
**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, 2014

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, 2014, 29,002,852 Common Shares, par value US\$0.04 each, were outstanding.

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

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**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;
- 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 International Financial Reporting Standards (“IFRSs”) and accounting principles generally accepted in the Republic of China (“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.

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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 statements in accordance with 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 through 2014, under accounting principles generally accepted in the United States of America ("US GAAP") for 2010 through 2011 and under ROC GAAP for 2010 through 2012 are provided below. The selected consolidated statements of financial position data as of December 31, 2013 and 2014 and our consolidated income statements and cash flows data for the years ended December 31, 2012, 2013 and 2014 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 (2012 and 2013) and Moore Stephens CPA Limited (2014). The selected consolidated balance sheet data as of December 31, 2010, 2011 and 2012 and the consolidated statement of operations and cash flows data for the years ended December 31, 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	2014	2014
	NT\$	NT\$	NT\$	US\$
	(in millions, except per share data)			
Consolidated Income Statements Data:				
IFRSs:				
Revenue	\$ 19,220.5	\$ 19,361.9	\$ 22,005.1	\$ 696.4
Cost of revenue	(16,767.9)	(15,922.4)	(16,782.2)	(531.1)
Gross profit	2,452.6	3,439.5	5,222.9	165.3
Other operating income	127.9	442.4	182.3	5.8
Research and development expenses	(505.4)	(564.5)	(678.8)	(21.5)
Sales and marketing expenses	(79.9)	(107.7)	(101.8)	(3.2)
Administrative and general expenses	(637.6)	(699.1)	(755.6)	(23.9)
Other operating expenses	(48.7)	(100.8)	(144.6)	(4.6)
Operating profit	1,308.9	2,409.8	3,724.4	117.9
Finance costs	(228.6)	(183.0)	(140.8)	(4.5)
Other non-operating income (expense), net	(232.5)	289.3	391.2	12.4
Profit before tax	847.8	2,516.1	3,974.8	125.8
Income tax	(178.1)	(827.1)	(1,036.3)	(32.8)
Profit for the year	<u>\$ 669.7</u>	<u>\$ 1,689.0</u>	<u>\$ 2,938.5</u>	<u>\$ 93.0</u>
Attributable to:				
Equity holders of the Company	\$ 629.8	\$ 1,335.3	\$ 1,663.2	\$ 52.6
Non-controlling interests	39.9	353.7	1,275.3	40.4
	<u>\$ 669.7</u>	<u>\$ 1,689.0</u>	<u>\$ 2,938.5</u>	<u>\$ 93.0</u>
Earnings per share:				
Basic	\$ 22.92	\$ 45.55	\$ 56.33	\$ 1.78
Diluted	\$ 22.25	\$ 44.27	\$ 54.99	\$ 1.74
Weighted-average number of shares outstanding:				
Basic	27.5	29.3	29.5	29.5
Diluted	28.3	30.2	30.2	30.2

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	Year ended December 31,		
	2010	2011	2012
	NT\$	NT\$	NT\$
(in millions, except per share data)			
Consolidated Statement of Operations Data:			
ROC GAAP:			
Net revenue:			
Related parties	\$ 2,033.3	\$ 379.0	\$ —
Others	<u>15,176.4</u>	<u>17,831.9</u>	<u>19,220.5</u>
Total net revenue	17,209.7	18,210.9	19,220.5
Cost of revenue	<u>(16,564.0)</u>	<u>(16,549.2)</u>	<u>(16,638.5)</u>
Gross profit	<u>645.7</u>	<u>1,661.7</u>	<u>2,582.0</u>
Operating expenses:			
Research and development	(412.7)	(409.8)	(492.8)
General and administrative	(677.6)	(651.9)	(625.6)
Sales and marketing	(64.4)	(66.5)	(78.4)
Total operating expenses	<u>(1,154.7)</u>	<u>(1,128.2)</u>	<u>(1,196.8)</u>
Income (Loss) from operations	<u>(509.0)</u>	<u>533.5</u>	<u>1,385.2</u>
Other income (expenses), net	<u>2,320.6</u>	<u>(455.8)</u>	<u>(464.4)</u>
Income before income tax and non-controlling interests	1,811.6	77.7	920.8
Income tax benefit (expense)	<u>99.3</u>	<u>(45.5)</u>	<u>(131.5)</u>
Income before non-controlling interests	1,910.9	32.2	789.3
Net income attributable to non-controlling interests	<u>(266.2)</u>	<u>(47.4)</u>	<u>(67.5)</u>
Net income (loss) attributable to ChipMOS	<u>\$ 1,644.7</u>	<u>\$ (15.2)</u>	<u>\$ 721.8</u>
Earnings (Loss) per share ⁽¹⁾ :			
Basic	\$ 68.61	\$ (0.57)	\$ 26.27
Diluted	\$ 67.38	\$ (0.57)	\$ 25.50
Weighted-average number of shares outstanding ⁽¹⁾ :			
Basic	24.0	26.6	27.5
Diluted	26.8	26.6	28.3

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

(1) 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.

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	As of December 31,			
	2012 NT\$	2013 NT\$	2014 NT\$	2014 US\$
(in millions)				
Consolidated Statements of Financial Position Data:				
IFRSs:				
Non-current assets:				
Available-for-sale financial assets	\$ 11.6	\$ 8.6	\$ 217.7	\$ 6.9
Property, plant and equipment	12,475.3	12,811.9	13,494.9	427.1
Other non-current assets	726.2	330.4	315.9	10.0
	<u>13,213.1</u>	<u>13,150.9</u>	<u>14,028.5</u>	<u>444.0</u>
Current assets:				
Inventories	1,687.9	1,519.4	1,704.7	53.9
Accounts and notes receivable	4,120.1	4,114.6	4,876.7	154.3
Other current assets	914.7