>2012</u>	<u>2013</u>	<u>2013</u>
	NT\$000	NT\$000	US\$000
Included in cost of revenue:			
Employee benefit cost			
Salaries	3,046,720	3,389,330	113,622
Labor and health insurance	240,827	273,121	9,156
Pension	274,760	180,017	6,035
Other personnel expenses	227,603	208,545	6,991
Share-based payments	91,469	103,840	3,481
Depreciation	4,575,024	3,242,409	108,696
Amortization	1,019	959	32
Operating leases	90,615	205,494	6,889
Costs of inventories recognized as an expense	4,805,978	4,521,841	151,587
Included in research and development expenses:			
Employee benefit cost			
Salaries	293,933	351,991	11,800
Labor and health insurance	22,213	27,062	907
Pension	33,954	16,265	545
Other personnel expenses	10,471	10,191	342
Share-based payments	33,015	38,933	1,305
Depreciation	19,572	18,392	617
Operating leases	1,100	887	30
Included in sales and marketing expenses:			
Employee benefit cost			
Salaries	44,433	51,751	1,735
Labor and health insurance	2,195	2,657	89
Pension	6,821	5,249	176
Other personnel expenses	2,705	2,233	75
Share-based payments	2,787	6,879	230
Depreciation	857	776	26
Amortization	8	15	1
Operating leases	136	120	4
Allowance for impairment of accounts and notes receivable	—	7,415	249
Included in administrative and general expenses:			
Employee benefit cost			
Salaries	270,030	278,512	9,337
Labor and health insurance	16,045	17,243	578
Pension	25,082	9,241	310
Other personnel expenses	12,440	7,570	254
Share-based payments	54,492	82,938	2,780
Depreciation	27,585	30,567	1,025
Amortization	7,748	1,830	61
Operating leases	6,014	6,971	234
Included in other operating expenses:			
Loss on disposal of property, plant and equipment	37,327	85	3
Impairment of property, plant and equipment	6,843	671	22
Impairment of other non-current assets	1,540	220	7

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

6. Other operating income

	<u>2012</u>	<u>2013</u>	<u>2013</u>
	<u>NT\$000</u>	<u>NT\$000</u>	<u>US\$000</u>
Gain on disposal of property, plant and equipment	23,314	121,297	4,066
Deferred income	2,324	2,375	80
Gain on disposal of patent	8,979	—	—
Reversal of allowance for impairment of accounts and notes receivable	2,410	—	—
Reversal of allowance for impairment of other receivable	—	64,779	2,172
Gain on disposal of scrapped material	54,700	38,322	1,285
Reversal of accrued royalty fees (Note 24a)	—	140,435	4,708
Others	36,222	75,203	2,520
	<u>127,949</u>	<u>442,411</u>	<u>14,831</u>

7. Finance costs

	<u>2012</u>	<u>2013</u>	<u>2013</u>
	<u>NT\$000</u>	<u>NT\$000</u>	<u>US\$000</u>
Interest on bank loans	253,364	204,710	6,863
Less: amounts capitalized in qualifying assets	(25,599)	(24,284)	(814)
	<u>227,765</u>	<u>180,426</u>	<u>6,049</u>
Finance expenses	800	2,579	86
	<u>228,565</u>	<u>183,005</u>	<u>6,135</u>

8. Other non-operating income (expenses), net

	<u>2012</u>	<u>2013</u>	<u>2013</u>
	<u>NT\$000</u>	<u>NT\$000</u>	<u>US\$000</u>
Interest income	31,823	42,722	1,432
Foreign exchange gains (losses), net	(248,288)	233,990	7,844
Impairment of available-for-sale investments	(27,486)	(3,041)	(101)
Others	11,396	15,585	522
	<u>(232,555)</u>	<u>289,256</u>	<u>9,697</u>

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

9. Income tax

The Company is an exempted company incorporated in Bermuda, a tax-free country.

Income tax expense arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions, based on existing legislation, interpretations and practices in respect thereof.

The statutory tax rates for the years ended December 31, 2012 and 2013 for ChipMOS Taiwan, ThaiLin and ChipMOS Shanghai were 17%, 17% and 25%, respectively.

The major components of income tax expense for the years ended December 31, 2012 and 2013 are:

	<u>2012</u>	<u>2013</u>	<u>2013</u>
	NT\$000	NT\$000	US\$000
<i>Current income tax:</i>			
Current income tax charge	41,421	402,119	13,481
Adjustments in respect of current income tax of previous year	1	21,641	725
<i>Deferred tax:</i>			
Relating to origination and reversal of temporary differences	136,694	403,334	13,521
Income tax expense reported in the consolidated income statements	<u>178,116</u>	<u>827,094</u>	<u>27,727</u>

Deferred tax charged to other comprehensive income:

	<u>2012</u>	<u>2013</u>	<u>2013</u>
	NT\$000	NT\$000	US\$000
Net actuarial losses	<u>12,763</u>	<u>5,198</u>	<u>174</u>

Reconciliation of income tax expense and the accounting profit before income tax:

	<u>2012</u>	<u>2013</u>	<u>2013</u>
	NT\$000	NT\$000	US\$000
Profit before tax	<u>847,772</u>	<u>2,516,095</u>	<u>84,348</u>
Income tax at 17%	144,121	427,736	14,339
Income tax effect of different tax rates	85,228	232,652	7,799
Permanent differences	(56,285)	(38,485)	(1,290)
Deferred tax assets not recognized	55,403	45,171	1,514
Temporary differences not recognized	(109,393)	8,262	278
10% income tax on unappropriated earnings	59,042	151,758	5,087
Income tax expense reported in the consolidated income statements	<u>178,116</u>	<u>827,094</u>	<u>27,727</u>

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

9. Income tax (continued)

The details of deferred tax assets (liabilities) are as follows:

	<u>January 1,</u> NT\$000	<u>Profit and</u> <u>loss</u> NT\$000	<u>Other</u> <u>comprehensive</u> <u>income</u> NT\$000	<u>December 31,</u> NT\$000	<u>December 31,</u> US\$000
<u>Year of 2012</u>					
Unrealized exchange gains (losses)	2,085	(2,188)	—	(103)	
Accounts receivable	31,180	732	—	31,912	
Inventories	16,620	(8,898)	—	7,722	
Property, plant and equipment	27,668	6,488	—	34,156	
Deferred income	88,627	(9,551)	—	79,076	
Share-based payments	—	362	—	362	
Losses carried forward	469,580	(120,904)	—	348,676	
Tax credit	41,151	27,935	—	69,086	
10% income tax on unappropriated earnings	(3,259)	(53,612)	—	(56,871)	
Accrued pension costs	43,341	22,942	12,763	79,046	
	<u>716,993</u>	<u>(136,694)</u>	<u>12,763</u>	<u>593,062</u>	
<u>Year of 2013</u>					
Unrealized exchange gains (losses)	(103)	(6,784)	—	(6,887)	(231)
Accounts receivable	31,912	(20,041)	—	11,871	398
Inventories	7,722	5,867	—	13,589	456
Property, plant and equipment	34,156	(21,479)	—	12,677	425
Deferred income	79,076	(9,551)	—	69,525	2,331
Share-based payments	362	280	—	642	21
Losses carried forward	348,676	(348,676)	—	—	—
Tax credit	69,086	(69,086)	—	—	—
10% income tax on unappropriated earnings	(56,871)	56,871	—	—	—
Provision	—	7,038	—	7,038	236
Financing charges	—	4,312	—	4,312	145
Accrued pension costs	79,046	(2,716)	5,198	81,528	2,733
Other	—	631	—	631	21
	<u>593,062</u>	<u>(403,334)</u>	<u>5,198</u>	<u>194,926</u>	<u>6,535</u>

At December 31, 2013, the Group has tax losses arising in the PRC of approximately NT\$1,218,080 thousand (US\$40,834 thousand) (2012: NT\$1,522,756 thousand) that are available for offsetting against future taxable profits of the Group companies in which the losses arose and will expire after five years if not fully utilized by the Group. Deferred tax assets have not been recognized in respect of these losses as it is not considered probable that taxable profits will be available against which these tax losses can be utilized.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

10. Earnings per share (“EPS”)

Basic EPS amounts are calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted EPS computations:

	<u>2012</u>	<u>2013</u>	<u>2013</u>
	NT\$000	NT\$000	US\$000
Profit attributable to equity holders of the Company for basic earnings	629,781	1,335,348	44,765
Weighted average number of ordinary shares for basic EPS (in thousands)*	27,477	29,319	29,319
Earnings per shares – basic	NT\$ 22.92	NT\$ 45.55	US\$ 1.53
Profit attributable to equity holders of the Company for diluted earnings	629,781	1,335,348	44,765
Weighted average number of ordinary shares for basic EPS (in thousands)*	27,477	29,319	29,319
Effect of dilution:			
Share options (in thousands)	828	843	843
Weighted average number of ordinary shares for diluted EPS (in thousands)*	28,305	30,162	30,162
Earnings per shares – diluted	NT\$ 22.25	NT\$ 44.27	US\$ 1.48

* The weighted average number of shares takes into account the weighted average effect of changes in treasury share transaction during the year.

11. Dividend

	<u>2012</u>	<u>2013</u>	<u>2013</u>
	NT\$000	NT\$000	US\$000
Dividend declared and paid of US\$0.14 (2012: US\$0.14) per ordinary share	<u>117,521</u>	<u>122,491</u>	<u>4,106</u>

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

12. Available-for-sale financial assets

	January 1, 2012 NT\$000	December 31, 2012 NT\$000	December 31, 2013 NT\$000	December 31, 2013 US\$000
Unlisted equity investments, at cost	247,216	48,550	28,594	958
Less: Allowance for impairment losses	(208,095)	(36,915)	(20,000)	(670)
	<u>39,121</u>	<u>11,635</u>	<u>8,594</u>	<u>288</u>

13. Property, plant and equipment

	Land NT\$000	Buildings and auxiliary equipment NT\$000	Machinery and equipment NT\$000	Tools NT\$000	Other equipment NT\$000	Total NT\$000	Total US\$000
Cost							
January 1, 2012	452,738	9,550,052	38,704,377	3,056,053	4,077,423	55,840,643	
Additions	—	71,400	653,182	238,395	1,854,918	2,817,895	
Disposals	—	(249,496)	(607,277)	(37,005)	(212,240)	(1,106,018)	
Reclassification	—	439,370	1,097,099	62,805	(1,599,274)	—	
Exchange adjustments	—	(49,036)	(50,488)	(11,638)	(36,669)	(147,831)	
December 31, 2012	<u>452,738</u>	<u>9,762,290</u>	<u>39,796,893</u>	<u>3,308,610</u>	<u>4,084,158</u>	<u>57,404,689</u>	
Additions	—	166,241	883,934	139,420	2,435,268	3,624,863	
Disposals	—	(164,826)	(1,073,909)	(25,073)	(128,115)	(1,391,923)	
Reclassification	—	180,094	2,433,078	22,361	(2,635,533)	—	
Exchange adjustments	—	71,342	72,854	19,100	54,472	217,768	
December 31, 2013	<u>452,738</u>	<u>10,015,141</u>	<u>42,112,850</u>	<u>3,464,418</u>	<u>3,810,250</u>	<u>59,855,397</u>	<u>2,006,550</u>
Accumulated depreciation and impairment							
January 1, 2012	—	4,086,122	31,542,231	2,672,943	3,175,153	41,476,449	
Depreciation charge for the year	—	554,690	3,626,404	238,748	203,196	4,623,038	
Impairment	—	—	219	—	6,624	6,843	
Disposals	—	(219,536)	(588,234)	(36,534)	(209,853)	(1,054,157)	
Reclassification	—	—	134,584	—	(134,584)	—	
Exchange adjustments	—	(33,476)	(45,022)	(8,699)	(35,570)	(122,767)	
December 31, 2012	<u>—</u>	<u>4,387,800</u>	<u>34,670,182</u>	<u>2,866,458</u>	<u>3,004,966</u>	<u>44,929,406</u>	
Depreciation charge for the year	—	573,805	2,287,543	241,543	189,253	3,292,144	
Impairment	—	—	—	—	671	671	
Disposals	—	(164,825)	(1,038,662)	(30,311)	(128,244)	(1,362,042)	
Reclassification	—	(661)	12,646	(2,159)	(9,826)	—	
Exchange adjustments	—	49,869	66,843	13,996	52,557	183,265	
December 31, 2013	<u>—</u>	<u>4,845,988</u>	<u>35,998,552</u>	<u>3,089,527</u>	<u>3,109,377</u>	<u>47,043,444</u>	<u>1,577,051</u>
Net book value							
January 1, 2012	<u>452,738</u>	<u>5,463,930</u>	<u>7,162,146</u>	<u>383,110</u>	<u>902,270</u>	<u>14,364,194</u>	
December 31, 2012	<u>452,738</u>	<u>5,374,490</u>	<u>5,126,711</u>	<u>442,152</u>	<u>1,079,192</u>	<u>12,475,283</u>	
December 31, 2013	<u>452,738</u>	<u>5,169,153</u>	<u>6,114,298</u>	<u>374,891</u>	<u>700,873</u>	<u>12,811,953</u>	<u>429,499</u>

As of December 31, 2013, certain of the above property, plant and equipment were pledged as collateral for long-term and short-term bank loans (Notes 21, 23 and 28).

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

14. Prepaid rent

	<u>January 1, 2012</u> NT\$000	<u>December 31, 2012</u> NT\$000	<u>December 31, 2013</u> NT\$000	<u>December 31, 2013</u> US\$000
Prepaid rent-current	2,476	2,381	2,519	84
Prepaid rent-non-current	98,022	91,873	94,657	3,173
	<u>100,498</u>	<u>94,254</u>	<u>97,176</u>	<u>3,257</u>

Prepaid rent represents grant of land use rights. The land use rights were pledged as collateral for a banking facility. (Note 28) The current portion is included in other current assets.

15. Inventories

	<u>January 1, 2012</u> NT\$000	<u>December 31, 2012</u> NT\$000	<u>December 31, 2013</u> NT\$000	<u>December 31, 2013</u> US\$000
Raw materials	1,328,441	1,473,978	1,302,652	43,669
Work in process	218,870	196,360	220,044	7,377
Finished goods	107,138	75,411	84,394	2,829
	1,654,449	1,745,749	1,607,090	53,875
Less: Allowance for impairment losses	(120,583)	(57,860)	(87,687)	(2,940)
	<u>1,533,866</u>	<u>1,687,889</u>	<u>1,519,403</u>	<u>50,935</u>

During 2013, NT\$22,628 thousand (US\$759 thousand) was recognized as an expense for inventories carried at net realizable value. This is recognized in cost of revenue.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

16. Accounts and notes receivable

	January 1, 2012 <u>NT\$000</u>	December 31, 2012 <u>NT\$000</u>	December 31, 2013 <u>NT\$000</u>	December 31, 2013 <u>US\$000</u>
Accounts receivable	3,787,650	4,115,213	4,119,891	138,112
Notes receivable	5,710	4,959	2,207	74
Less: Allowance for impairment losses	<u>(2,513)</u>	<u>(57)</u>	<u>(7,472)</u>	<u>(250)</u>
	<u>3,790,847</u>	<u>4,120,115</u>	<u>4,114,626</u>	<u>137,936</u>

The movements in allowance for impairment of accounts and notes receivable during the year are as follows:

	<u>Individually impaired NT\$000</u>
January 1, 2012	2,513
Impairment losses reversed	(2,410)
Amount written off	(43)
Exchange adjustments	<u>(3)</u>
December 31, 2012	57
Impairment losses recognized	<u>7,415</u>
December 31, 2013	<u>7,472</u>
December 31, 2013 (US\$000)	<u>250</u>

Ageing of accounts receivable which are past due but not impaired is as follows:

	January 1, 2012 <u>NT\$000</u>	December 31, 2012 <u>NT\$000</u>	December 31, 2013 <u>NT\$000</u>	December 31, 2013 <u>US\$000</u>
£ 1 month	287,079	144,628	84,476	2,832
1 – 2 months	1,330	1,203	7,289	244
2 – 3 months	705	372	732	25
3 – 4 months	61	6,456	531	18
> 4 months	978	738	2	—
	<u>290,153</u>	<u>153,397</u>	<u>93,030</u>	<u>3,119</u>

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

17. Cash and cash equivalents and short-term deposits

	January 1, 2012 <u>NT\$000</u>	December 31, 2012 <u>NT\$000</u>	December 31, 2013 <u>NT\$000</u>	December 31, 2013 <u>US\$000</u>
Short-term deposits	899,104	5,214,415	5,029,105	168,592
Cash	563	530	534	18
Cash at banks	<u>6,743,368</u>	<u>4,278,564</u>	<u>8,525,062</u>	<u>285,788</u>
	7,643,035	9,493,509	13,554,701	454,398
Less:				
Short-term deposits with a maturity date of more than three months	(111,846)	(455,407)	(101,400)	(3,399)
Restricted short-term deposits (Note 28)	<u>(285,133)</u>	<u>(174,486)</u>	<u>(80,531)</u>	<u>(2,700)</u>
	<u>(396,979)</u>	<u>(629,893)</u>	<u>(181,931)</u>	<u>(6,099)</u>
Cash and cash equivalents	<u><u>7,246,056</u></u>	<u><u>8,863,616</u></u>	<u><u>13,372,770</u></u>	<u><u>448,299</u></u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between 24 days and 1 year, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

As of December 31, 2013, the above restricted short-term deposits were pledged as collateral for long-term bank loans (Note 28).

18. Issued capital

	January 1, 2012 <u>thousands</u>	December 31, 2012 <u>thousands</u>	December 31, 2013 <u>thousands</u>
<u>Authorized shares</u>			
Ordinary shares	62,500	62,500	62,500
Preferred shares	18,750	18,750	18,750
<u>Ordinary shares issued and fully paid</u>			
Thousand shares	33,398	33,366	31,778
Share capital (NT\$000)	39,041	39,013	37,165
Share capital (US\$000)	—	—	1,246

The par value of ordinary shares issued was US\$0.04 per share.

The movement of ordinary shares issued is set out below:

	2012 <u>thousands</u>	2013 <u>thousands</u>
January 1	33,398	33,366
Share option	668	499
Treasury stock	(700)	(2,087)
December 31	<u><u>33,366</u></u>	<u><u>31,778</u></u>

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

19. Reserves and other component of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity.

Details of the Group's capital surplus are set out below:

	January 1, 2012	December 31, 2012	December 31, 2013	December 31, 2013
	NT\$000	NT\$000	NT\$000	US\$000
Share premium	11,336,987	7,388,384	6,932,632	232,405
Share-based payment	849,190	995,610	1,080,108	36,209
Treasury stock	460,293	548,457	808,159	27,092
Convertible notes	2,477,443	2,574,007	2,627,120	88,070
Others	—	—	497,792	16,687
	<u>15,123,913</u>	<u>11,506,458</u>	<u>11,945,811</u>	<u>400,463</u>

20. Treasury stock

The movement of treasury stock is set out below:

	2012		2013		
	thousand	NT\$000	thousand	NT\$000	US\$000
January 1	6,474	924,781	4,474	635,741	21,312
Disposal by a subsidiary	(2,000)	(284,108)	(2,381)	(338,161)	(11,336)
Other	—	(4,932)	—	—	—
December 31	<u>4,474</u>	<u>635,741</u>	<u>2,093</u>	<u>297,580</u>	<u>9,976</u>

The Company's stock held by its subsidiary is treated as treasury stock. As of December 31, 2013, the Company's subsidiary, ThaiLin, held 2,093 thousand (2012: 4,474 thousand) shares of the Company's ordinary shares.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

21. Long-term bank loans

	January 1, 2012 NT\$000	December 31, 2012 NT\$000	December 31, 2013 NT\$000	December 31, 2013 US\$000
Syndicated bank loans collateralized by equipment, repayable quarterly from May 2007 to February 2012, interest at floating rate (2.315% as of January 1, 2012)	95,828	—	—	—
Banks loan collateralized by buildings, repayable quarterly from April 2011 to January 2015, interest at floating rate (1.92% as of January 1, 2012)	162,500	—	—	—
Syndicated bank loans collateralized by equipment, repayable semi-annually from January 2012 to July 2015, interest at floating rate (3.0421% and 2.7789% and 2.5158% as of January 1, 2012 and December 31, 2012 and December 31, 2013, respectively)	5,382,000	4,843,800	2,691,000	90,211
Syndicated bank loans collateralized by land and buildings, repayable semi-annually from January 2014 to July 2016, interest at floating rate (3.0421% and 2.7789% and 2.5158% as of January 1, 2012 and December 31, 2012 and December 31, 2013, respectively)	3,028,000	3,028,000	3,028,000	101,509
Bank loans collateralized by buildings, repayable quarterly from July 2013 to March 2018, interest at floating rate (1.92% as of January 1, 2012 and December 31, 2012 and December 31, 2013)	500,000	500,000	425,000	14,247
Bank loans collateralized by buildings, repayable quarterly from February to November 2014, interest at floating rate (1.73% as of December 31, 2012 and December 31, 2013)	—	400,000	400,000	13,410
Bank loans collateralized by buildings and land use right, repayable quarterly from June 2014 to March 2015, interest at floating rate (3.91% and 3.1645% as of December 31, 2012 and December 31, 2013, respectively)	—	174,241	178,770	5,993
Bank loans collateralized by equipment, repayable quarterly from July 2014 to April 2015, interest at floating rate (3.91% and 3.1645% as of December 31, 2012 and December 31, 2013, respectively)	—	21,686	40,958	1,373
	<u>9,168,328</u>	<u>8,967,727</u>	<u>6,763,728</u>	<u>226,743</u>
Less: current portion	<u>(684,028)</u>	<u>(2,227,800)</u>	<u>(2,874,756)</u>	<u>(96,372)</u>
	<u>8,484,300</u>	<u>6,739,927</u>	<u>3,888,972</u>	<u>130,371</u>

Unused credit lines of long-term bank loans are as follows:

	January 1, 2012	December 31, 2012	December 31, 2013
NT\$000	—	—	400,000*
US\$000	—	2,453	1,825

* Combined limit with short-term loan is NT\$600,000 thousand.

The Group's bank loans are mortgaged by certain land and buildings and machinery and land use rights as collateral (Note 28).

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

21. Long-term bank loans (continued)

Details of the repayment schedule in respect of the bank loans are as follows:

	January 1, 2012	December 31, 2012	December 31, 2013	December 31, 2013
	NT\$000	NT\$000	NT\$000	US\$000
£ 1 year	684,028	2,227,800	2,874,756	96,372
2 to 5 years	8,359,300	6,714,927	3,888,972	130,371
> 5 years	125,000	25,000	—	—
	<u>9,168,328</u>	<u>8,967,727</u>	<u>6,763,728</u>	<u>226,743</u>

Under syndicated bank loans facility agreements, ChipMOS Taiwan is required to maintain certain financial ratios. As of December 31, 2012 and 2013, ChipMOS Taiwan was in compliance with the financial ratio requirements. ThaiLin is not required to maintain any financial ratio as of December 2012 and 2013 as the syndicated loans were repaid during 2012.

22. Accrued pension cost

a) Defined benefit plans

- 1) ChipMOS Taiwan and ThaiLin have defined benefit plans that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The aforementioned companies contribute an amount equal to 2% of salaries paid each month to their respective pension funds ("Funds"), which are administered by the Labor Pension Fund Supervisory Committee ("Committee") and deposited in the Committee's name in Bank of Taiwan.
- 2) The amounts arising from the defined benefit obligation of the Group under the consolidated statements of financial position were as follows:

	January 1, 2012	December 31, 2012	December 31, 2013	December 31, 2013
	NT\$000	NT\$000	NT\$000	US\$000
Present value of funded defined benefit obligation	(631,001)	(787,869)	(808,621)	(27,108)
Fair value of plan assets	371,809	313,531	318,132	10,665
Accrued pension cost	<u>(259,192)</u>	<u>(474,338)</u>	<u>(490,489)</u>	<u>(16,443)</u>

- 3) Changes in present value of funded defined benefit obligation:

	2012	2013	2013
	NT\$000	NT\$000	US\$000
Benefit obligation at beginning of year	631,001	787,869	26,412
Service cost	155,738	638	21
Interest cost	13,009	11,741	394
Actuarial losses	72,376	29,846	1,001
Benefit paid from plan assets	(84,255)	(21,473)	(720)
Benefit obligation at end of year	<u>787,869</u>	<u>808,621</u>	<u>27,108</u>

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

22. *Accrued pension cost (continued)*

a) Defined benefit plans (continued)

4) Changes in plan assets:

	<u>2012</u> NT\$000	<u>2013</u> NT\$000	<u>2013</u> US\$000
Fair value of assets at beginning of year	371,809	313,531	10,511
Expected return on plan assets	5,963	4,802	160
Actuarial losses	(2,703)	(728)	(24)
Employer contributions	22,717	22,000	738
Benefits paid from plan assets	(84,255)	(21,473)	(720)
Fair value of assets at end of year	<u>313,531</u>	<u>318,132</u>	<u>10,665</u>

5) The amounts recognized in the consolidated income statements, consist of:

	<u>2012</u> NT\$000	<u>2013</u> NT\$000	<u>2013</u> US\$000
Service cost	839	638	21
Interest cost	13,009	11,741	394
Expected return on plan assets	(5,963)	(4,802)	(161)
Plan amendments	154,899	—	—
Net periodic benefit cost	<u>162,784</u>	<u>7,577</u>	<u>254</u>

6) The pension costs in 2012 and 2013 were as follows:

	<u>2012</u> NT\$000	<u>2013</u> NT\$000	<u>2013</u> US\$000
Cost of revenue	123,027	5,748	193
Research and development expenses	20,434	713	24
Sales and marketing expenses	2,397	74	2
Administrative and general expenses	16,926	1,042	35
	<u>162,784</u>	<u>7,577</u>	<u>254</u>

7) Amounts recognized in other comprehensive income (losses) in 2012 and 2013 were as follows:

	<u>2012</u> NT\$000	<u>2013</u> NT\$000	<u>2013</u> US\$000
Current year	(75,079)	(30,574)	(1,025)
Accumulated	<u>(75,079)</u>	<u>(105,653)</u>	<u>(3,542)</u>

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

22. Accrued pension cost (continued)

a) Defined benefit plans (continued)

- 8) Bank of Taiwan was commissioned to manage the Fund of ChipMOS Taiwan and ThaiLin's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund". 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. The constitution of fair value of plan assets as of January 1, 2012, December 31, 2012 and 2013 is given in the Annual Labor Retirement Fund Utilization Report published by the government.
- 9) The overall expected rate of return on plan assets was based on the historical return trends, analysts' predictions of the market over the life of related obligation, reference to the performance of the Funds operated by the Committee and the consideration of the effect that the minimum return should not be less than the average interest rate on a two-year time deposit published by the local banks.
- 10) The major assumptions of the actuarial valuation were as follows:

	2011	2012	2013
Discount rate used in determining present values	1.75%	1.50%	1.50%~2.15%
Future salary increase rate	3.00~4.00%	2.00~3.00%	3.00%~5.00%

The representative rates of mortality based on Taiwan Standard Ordinary Mortality Table of 2011 are shown below:

Age	Males	Females
25	0.0821%	0.0356%
30	0.1061%	0.0401%
35	0.1532%	0.0559%
40	0.2254%	0.0822%
45	0.3418%	0.1231%
50	0.5136%	0.1992%
55	0.7189%	0.3022%
60	1.0943%	0.4984%
65	1.6404%	0.7993%

For employees eligible for early retirement before age 65, assumed annual retirement rate is 5% for all employees.

Disability is 10% of mortality.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

22. Accrued pension cost (continued)

a) Defined benefit plans (continued)

10) The major assumptions of the actuarial valuation were as follows: (continued)

The turnover rates derived from turnover experience from November 2008 to November 2011 are shown below:

Sample Age	Rate
20 and below	15%~30%
25	15%~24%
30	10%~22%
35	6%~20%
40	5%~10%
45	3%~7%
50	2%~5%
55 and above	0%

11) The historical information of experience adjustments is as follows:

	<u>2012</u>	<u>2013</u>	<u>2013</u>
	NT\$000	NT\$000	US\$000
Present value of defined benefit obligation	(787,869)	(808,621)	(27,108)
Fair value of plan assets	313,531	318,132	10,665
Present value of unfunded defined benefit obligation	<u>(474,338)</u>	<u>(490,489)</u>	<u>(16,443)</u>
Experience adjustments on plan liabilities	<u>(72,376)</u>	<u>(29,846)</u>	<u>(1,001)</u>
Experience adjustments on plan assets	<u>(2,703)</u>	<u>(728)</u>	<u>(24)</u>

The Group expects to make contributions of NT\$22,803 thousand (US\$764 thousand) during 2014.

b) Defined contribution plans

The pension mechanism under the Labor Pension Act ("Act") is deemed a defined contribution plan effective July 1, 2005. Pursuant to the plan, ChipMOS Taiwan and ThaiLin have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Pursuant to the aforementioned Act and local regulations, the Group recognized expenses of NT\$162,849 thousand (US\$5,459 thousand) and NT\$148,503 thousand in the consolidated income statements in 2013 and 2012, respectively.

ChipMOS Shanghai is required to participate in the central pension scheme operated by the local municipal government and to contribute a percentage of its payroll costs to the central pension scheme as specified by the local municipal government. ChipMOS Shanghai recognized expenses of NT\$40,348 thousand (US\$1,353 thousand) and NT\$29,330 thousand in the consolidated income statements in 2013 and 2012, respectively.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

23. Short-term bank loans

	January 1, 2012 NT\$000	December 31, 2012 NT\$000	December 31, 2013 NT\$000	December 31, 2013 US\$000
Secured bank loans	115,319	705	—	—
Unsecured bank loans	431,597	365,776	786,680	26,372
	546,916	366,481	786,680	26,372
Annual interest rate	1.50% - 2.2611%	0.9514% - 3.91%	0.8621% - 1.6913%	

Unused credit lines of short-term bank loans are as follows:

	January 1, 2012	December 31, 2012	December 31, 2013
NT\$000	532,804	1,465,619	2,275,416
US\$000	—	—	25,000
CNY000	70,000	—	—

The Group's bank loans are secured by certain assets as collateral (Note 28).

24. Significant commitments and contingencies

Operating leases commitments

ChipMOS Taiwan entered into several operating lease contracts for land. These renewable operating leases will expire in 2017 and 2032, respectively. ChipMOS USA entered in several operating lease contracts for office space. These renewable operating leases will expire in 2015 and 2016, respectively. Future minimum lease payments under those leases are as follows:

	January 1, 2012 NT\$000	December 31, 2012 NT\$000	December 31, 2013 NT\$000	December 31, 2013 US\$000
£ 1 year	26,197	30,358	127,497	4,274
2 to 5 years	101,378	115,360	143,540	4,812
> 5 years	76,439	113,585	113,095	3,791
	204,014	259,303	384,132	12,877

Capital commitments

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

	January 1, 2012	December 31, 2012	December 31, 2013
Property, plant and equipment			
NT\$000	649,539	862,810	265,271
US\$000	—	874	—
CNY000	7,151	6,551	2,518
EUR000	76	—	—

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

24. Significant commitments and contingencies (continued)

Contingencies arising from a legal claim

- a. On April 1, 1999, Motorola, Inc. (“Motorola”) and ChipMOS Taiwan entered into an immunity agreement (the “Agreement”), that each party covenanted not to sue each other for the use of certain Ball Grid Array (“BGA”) patents pursuant to the Agreement. In December 2004, Motorola spun off its semiconductor division and thereby formed Freescale Semiconductor, Inc. (“Freescale”). Subsequently, Freescale assumed Motorola’s rights and obligations under the Agreement. On October 16, 2006, Freescale unilaterally terminated the Agreement, alleging ChipMOS Taiwan breach of the Agreement. Under the Agreement, ChipMOS Taiwan agreed to pay running royalties for its manufacturing of certain BGA packages covered by Motorola (now Freescale) patents pursuant to the Agreement. As such, ChipMOS Taiwan argued Freescale’s unilateral termination of the Agreement has no legal effect. ChipMOS Taiwan has continued to accrue royalty payments for products it believes are covered by the Agreement. The payments previously returned by Freescale and accrued by ChipMOS Taiwan have been deposited in a separate escrow account. On July 13, 2009, Freescale alleged that ChipMOS Taiwan breached the Agreement by failing to pay royalties on certain BGA packages assembled by ChipMOS Taiwan. Freescale claims that such packages are covered by one or more Freescale patents identified in the Agreement while ChipMOS Taiwan contends that such packages are not covered by any of Freescale’s patents in the Agreement. ChipMOS Taiwan filed an answer to deny all allegations and also filed counterclaims against Freescale alleging Freescale engaged in patent misuse by seeking to obtain royalties on certain of ChipMOS Taiwan’s BGA products that were not covered by any Freescale patent included under the Agreement, and for declaratory judgment of patent non-infringement and invalidity. In response, on December 11, 2009, Freescale filed a motion to dismiss the declaratory judgment counterclaims filed by ChipMOS Taiwan and to stay all other patent related claims and issues until its breach of contract claims could be decided. A Summary Judgment granting in part and denying in part the motions of both Freescale and ChipMOS Taiwan was given by court on July 29, 2010. The above order finds that the Agreement constituted a “Total Sales Royalty” agreement, however, Freescale’s motion was partly denied for patent misuse. A mediation was held by both parties on October 28, 2010, but was unsuccessful. The fact discovery process regarding patent misuse issue closed in late April 2011. The expert discovery process regarding patent misuse issue closed in the middle of June 2011. An Order granting Freescale’s motion for partial summary judgment and denying ChipMOS Taiwan’s cross-motion for partial judgment was given on September 8, 2011. An Order granting in part and denying in part ChipMOS Taiwan’s Motion for Reconsideration was given on March 30, 2012. The Court reinstated ChipMOS Taiwan’s claims for patent misuse and its affirmative defenses for patent exhausted, mutual mistake and license. Freescale refiled its motions to strike ChipMOS Taiwan’s jury demand and for summary judgment on ChipMOS Taiwan’s affirmative defenses of exhaustion, mutual mistake and license. The Court has granted those motions on January 24, 2013 and later denied ChipMOS Taiwan’s motion for reconsideration of those rulings in April 2013. On June 20, 2013 both parties reached a settlement agreement to settle the pending litigation in a judicial settlement conference conducted in Court. As part of the settlement agreement, ChipMOS Taiwan agreed to pay US\$ 8,000 thousand (NT\$238,640 thousand) to settle the claims in exchange for the parties entering into a new License Agreement for the use of Freescale’s BGA packaging technology from 2011 to 2015 by a royalty fee of US\$1,000 thousand (NT\$29,830 thousand) per year and filing a Joint Stipulation for the Dismissal of all claims pending between them. The Joint Stipulation for Dismissal was filed on July 26, 2013 and the case was closed by the Court. ChipMOS Taiwan previously accrued royalty of NT\$457,888 thousand to Freescale. After settlement, ChipMOS Taiwan reversed the over-accrued royalty of NT\$140,435 thousand (Note 6) to other operating income.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

24. Significant commitments and contingencies (continued)

Contingencies arising from a legal claim (continued)

- b. On April 20, 1999, ChipMOS Taiwan entered into a semiconductor packaging technology license agreement with Tessera Technologies, Inc. (Tessera). In February 2006, ChipMOS Taiwan and ChipMOS USA received notice of a patent infringement lawsuit brought by Tessera, alleging infringement of several Tessera patents and breach of an existing license agreement with ChipMOS Taiwan. The fact discovery has been stayed in accordance with a Northern District of California Court order issued on May 24, 2007. On April 21, 2008, Tessera requested that the International Trade Commission (ITC) investigate ChipMOS Bermuda, ChipMOS Taiwan and ChipMOS USA (collectively referred to as the Companies) on the basis of alleged violations of Section 337 of the Tariff Act of 1930. In its request for investigation ("ITC-649 Investigation"), Tessera alleged that the Companies infringed certain patents among which are three that were the subject of the stayed litigation in the Northern District of California. Tessera also requested that the ITC issue an exclusion order to enjoin the importation of accused products into the United States. On September 30, 2008, Judge of Northern District of California Court ("Judge") granted a motion to extend the hearing date from March 16 to March 24, 2009 and target date from August 28 to November 2, 2009. On February 10, 2009, the Judge ordered the procedural schedule in the ITC-649 Investigation be stayed until the ITC issues its Final Determination in the ITC-605 Investigation. The target date of Initial Determination was also extended from December 7, 2009 to February 8, 2010. On March 13, 2009, after the close of discovery, Tessera submitted a request to terminate the ITC-649 Investigation. On July 17, 2009, the Judge issued an order granting the request to terminate the ITC-649 Investigation. No petitions for review were filed. The ITC had determined not to review the Initial Determination and issued an order to terminate the investigation on August 7, 2009. The ITC's Final Determination for the ITC-605 Investigation issued in May 2009 was appealed to the Court of Appeals for the Federal Circuit ("CAFC"). CAFC confirmed ITC's finding in May 2011. CAFC's above decision was appealed to the United States Supreme Court. The United States Supreme Court denied the above petition for review of the 605 Investigation in December 2011. Due to the denial of the petition for review of the 605 Investigation by the United States Supreme Court, the stayed litigation in the Northern District of California Court resumed. On July 19, 2012, Tessera filed a stipulation with the court dismissing its breach of contract claim against the Companies. Accordingly, this litigation was then limited to only Tessera's patent infringement allegations against the Companies. A court-ordered mediation was held on December 13, 2012 but was unsuccessful. On November 8, 2013, the parties reached a settlement agreement to settle the pending litigation. As part of the settlement agreement, ChipMOS Taiwan agreed to pay a one-time payment of US\$1,375 thousand (NT\$40,418 thousand), including 20% Taiwan tax withholding, to Tessera in exchange for Tessera releasing, discharging and agreeing to never sue ChipMOS Bermuda, ChipMOS Taiwan and ChipMOS USA relating to the license agreement. On November 9, 2013, the parties filed a stipulation with the Court to dismiss the pending litigation.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

25. Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

	<u>Country of incorporation and operation</u>	<u>2012</u>	<u>2013</u>
ChipMOS Taiwan	Republic of China	15.78%	37.91%
ThaiLin	Republic of China	63.89%	70.48%
ChipMOS Shanghai	People's Republic of China	63.89%	70.48%

	<u>2012</u>	<u>2013</u>
	<u>NT\$000</u>	<u>NT\$000</u>
Accumulated balances of material non-controlling interests:		
ChipMOS Taiwan	1,524,546	4,500,684
ThaiLin	1,778,862	1,756,413
ChipMOS Shanghai	697,084	770,648
Profit (loss) allocated to material non-controlling interests:		
ChipMOS Taiwan	129,701	312,240
ThaiLin	(28,933)	80,682
ChipMOS Shanghai	(61,296)	(39,312)

The summarized financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarized statement of comprehensive income for 2012:

	<u>ChipMOS Taiwan</u>	<u>ThaiLin</u>	<u>ChipMOS</u>
	<u>NT\$000</u>	<u>NT\$000</u>	<u>Shanghai</u>
	<u>NT\$000</u>	<u>NT\$000</u>	<u>NT\$000</u>
Revenue	16,995,004	1,371,316	910,717
Cost of revenue	(14,747,403)	(1,196,677)	(981,795)
Operating expenses	(851,905)	(175,824)	(27,732)
Finance costs	(213,096)	(12,588)	(2,881)
Other non-operating income (expenses), net	(39,507)	196,536	7,848
Profit (loss) before tax	1,143,093	182,763	(93,843)
Income tax	(124,763)	(46,389)	—
Profit (loss) for the year	1,018,330	136,374	(93,843)
Total comprehensive income (loss) for the year	1,207,537	693,982	(93,843)
Attributable to non-controlling interests	129,701	(28,933)	(61,296)
Dividends paid to non-controlling interests	—	—	—

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

25. *Material partly-owned subsidiaries (continued)*

Summarized statement of comprehensive income for 2013:

	<u>ChipMOS Taiwan</u> NT\$000	<u>ThaiLin</u> NT\$000	<u>ChipMOS Shanghai</u> NT\$000
Revenue	17,255,088	1,257,033	985,366
Cost of revenue	(14,094,981)	(1,025,210)	(1,003,123)
Operating expenses	(737,767)	(81,078)	(34,988)
Finance costs	(160,047)	(16,244)	(7,975)
Other non-operating income (expenses), net	550,515	729,712	621
Profit (loss) before tax	2,812,808	864,213	(60,099)
Income tax	(534,559)	(207,874)	—
Profit (loss) for the year	2,278,249	656,339	(60,099)
Total comprehensive income (loss) for the year	2,275,203	775,106	(60,099)
Attributable to non-controlling interests	312,240	80,682	(39,312)
Dividends paid to non-controlling interests	69,750	55,815	—

Summarized statement of financial position as of December 31, 2012:

	<u>ChipMOS Taiwan</u> NT\$000	<u>ThaiLin</u> NT\$000	<u>ChipMOS Shanghai</u> NT\$000
Current assets	12,354,637	1,597,012	834,254
Non-current assets	12,832,408	4,040,538	721,934
Current liabilities	5,409,245	274,873	176,755
Non-current liabilities	6,596,818	904,644	286,358
Total equity	13,180,982	4,458,033	1,093,075

Summarized statement of financial position as of December 31, 2013:

	<u>ChipMOS Taiwan</u> NT\$000	<u>ThaiLin</u> NT\$000	<u>ChipMOS Shanghai</u> NT\$000
Current assets	12,552,424	3,465,355	920,256
Non-current assets	13,397,291	2,582,928	701,349
Current liabilities	6,279,516	814,498	368,827
Non-current liabilities	4,401,754	499,476	157,911
Total equity	15,268,445	4,734,309	1,094,867

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

25. Material partly-owned subsidiaries (continued)

Summarized cash flow information for year ended December 31, 2012:

	<u>ChipMOS Taiwan</u> NT\$000	<u>ThaiLin</u> NT\$000	<u>ChipMOS Shanghai</u> NT\$000
Operating	4,593,227	420,093	(171,604)
Investing	(2,267,410)	337,609	(141,494)
Financing	(419,721)	(158,328)	194,614
Effect of foreign exchange rate changes	—	—	(17,704)
Net increase (decrease) in cash and cash equivalents	<u>1,906,096</u>	<u>599,374</u>	<u>(136,188)</u>

Summarized cash flow information for year ended December 31, 2013:

	<u>ChipMOS Taiwan</u> NT\$000	<u>ThaiLin</u> NT\$000	<u>ChipMOS Shanghai</u> NT\$000
Operating	5,552,317	315,912	170,930
Investing	(2,847,667)	978,197	(77,352)
Financing	(2,153,171)	(577,249)	11,035
Effect of foreign exchange rate changes	—	—	18,134
Net increase in cash and cash equivalents	<u>551,479</u>	<u>716,860</u>	<u>122,747</u>

26. Changes in ownership interest in subsidiaries

During the year, ChipMOS Bermuda disposed of approximately 22% of its interest in ChipMOS Taiwan which in turn becomes a 62.09% owned subsidiary of the Company. The consideration of NT\$3,536,777 thousand was received in cash. An amount of NT\$3,146,906 thousand, being the proportionate share of the carrying amount of the net assets of ChipMOS Taiwan at the date of partial disposal, has been transferred to non-controlling interests. The difference of NT\$399,626 thousand and NT\$9,755 thousand between the amount of additional non-controlling interests recognised and the consideration received was credited to capital surplus and debited to retained earnings, respectively.

27. Related party transactions

During the year, as part of ChipMOS Taiwan's listing plan on the TWSE, ChipMOS Bermuda disposed of 23,268 thousand ChipMOS Taiwan shares to certain key management personnel and their close family members with a total consideration of NT\$463,395 thousand.

No other significant transactions with related party need to be disclosed for the relevant years.

Key management personnel compensation

	<u>2012</u> NT\$000	<u>2013</u> NT\$000	<u>2013</u> US\$000
Short-term employee benefits	139,993	155,969	5,229
Post-employment pension	1,919	1,825	61
Share-based payments	27,826	49,044	1,644
	<u>169,738</u>	<u>206,838</u>	<u>6,934</u>

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

28. Pledged or mortgaged assets

The Group provided certain assets as collateral mainly for long-term bank loans (Note 21), short -term bank loans (Note 23) and customs duty guarantee, which were as follows:

	January 1, 2012 <u>NT\$000</u>	December 31, 2012 <u>NT\$000</u>	December 31, 2013 <u>NT\$000</u>	December 31, 2013 <u>US\$000</u>
Property, plant and equipment	11,076,026	7,689,907	6,149,767	206,161
Restricted short-term deposits	285,133	174,486	80,531	2,700
Prepaid rents	100,498	94,254	97,176	3,257
	<u>11,461,657</u>	<u>7,958,647</u>	<u>6,327,474</u>	<u>212,118</u>

29. Financial instruments by category

	January 1, 2012 <u>NT\$000</u>	December 31, 2012 <u>NT\$000</u>	December 31, 2013 <u>NT\$000</u>	December 31, 2013 <u>US\$000</u>
<u>Financial assets</u>				
Available-for-sale financial assets	39,121	11,635	8,594	288
Loans and receivables	11,541,330	13,793,097	17,833,560	597,840
	<u>11,580,451</u>	<u>13,804,732</u>	<u>17,842,154</u>	<u>598,128</u>
<u>Financial liabilities</u>				
Financial liabilities at amortized cost	<u>12,928,718</u>	<u>12,378,150</u>	<u>10,906,855</u>	<u>365,634</u>

30. Financial risk management and fair values of financial instruments

a) Financial risk management

The Group's risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on policy and risk appetite.

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

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

30. Financial risk management and fair values of financial instruments (continued)

a) Financial risk management (continued)

1) Market risk

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 risk (such as equity price risk).

i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rate relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries. The currencies giving rise to this risk are primarily United States dollars ("US\$") and Japanese Yen ("JPY"). The Group does not hold or issue any derivative for trading purposes or to hedge against fluctuations in foreign exchange rates. The Group mitigates this risk by conducting sales and purchases transactions in the same currency, whenever possible. Furthermore, as net investments in foreign subsidiaries are for strategic purpose, they are not hedged by the Group.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognized monetary assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	<u>January 1, 2012</u>		
	<u>Change in exchange rate</u>	<u>Effect on profit before tax (NT\$000)</u>	<u>Effect on equity (NT\$000)</u>
<u>Financial assets</u>			
US\$000	5%	286,608	—
JPY000	5%	11,445	—
<u>Financial liabilities</u>			
US\$000	5%	23,919	—
JPY000	5%	31,758	—

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

30. Financial risk management and fair values of financial instruments (continued)

a) Financial risk management (continued)

1) Market risk (continued)

i) Foreign currency risk (continued)

	December 31, 2012		
	Change in exchange rate	Effect on profit before tax (NT\$000)	Effect on equity (NT\$000)
<u>Financial assets</u>			
US\$000	5%	359,674	—
JPY000	5%	42,987	—
<u>Financial liabilities</u>			
US\$000	5%	29,451	—
JPY000	5%	25,406	—

	December 31, 2013		
	Change in exchange rate	Effect on profit before tax (NT\$000)	Effect on equity (NT\$000)
<u>Financial assets</u>			
US\$000	5%	431,099	—
JPY000	5%	39,559	—
<u>Financial liabilities</u>			
US\$000	5%	73,205	—
JPY000	5%	33,071	—

ii) Interest rate risk

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.

At December 31, 2013, it is estimated that a general increase or decrease of 100 basis points (1%) in interest rates, with all other variables held constant, would decrease or increase the Group's profit by approximately NT\$75,504 thousand (2012: NT\$93,342 thousand).

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

30. Financial risk management and fair values of financial instruments (continued)

a) Financial risk management (continued)

1) Market risk (continued)

iii) Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities classified as financial assets at fair value through profit or loss. The Group manages this exposure by maintaining a portfolio of investments with different risk and return profiles. At the reporting date, no aforesaid equity security was held and no sensitivity analysis was disclosed.

2) Credit risk

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

Each business unit performs ongoing credit evaluation of the debtors' financial condition according to the Group's established policy, procedures and control relating to customer credit risk management. The Group maintains an account for allowance for doubtful receivables based upon the available facts and circumstances, historical collection and write-off experiences of all trade and other receivables which consequently minimizes the Group's exposure to bad debts.

The Group has three customers that had balances greater than ten percent of total notes and accounts receivable as of January 1, 2012, December 31, 2012 and December 31, 2013, respectively, as detailed in the below table. The credit concentration risk of other accounts and notes receivable is insignificant.

<u>Customers</u>	<u>January 1, 2012</u>	<u>December 31, 2012</u>	<u>December 31, 2013</u>
Micron	18%	7%	13%
Novatek	13%	18%	17%
Winbond Electronics Corporation	6%	11%	7%

Credit risk from balances with banks and financial institutions is managed by the Group's finance unit in accordance with the Group's policy. Bank balances are held with financial institutions of good standing. The Group's exposure to credit risk arising from the default of counterparties is limited to the carrying amount of these instruments.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

30. Financial risk management and fair values of financial instruments (continued)

a) Financial risk management (continued)

3) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group monitors and maintains adequate cash and banking facilities to finance the Group's operations. See Notes and 21 and 23 about the unused credit lines of the Group.

The maturity profile of the Group's non-derivative financial liabilities as of January 1, 2012, December 31, 2012 and 2013 based on the contracted undiscounted payments, is as follows:

	January 1, 2012			Total NT\$000
	≤ 1 year NT\$000	2 to 5 years NT\$000	> 5 years NT\$000	
Long-term bank loans (including current portion)	942,053	8,804,230	127,990	9,874,273
Accounts payable and payables to contractors and equipment suppliers	1,546,121	—	—	1,546,121
Other payables	1,667,353	—	—	1,667,353
Short-term bank loans	549,438	—	—	549,438
	4,704,965	8,804,230	127,990	13,637,185

	December 31, 2012			Total NT\$000
	≤ 1 year NT\$000	2 to 5 years NT\$000	> 5 years NT\$000	
Long-term bank loans (including current portion)	2,430,465	6,949,434	25,355	9,405,254
Accounts payable and payables to contractors and equipment suppliers	1,374,736	—	—	1,374,736
Other payables	1,669,206	—	—	1,669,206
Short-term bank loans	367,724	—	—	367,724
	5,842,131	6,949,434	25,355	12,816,920

	December 31, 2013				Total US\$000
	≤ 1 year NT\$000	2 to 5 years NT\$000	> 5 years NT\$000	Total NT\$000	
Long-term bank loans (including current portion)	2,995,869	3,974,915	—	6,970,784	233,684
Accounts payable and payables to contractors and equipment suppliers	1,815,038	—	—	1,815,038	60,846
Other payables	1,541,409	—	—	1,541,409	51,673
Short-term bank loans	790,438	—	—	790,438	26,498
	7,142,754	3,974,915	—	11,117,669	372,701

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

30. Financial risk management and fair values of financial instruments (continued)

b) Fair values of financial instruments

- i) The Group's financial assets and financial liabilities measured at amortized cost approximate their fair values.
- ii) The fair values of financial assets and financial liabilities are determined as follows:
- The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market prices.
 - Derivative financial instruments are measured with reference to quoted market prices. If no quoted market price exists, the non-optional derivative financial instruments are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. The optional derivative financial instruments are measured using option pricing models.
 - The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

31. Share-based payments

Stock option plan

The Group adopted three option plans in 2001, 2006 and 2011 which have 2,250,000, 1,750,000 and 1,000,000 shares available for issuance, respectively. The stock option plans provide that the directors, officers, employees and consultants of ChipMOS Bermuda and its affiliates may be granted options to purchase ordinary shares of ChipMOS Bermuda at specified exercise prices.

During the year, the Group recognized NT\$101,928 thousand (2012: NT\$65,991 thousand) compensation expenses in respect of option plans.

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the year:

	<u>2012</u>	<u>2012</u>	<u>2013</u>	<u>2013</u>
	Number of options	WAEP US\$	Number of options	WAEP US\$
Outstanding at January 1	2,562,172	9.47	1,705,548	9.02
Granted during the year	204,316	11.14	688,996	13.89
Forfeited during the year	(103,426)	10.27	(75,944)	11.72
Exercised during the year	(668,246)	6.21	(500,383)	5.81
Expired during the year	(289,268)	20.58	(253,194)	21.65
Outstanding at December 31	<u>1,705,548</u>	9.02	<u>1,565,023</u>	10.01
Exercisable at December 31	<u>901,343</u>	11.51	<u>462,032</u>	7.39

The weighted average share price at the date of exercise of these options exercised in 2013 was US\$17.93 (2012: US\$13.18).

The weighted average remaining contractual life for the share options outstanding as of December 31, 2013 was 4.61 years (2012: 3.7 years).

The weighted average fair value of options granted during 2013 was US\$13.69 (2012: US\$12.24).

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

31. Share-based payments (continued)

Stock option plan (continued)

The range of exercise prices for options outstanding at the end of 2013 was US\$2.3796~21.488 (2012: US\$0.748~25.908).

The following tables list the inputs to the Black-Scholes Option Pricing Model used for the option plans for the years ended December 31, 2013 and 2012, respectively.

	2012	2013
Dividend yield	0~1.33%	0~1.33%
Expected volatility	70.88~239.76%	70.88~239.76%
Risk-free interest rate	0.3725~3.41%	0.3725~3.04%
Expected life	3.25~7 years	3.5~7 years

Share appreciation rights ("SARs")

The Group adopted three SARs plans in 2006, 2008 and 2013 which have 500,000, 750,000 and 1,000,000 rights available for issuance, respectively. The SARs plans provide that the directors, officers and employees of ChipMOS Bermuda and its affiliates may be granted cash-settled share appreciation rights.

During the year, the Group recognized NT\$130,662 thousand (2012: NT\$115,772 thousand) compensation expenses in respect of SARs plans.

The following table illustrates the number and WAEP of, and movements in, SARs during the year:

	2012	2012	2013	2013
	Number of rights	WAEP US\$	Number of rights	WAEP US\$
Outstanding at January 1	1,049,939	8.32	640,848	6.83
Granted during the year	43,660	11.14	521,020	13.95
Forfeited during the year	(67,375)	8.55	(46,501)	7.26
Exercised during the year	(231,270)	4.76	(249,563)	5.01
Expired during the year	(154,106)	20.58	(53,375)	22.88
Outstanding at December 31	640,848	6.83	812,429	10.87
Exercisable at December 31	198,712	10.12	67,329	4.73

The weighted average share price at the date of exercise of these SARs exercised in 2013 was US\$17.76 (2012: US\$13.44).

The weighted average remaining contractual life for the SARs outstanding as of December 31, 2013 was 2.68 years (2012: 3.87 years).

The weighted average fair value of SARs granted during 2013 was US\$15.00 (2012: US\$9.94).

The range of exercise prices for SARs outstanding at the end of 2013 was US\$2.448~14.0675 (2012: US\$0.748~25.908).

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

31. Share-based payments (continued)

Share appreciation rights ("SARs") (continued)

The following tables list the inputs to the Black-Scholes Option Pricing Model used for the SARs plans for the years ended December 31, 2013 and 2012, respectively.

	2012	2013
Dividend yield	1.33%	0.85%
Expected volatility	30.99~188.49%	15.9~144.56%
Risk-free interest rate	0.05~0.675%	0.07~1.62875%
Expected life	0.25~4.75 years	0.25~4.75 years

32. Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the balance between debt and equity.

The capital structure of the Group consists of debt, which includes bank loans of NT\$7,550,408 thousand (disclosed in Notes 21 and 23), less cash and cash equivalents of NT\$13,372,770 thousand (disclosed in Note 17) and equity attributable to equity holders of the Company, comprising share capital of NT\$37,165 thousand and all other equity reserves attributable to the equity holders of the Company of NT\$13,527,498 thousand disclosed in the consolidated statements of changes in equity.

The Group reviews the capital structure on an ongoing basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and the issue of new debt or the repayment of existing debt.

The Group's overall strategy remains unchanged from 2012.

The Group monitors capital using the net debt-to-equity ratio, the percentages of which as of January 1, 2012 and December 31, 2012 and 2013 were as follows:

	Note	January 1, 2012 NT\$000	December 31, 2012 NT\$000	December 31, 2013 NT\$000	December 31, 2013 US\$000
Bank loans	21, 23	9,715,244	9,334,208	7,550,408	253,115
Less: Cash and cash equivalents	17	(7,246,056)	(8,863,616)	(13,372,770)	(448,299)
Net debt		2,469,188	470,592	(5,822,362)	(195,184)
Equity attributable to the equity holders of the Company		10,760,027	11,593,611	13,564,663	454,732
Net debt-to-equity ratio		22.95%	4.06%	-42.92%	-42.92%

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

33. Events after the reporting period

- a) On January 16, 2014, ChipMOS Bermuda repurchased its 2,094 thousand common shares held by ThaiLin and the shares were then retired and cancelled.
- b) On June 17, 2013, the proposal to invest in Modern Mind an aggregate amount of US\$10 million and Modern Mind then to reinvest the proceeds of US\$10 million in ChipMOS Shanghai was approved by ThaiLin's shareholders. On August 29, 2013, the US\$10 million investment was approved by the Investment Commission, Ministry of Economic Affairs. On January 21, 2014, ThaiLin wired US\$10 million to Modern Mind to increase its investment amount in Modern Mind to US\$49,951 thousand from US\$39,951 thousand. On January 22, 2014, Modern Mind injected the same to ChipMOS Shanghai.
- c) On March 10, 2014, ChipMOS Taiwan's Board of Directors approved to issue 21,764 thousand common shares at par value of NT\$10 per share to increase its capital for listing on TWSE. The issuance price is not yet confirmed.

34. Reconciliation between ROC GAAP and IFRSs

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flow for comparative periods. In preparing these consolidated financial statements, the Group has adjusted amounts reported previously in financial statements prepared in accordance with ROC GAAP. An explanation of how the transition from ROC GAAP to IFRSs has affected the Group's statements of financial position, net profit, comprehensive income and cash flows is provided below:

- a) Reconciliation of assets, liabilities and equity

The below table provides a summary of the IFRSs adjustments to the Group's statements of financial position as of January 1, 2012 and December 31, 2012:

	<u>Note</u>	<u>January 1, 2012</u> NT\$000	<u>December 31, 2012</u> NT\$000
Total assets under ROC GAAP		28,281,065	28,749,393
Adjustment for accrued pension cost	1)	9,799	(16,110)
Adjustment for income tax on unappropriated earnings	2)	(3,257)	(56,871)
Reclassification of allowance for sales returns and discounts	3)	118,630	122,937
Total assets under IFRSs		<u>28,406,237</u>	<u>28,799,349</u>
	<u>Note</u>	<u>January 1, 2012</u> NT\$000	<u>December 31, 2012</u> NT\$000
Total liabilities under ROC GAAP		13,297,795	12,780,315
Adjustment for accrued pension cost	1)	254,942	301,369
Adjustment for income tax on unappropriated earnings	2)	—	5,427
Reclassification of allowance for sales returns and discounts	3)	118,630	122,937
Total liabilities under IFRSs		<u>13,671,367</u>	<u>13,210,048</u>

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

34. Reconciliation between ROC GAAP and IFRSs (continued)

a) Reconciliation of assets, liabilities and equity (continued)

	<u>Note</u>	<u>January 1, 2012 NT\$000</u>	<u>December 31, 2012 NT\$000</u>
Total equity under ROC GAAP		14,983,270	15,969,078
Adjustment for pension cost	1)	(245,143)	(317,479)
Adjustment for tax on unappropriated earnings	2)	(3,257)	(62,298)
Total equity under IFRSs		<u>14,734,870</u>	<u>15,589,301</u>

b) Reconciliation of net profit

The below table provides a summary of the IFRSs adjustments to net profit for the year ended December 31, 2012:

	<u>Note</u>	<u>2012 NT\$000</u>
Net profit for the year under ROC GAAP		789,348
Adjustment for accrued pension cost	1)	(60,651)
Adjustment for income tax on unappropriated earnings	2)	(59,041)
Net profit for the year under IFRSs		<u>669,656</u>
Net profit attributable to equity holders of the Company		629,781
Net profit attributable to non-controlling interests		39,875
Net profit for the year under IFRSs		<u>669,656</u>

c) Reconciliation of comprehensive income

The below table provides a summary of the IFRSs adjustments to comprehensive income for the year ended December 31, 2012:

	<u>2012 NT\$000</u>
Comprehensive income for the year under ROC GAAP	789,348
IFRS adjustments to net profit (see table above)	(119,692)
Adjustment for exchange difference on translation of foreign operations	(17,006)
Adjustment for net actuarial losses	(59,253)
Non-controlling interest share of exchange difference on translation of foreign operations	(3,186)
Non-controlling interest share of net actuarial losses	(3,063)
Comprehensive income for the year under IFRSs	<u>587,148</u>
Comprehensive income attributable to equity holders of the Company	553,522
Comprehensive income attributable to non-controlling interests	33,626
Total comprehensive income for the year under IFRSs	<u>587,148</u>

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

34. Reconciliation between ROC GAAP and IFRSs (continued)

The items noted above in the reconciliations of the statements of financial position, net profit and comprehensive income from ROC GAAP to IFRSs are described below:

1) Adjustment for accrued pension cost:

The Group arranged an actuarial valuation in accordance with IAS 19. As of January 1, 2012, accrued pension cost was adjusted for an increase of NT\$254,942 thousand, prepaid pension cost was adjusted for a decrease of NT\$33,541 thousand, deferred income tax assets were adjusted for an increase of NT\$43,340 thousand, retained earnings were adjusted for a decrease of NT\$199,309 thousand and non-controlling interests were adjusted for a decrease of NT\$45,834 thousand. For the year ended December 31, 2012, pension cost recognized in cost of revenue was adjusted for an increase of NT\$49,357 thousand, pension cost recognized in operating expense was adjusted for an increase of NT\$23,716 thousand, income tax expense was adjusted for a decrease of NT\$12,422 thousand, and non-controlling interests was adjusted for a decrease of NT\$16,535 thousand. As of December 31, 2012, prepaid pension cost was adjusted for a decrease of NT\$84,636 thousand, accrued pension cost was adjusted for an increase of NT\$301,369 thousand, deferred income tax assets was adjusted for an increase of NT\$68,526 thousand, retained earnings were adjusted for a decrease of NT\$291,560 thousand, unrealized pension cost was adjusted for a decrease of NT\$42,642 thousand and non-controlling interests was adjusted for a decrease of NT\$68,561 thousand.

2) Adjustment for income tax:

Under ROC income tax rules, a 10% extra income tax will be charged on the unappropriated earnings of the previous year and an income tax expense will be recognized. Under IFRSs, income tax expense should be accrued in the year the earnings arise. The difference between actual and accrued income tax expense will be adjusted and recognized in the following year. As of January 1, 2012, deferred tax asset was adjusted for a decrease of NT\$3,257 thousand, retained earnings was adjusted for a decrease of NT\$2,748 thousand and non-controlling interests was adjusted for a decrease of NT\$509 thousand. For the year ended December 31, 2012, income tax expense increased by NT\$59,041 thousand. As of December 31, 2012, deferred tax asset was adjusted for a decrease of NT\$56,871 thousand, income tax payable was adjusted for an increase of NT\$5,427 thousand, retained earnings were adjusted for a decrease of NT\$50,689 thousand and non-controlling interests was adjusted for a decrease of NT\$11,609 thousand.

3) Reclassification of allowance for sales returns and discounts:

Under ROC GAAP, the allowance for sales returns and discounts was presented as an allowance for notes and accounts receivable. Under IFRSs, it was classified as a provision and is recorded in current liabilities. As of January 1, 2012 and December 31, 2012, notes and accounts receivable was adjusted for an increase and other current liabilities was adjusted for an increase of NT\$118,630 thousand and NT\$122,937 thousand, respectively.

4) Other reclassification:

As of January 1, 2012, land use rights of NT\$100,498 thousand was reclassified to prepaid expense and other current assets of NT\$2,476 thousand and other assets of NT\$98,022 thousand. Deferred income tax-current of NT\$76,559 thousand was reclassified to deferred income tax-noncurrent. Deferred charges of NT\$130,157 thousand was reclassified to prepaid expense and other current asset of NT\$8,267 thousand, property, plant and equipment of NT\$108,352 thousand, and other assets of NT\$13,538 thousand. Employee dormitory buildings of NT\$248,429 thousand and idle assets of NT\$111,365 thousand were reclassified to property, plant and equipment. Capital surplus of long-term investments of NT\$77,440 thousand was reclassified to retained earnings.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)
December 31, 2012 and 2013

34. Reconciliation between ROC GAAP and IFRSs (continued)

4) Other reclassification: (continued)

For the year ended December 31, 2012, since the reclassification of other assets to property, plant and equipment, the depreciation recognized in non-operating expense of NT\$82,486 thousand was reclassified to cost of revenue of NT\$80,069 thousand and operating expense of NT\$2,417 thousand.

As of December 31, 2012, land use rights of NT\$94,254 thousand was reclassified to prepaid expense and other current assets of NT\$2,381 thousand and other assets of NT\$91,873 thousand. Deferred income tax-current of NT\$77,825 thousand was reclassified to deferred income tax-noncurrent. Deferred charges of NT\$96,919 thousand was reclassified to prepaid expense and other current asset of NT\$736 thousand and property, plant and equipment of NT\$96,183 thousand. Employee dormitory buildings of NT\$221,115 thousand and idle assets of NT\$50,008 thousand were reclassified to property, plant and equipment. Capital surplus of long-term investments of NT\$77,440 thousand was reclassified to retained earnings.

5) The adoption of IFRSs decreased cash and cash equivalents as at January 1, 2012 and December 31, 2012 by NT\$111,846 thousand and NT\$455,406 thousand, respectively as ROC GAAP included bank deposits maturing over three months as cash and cash equivalents.

35. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective for the year ended December 31, 2013 and which have not been early adopted by the Group are disclosed below:

		Effective for annual reporting periods beginning on or after
IAS 32 Amendment	Presentation - Offsetting Financial Assets and Financial Liabilities	January 1, 2014
IAS 36 Amendments	Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
IAS 39 Amendments	Novation of Derivative and Continuation of Hedge Accounting	January 1, 2014
IFRS 7 Amendment	Mandatory Effective Date and Transition Disclosures	January 1, 2015
IFRS 9	Financial Instruments	Not yet established by the IASB
IFRS 10, IFRS 12 and IAS 27 Amendments	Investment Entities	January 1, 2014
IFRIC 21	Levies	January 1, 2014

The Group has already commenced an assessment of the related impact of adopting the above new standards and interpretation and amendments to standards in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group.

36. Approval of the financial statements

The financial statements were approved and authorized for issue by the board of directors on March 11, 2014.

SHARE PURCHASE AGREEMENT

between

ThaiLin Semiconductor Corp.,

and

ChipMOS TECHNOLOGIES (Bermuda) LTD.

Dated as of November 21, 2013

SHARE PURCHASE AGREEMENT

THIS SHARE PURCHASE AGREEMENT (this "Agreement") is made as of November 21, 2013, by and between ThaiLin Semiconductor Corp., a company organized under the laws of Taiwan, Republic of China, with its principle address of business at 4, Ren Der Rd, Hsinchu Industrial Park, Hsinchu County, Taiwan, R.O.C. (the "Seller") and ChipMOS TECHNOLOGIES (Bermuda) LTD., a Bermuda company, with its principle address of business at No. 1 R&D Rd. 1, Hsinchu Science Park, Hsinchu, Taiwan, R. O. C. (the "Buyer") (the Seller and the Buyer hereinafter collectively referred to as the "Parties", or individually referred to as the "Party").

WHEREAS, the Seller is the beneficial owner of Shares of the Buyer; and

WHEREAS, the Seller desires to sell the Shares to the Buyer, and the Buyer desires to repurchase the Shares from the Seller.

NOW, THEREFORE, the Parties hereto hereby agree as follows.

ARTICLE I

DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings:

"Affiliate" shall mean, with respect to any person, any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, "control," when used with respect to any person, means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "affiliated," "controlling" and "controlled" have meanings correlative to the foregoing.

"Agreement" shall have the meaning set forth in the Preamble.

"Applicable Law" shall mean, with respect to any person, any law, statute, rule, regulation, order, writ, injunction, judgment or decree of any Governmental Authority to which such person or any of its subsidiaries is bound or to which any of their respective properties is subject.

"Buyer" shall mean ChipMOS TECHNOLOGIES (Bermuda) LTD., a Bermuda holding company, as set forth in the Preamble.

"Closings" shall have the meaning set forth in Section 2.2.

"Common Stock" shall mean the common shares, par value US\$0.04 per share, of the Buyer.

“First Closing” shall have the meaning set forth in Section 2.2.

“First Closing Date” shall have the meaning set forth in Section 2.2.

“Governmental Authority” shall mean any ROC, United States, Bermuda and other related foreign, federal, state or local court or governmental or regulatory authority.

“Lien” shall mean any mortgage, claim, pledge, security interest, lien, charge, encumbrances, options, proxies, purchase rights, voting trusts or agreements and other restrictions and limitations of any kind.

“Notices” shall have the meaning set forth in Section 7.4.

“person” shall mean any individual, partnership, corporation, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or agency or political subdivision thereof, or other entity.

“Released Parties” shall have the meaning set forth in Section 7.3.

“Second Closing” shall have the meaning set forth in Section 2.2.

“Second Closing Date” shall have the meaning set forth in Section 2.2.

“Shares” shall have the meaning set forth in Section 2.1 hereof.

“Share Purchase Price” shall have the meaning set forth in Section 2.1 hereof.

“Securities Act” shall mean the Securities Act of 1933, as amended, and the rules and regulations thereunder.

“Taxes” shall mean all foreign, federal, state and local taxes, including any interest, penalties or additions to tax that may become payable in respect thereof, imposed by any Governmental Authority, which taxes shall include, without limiting the generality of the foregoing, all income taxes, payroll and employee withholding taxes, unemployment insurance, social security, sales and use taxes, excise taxes, franchise taxes, gross receipts taxes, occupation taxes, real and personal property taxes, stamp taxes, transfer taxes, workmen’s compensation taxes and other obligations of the same or a similar nature, whether arising before, on or after the Closing.

“Transaction” shall mean sale and repurchase of the Shares as contemplated under this Agreement.

ARTICLE II
TRANSACTION

Section 2.1. The Transaction. On the date hereof, and upon the terms and subject to the conditions set forth in this Agreement, the Buyer agrees to repurchase from the Seller, and the Seller agrees to sell to the Buyer, a total of 4,093,705 shares of Common Stock (the "Shares") at two Closings as set forth in Section 2.2. The purchase price of the Shares at each of the Closings shall be determined by the arithmetic mean of the closing prices of the Common Stock at NASDAQ on twenty (20) consequent trading days prior to the preceding fifth day of each of the First Closing Date and the Second Closing Date times zero point ninety-three (0.93) for seven percent (7%) discount (collectively the "Share Purchase Price"), provided, *however*, that any of the Closings shall not take place if the Share Purchase Price is higher than nineteen point ninety-two U.S. Dollars (US\$19.92) per Share or lower than thirteen U.S. Dollars (US\$13.00) per Share, unless otherwise agreed upon by the Parties.

Section 2.2. Closings.

(a) The sale and repurchase of the Shares shall be consummated at two closings (the "Closings") at the offices of the Buyer at No. 1 R&D Rd. 1, Hsinchu Science Park, Hsinchu, Taiwan, R. O. C: the first closing of the repurchase and sale of 2,000,000 Shares (the "First Closing") shall take place within five (5) business days after the execution of the Agreement, to be specific, on or before November 26, 2013 (the "First Closing Date"); the second closing of the purchase and sale of 2,093,705 Shares (the "Second Closing") shall take place on or before January 31, 2014 (the "Second Closing Date").

(b) At each of the Closings, (i) the Buyer shall deposit into one or more bank accounts designated by the Seller, by wire transfer of immediately available funds, an amount equal to the Share Purchase Price being repurchased by the Buyer from the Seller for the part of each of the Closings pursuant to Sections 2.1 and 2.2 and (ii) the Seller shall deliver to the Buyer, a stock certificate or stock certificates representing the Shares being repurchased from the Seller by the Buyer for the part of each of the Closings pursuant to Sections 2.1 and 2.2, free and clear of any Liens.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE SELLER

The Seller represents and warrants to the Buyer at each of the Closings as follows:

Section 3.1. Organization and Standing; Authorization; Enforceability.

(a) The Seller is duly organized, validly existing and in good standing as a domestic corporation under the laws of Taiwan, Republic of China and has all requisite corporate power and authority to own its properties and assets and to carry on its business as it is now being conducted.

(b) The Seller has the corporate power to execute, deliver and perform its obligations under this Agreement and has taken all necessary action to authorize the execution, delivery and performance by it of this Agreement and to consummate the Transaction contemplated hereby. No other corporate proceedings on the part of such Seller are necessary therefor.

(c) The Seller has duly executed and delivered this Agreement. This Agreement constitutes, assuming due execution by the other Parties hereto, the legal, valid and binding obligation of such Seller enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

Section 3.2. No Violation; Consents.

(a) The execution, delivery and performance by the Seller of this Agreement and the consummation of the Transaction contemplated hereby does not and will not contravene or violate any Applicable Law and will not (x) conflict with any of the terms, conditions or provisions of the organizational documents of the Seller, (y) violate, result in a breach of or constitute (with due notice or lapse of time or both) a default under any contract, lease, loan agreement, mortgage, security agreement or other agreement or instrument to which such Seller is a party or by which either it or its properties or assets is subject or (z) result in the creation or imposition of any Lien upon any of the properties or assets of such Seller.

(b) No consent, waiver, authorization, approval or order of, or filing or registration with, any Governmental Authority, Buyer or other person is required to be obtained or made by the Seller for the execution, delivery and performance of this Agreement, or the consummation of any of the Transaction contemplated hereby.

Section 3.3. Title; Ownership of Shares. All of the Shares being sold by Seller are duly authorized and validly issued, fully-paid and non-assessable, with no personal liability attaching to the ownership thereof and free and clear of any taxes and Liens. The Seller is the sole record and beneficial owner of such Shares and has good and valid title to such Shares. Upon delivery by Seller of the certificates representing the Shares being sold by Seller and payment therefor by the Buyer as provided in Section 2.2 hereof, the Buyer will acquire valid and marketable title to such Shares free and clear of any Liens, except for restrictions on transfer imposed by the Securities Act and state securities laws. The Seller has not granted any options, warrants or rights of first refusal with respect to the Shares.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer hereby represents and warrants to the Seller at each of the Closings as follows:

Section 4.1. Organization and Standing; Authorization; Enforceability.

(a) It is duly organized, validly existing and in good standing as a Bermuda company under the laws of Bermuda and has all requisite corporate power and authority to own its properties and assets and to carry on its business as it is now being conducted.

(b) It has the corporate power to execute, deliver and perform its obligations under this Agreement and has taken all necessary action to authorize the execution, delivery and performance by it of this Agreement and to consummate the Transaction contemplated hereby. No other corporate proceedings on the part of the Buyer are necessary therefor.

(c) It has duly executed and delivered this Agreement. This Agreement constitutes a legal, valid and binding obligation of the Buyer, enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

Section 4.2. No Violation; Consents.

(a) The execution, delivery and performance by the Buyer of this Agreement and the consummation of the Transaction contemplated hereby does not and will not contravene or violate any Applicable Law and will not (x) conflict with any of the terms, conditions or provisions of the organizational documents of the Buyer, (y) violate, result in a breach of or constitute (with due notice or lapse of time or both) a default under any contract, lease, loan agreement, mortgage, security agreement or other agreement or instrument to which the Buyer is a party or by which either it or its properties or assets is subject or (z) result in the creation or imposition of any Lien upon any of the properties or assets of the Buyer.

(b) No consent, authorization or order of, or filing or registration with, any Governmental Authority or other person is required to be obtained or made by the Buyer for the execution, delivery and performance of this Agreement, or the consummation of any of the Transaction contemplated hereby.

ARTICLE V

COVENANTS OF THE SELLER

Section 5.1. Agreement to Take Necessary and Desirable Actions. The Seller shall execute and deliver such other documents, certificates, agreements and other writings and take such other actions as may be necessary, desirable or reasonably requested by the Buyer in order to consummate or implement as expeditiously as practicable the Transaction contemplated hereby.

Section 5.2. Other Consents and Approvals. The Seller shall (a) use commercially reasonable efforts to obtain all necessary consents, waivers, authorizations and approvals of all Governmental Authorities and of Buyer, all other persons, firms or corporations required in connection with the execution, delivery and performance by them of this Agreement or the Transaction contemplated hereby, and (b) assist and cooperate with the Buyer in preparing and filing all documents required to be submitted by the Buyer to any Governmental Authority in connection with such Transaction and in obtaining any governmental consents, waivers, authorizations or approvals which may be required to be obtained by the Buyer in connection with such Transaction (which assistance and cooperation shall include, without limitation, timely furnishing to the Buyer all information concerning the Seller that counsel to the Buyer reasonably determines is required to be included in such documents or would be helpful in obtaining any such required consent, waiver, authorization or approval).

Section 5.3. Compliance with Conditions; Commercially Reasonable Efforts. The Seller shall use commercially reasonable efforts to cause all of the obligations imposed upon it in this Agreement to be duly complied with. Upon the terms and subject to the conditions of this Agreement, the Seller shall use commercially reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable consistent with Applicable Law to consummate and make effective in the most expeditious manner practicable the Transaction contemplated hereby.

ARTICLE VI

COVENANTS OF THE BUYER

Section 6.1. Agreement to Take Necessary and Desirable Actions. The Buyer shall execute and deliver such other documents, certificates, agreements and other writings and take such other actions as may be necessary, desirable or reasonably requested by the Seller in order to consummate or implement as expeditiously as practicable the Transaction contemplated hereby.

Section 6.2. Compliance with Conditions; Commercially Reasonable Efforts. The Buyer shall use commercially reasonable efforts to cause all of the obligations imposed upon it in this Agreement to be duly complied with. Upon the terms and subject to the conditions of this Agreement, the Buyer shall use commercially reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable consistent with Applicable Law to consummate and make effective in the most expeditious manner practicable the Transaction contemplated hereby.

ARTICLE VII

MISCELLANEOUS

Section 7.1. Conditions to Obligations of the Buyer and the Seller. The obligations of the Buyer to repurchase and pay for the Shares and of the Seller to sell the Shares are subject to the satisfaction at or prior to the Closing of the following conditions precedent: the representations and warranties of the Seller contained in Section 3 hereof and of the Buyer contained in Section 4 hereof shall be true and correct as of the Closing in all respects with the same effect as though such representations and warranties had been made as of the Closing. The obligations of the Buyer shall be irrevocable.

Section 7.2 Survival of Representations and Warranties. The representations, warranties, covenants, statements and agreements of the Seller and the Buyer contained in this Agreement will survive respective Closing for a period of two (2) years. No claim may be commenced under this Section 7.2 (or otherwise) following expiration of the applicable period of survival, and upon such expiration the indemnifying Party shall be released from all liability with respect to claims under each such section not theretofore made by the indemnifying Party.

Section 7.3 Release. Each of the Buyer and the Seller hereby expressly releases and discharges the other Party and its members, partners, officers, directors, employees, agents, affiliates, legal representatives, agents successors and assigns (collectively, the "Released Parties") from any and all actions, causes of action, suits, claims, liabilities, charges, demands, damages and losses of any type whatsoever, including attorney's fees, whether known or unknown, choate or inchoate, at law, in equity, by contract or otherwise, arising from the failure to disclose any or all of the confidential information in connection with the transfer of Shares, and each Party agrees to make no claim against the other Party of its Released Parties relating to any failure to disclose all or any part of the confidential information in connection with such sale. In any litigation arising from or related to an alleged breach of this release, this release may be pleaded as a defense, counterclaim or cross-claim, and shall be admissible into evidence without any foundation testimony whatsoever. Each Party expressly covenants and agrees that this release shall be binding in all respects upon their respective successors, assigns and transferees, and shall be inure to the benefit of the successors and assigns of the Released Parties.

Section 7.4. Notices. All notices, demands, requests, consents, approvals or other communications (collectively, "Notices") required or permitted to be given hereunder or which are given with respect to this Agreement shall be in writing and shall be personally served, delivered by a reputable air courier service with tracking capability, with charges prepaid, or transmitted by hand delivery or facsimile, addressed as set forth below, or to such other address as such Party shall have specified most recently by written notice. Notice shall be deemed given on the date of service or transmission if personally served or transmitted by facsimile, provided the sender receives evidence of complete transmission without error. Notice otherwise sent as provided herein shall be deemed given on the next business day following delivery of such notice to the address as set forth hereunder by a reputable air courier service.

If to the Seller, as follows:

ThaiLin Semiconductor Corp.
Telecopy: +886-3-597-2042
Attention: Lafair Cho

If to the Buyer, as follows:

ChipMOS TECHNOLOGIES (Bermuda) LTD.
Telecopy: +886-3-566-8981
Attention: Shou-Kang Chen

Section 7.5. Governing Law. This Agreement and the rights and obligations of the Parties hereunder shall be governed by, and construed in accordance with, the laws of Taiwan, Republic of China, and each Party hereto submits to the non-exclusive jurisdiction of the Hsinchu District Court, Taiwan, Republic of China.

Section 7.6. Entire Agreement. This Agreement (including all agreements entered into pursuant hereto and all certificates and instruments delivered pursuant hereto and thereto) constitutes the entire agreement of the Parties hereto with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements, representations, understandings, negotiations and discussions between the Parties or their Affiliates, whether oral or written, with respect to the subject matter hereof.

Section 7.7. Modifications and Amendments. No amendment, modification or termination of this Agreement shall be binding upon either Party unless executed in writing by the Parties hereto intending to be bound thereby.

Section 7.8. Waivers and Extensions. Either Party may waive any right, breach or default which such Party has the right to waive, provided that such waiver will not be effective against the waiving Party unless it is in writing, is signed by such Party, and specifically refers to this Agreement. Waivers may be made in advance or after the right waived has arisen or the breach or default waived has occurred. Any waiver may be conditional. No waiver of any breach of any agreement or provision herein contained shall be deemed a waiver of any preceding or succeeding breach thereof nor of any other agreement or provision herein contained. No waiver or extension of time for performance of any obligations or acts shall be deemed a waiver or extension of the time for performance of any other obligations or acts.

Section 7.9. Titles and Headings. Titles and headings of sections of this Agreement are for convenience only and shall not affect the construction of any provision of this Agreement.

Section 7.10. Exhibits and Schedules. Each of the annexes, exhibits and schedules referred to herein and attached hereto is an integral part of this Agreement and is incorporated herein by reference.

Section 7.11. Expenses; Brokers. Each Party shall pay its own costs and expenses in connection with the negotiation and execution of this Agreement and the Transaction contemplated hereby, including without limitation, fees and disbursements of counsel, financial advisors and accountants.

Section 7.12. Public Communication. Any public communication relating to the Transaction contemplated by this Agreement shall be made only if mutually agreed upon by the Seller and the Buyer, except to the extent that such disclosure is, in the opinion of counsel, required by law or by stock exchange regulation; provided that any such required disclosure shall only be made, to the extent consistent with law, after consultation with the Buyer.

Section 7.13. Assignment; No Third Party Beneficiaries. This Agreement and the rights, duties and obligations hereunder may not be assigned or delegated by either the Seller or the Buyer without the prior written consent of the other Party hereto. Except as provided in the preceding sentence, any assignment or delegation of rights, duties or obligations hereunder made without the prior written consent of the other Party hereto shall be void and of no effect. This Agreement and the provisions hereof shall be binding upon and shall inure to the benefit of each of the Parties and their respective successors and permitted assigns. This Agreement is not otherwise intended to confer any rights or benefits on any persons that are not a Party.

Section 7.14. Severability. This Agreement shall be deemed severable, and the invalidity or unenforceability of any term or provision hereof shall not affect the validity or enforceability of this Agreement or of any other term or provision hereof. Furthermore, in lieu of any such invalid or unenforceable term or provision, the Parties hereto intend that there shall be added as a part of this Agreement a provision as similar in terms to such invalid or unenforceable provision as may be possible and be valid and enforceable.

Section 7.15. Counterparts; Facsimile. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument. All documents and closing deliveries for the Transaction contemplated by this Agreement may be delivered by a Party at the Closings via facsimile; provided, that, the originally executed signature pages and original documents are delivered to the appropriate Parties within two (2) business days following the Closing.

Section 7.16. Further Assurances. One Party hereto, upon the request of the other Party hereto, shall do all such further acts and execute, acknowledge and deliver all such further instruments and documents as may be necessary or desirable to carry out the Transaction contemplated by this Agreement, including, in the case of the Seller, such acts, instruments and documents as may be necessary or desirable to convey and transfer to the Buyer the Shares to be repurchased by it hereunder.

* * *

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

ThaiLin Semiconductor Corp.

By: _____

Name:

Title:

ChipMOS TECHNOLOGIES (Bermuda) LTD.

By: _____

Name:

Title:

List of Principal Subsidiaries

<u>Name</u>	<u>Place of Incorporation</u>
ChipMOS TECHNOLOGIES INC.	Republic of China
ThaiLin Semiconductor Corp.	Republic of China
MODERN MIND TECHNOLOGY LIMITED	British Virgin Islands
ChipMOS TECHNOLOGIES (Shanghai) LTD.	People's Republic of China

CERTIFICATIONS

I, Shih-Jye Cheng, certify that:

1. I have reviewed this annual report on Form 20-F of ChipMOS TECHNOLOGIES (Bermuda) LTD.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of company's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 25, 2014

/s/ Shih-Jye Cheng

Name: Shih-Jye Cheng

Title: Chairman and Chief Executive Officer

CERTIFICATIONS

I, Shou-Kang Chen, certify that:

1. I have reviewed this annual report on Form 20-F of ChipMOS TECHNOLOGIES (Bermuda) LTD.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of company's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 25, 2014

/s/ Shou-Kang Chen

Name: Shou-Kang Chen

Title: Chief Financial Officer

ChipMOS TECHNOLOGIES (Bermuda) LTD.
CERTIFICATION

Pursuant to 18 U.S.C. §1350, the undersigned, Shih-Jye Cheng, Chairman and Chief Executive Officer of ChipMOS TECHNOLOGIES (Bermuda) LTD. (the "Company"), hereby certifies, to his knowledge, that the Company's Annual Report on Form 20-F for the year ended December 31, 2013 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company, as of, and for, the periods presented in the Report.

The foregoing certification is being furnished pursuant to 18 U.S.C. §1350 solely for purposes of complying with the provisions of Section 906 of the Sarbanes-Oxley Act of 2002, is not intended to be used or relied upon for any other purpose and is not being filed as part of the Report or as a separate disclosure document.

Date: April 25, 2014

/s/ Shih-Jye Cheng

Name: Shih-Jye Cheng

Title: Chairman and Chief Executive Officer

ChipMOS TECHNOLOGIES (Bermuda) LTD.
CERTIFICATION

Pursuant to 18 U.S.C. §1350, the undersigned, Shou-Kang Chen, Chief Financial Officer of ChipMOS TECHNOLOGIES (Bermuda) LTD. (the "Company"), hereby certifies, to his knowledge, that the Company's Annual Report on Form 20-F for the year ended December 31, 2013 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company, as of, and for, the periods presented in the Report.

The foregoing certification is being furnished pursuant to 18 U.S.C. §1350 solely for purposes of complying with the provisions of Section 906 of the Sarbanes-Oxley Act of 2002, is not intended to be used or relied upon for any other purpose and is not being filed as part of the Report or as a separate disclosure document.

Date: April 25, 2014

/s/ Shou-Kang Chen

Name: Shou-Kang Chen

Title: Chief Financial Officer

MOORE STEPHENS
CERTIFIED PUBLIC ACCOUNTANTS905 Silvercord, Tower 2
30 Canton Road
Tsimshatsui
Kowloon
Hong KongTel : (852) 2375 3180
Fax : (852) 2375 3828
E-mail : ms@ms.com.hk
www.ms.com.hk馬
施
雲
事
務
計
師

April 25, 2014

The Board of Directors
ChipMOS TECHNOLOGIES (Bermuda) LTD.No. 1, R & D Road 1
Hsinchu Science Park
Hsinchu City, 30076
Republic of ChinaAttention: Mr. S.J. Cheng

Dear Sirs,

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in Registration Statement No. 333-130230 on Form F-3 and Registration Statements Nos. 333-176935, 333-137838, 333-116670 and 333-85290 on Form S-8 of our report dated March 11, 2014, relating to the consolidated financial statements of ChipMOS TECHNOLOGIES (Bermuda) LTD. (the "Company"), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 20-F of the Company for the year ended December 31, 2013 (the "Annual Report"). We also consent to the inclusion of our report in the Annual Report.

Yours faithfully,

/s/ Moore Stephens
Certified Public Accountants

Hong Kong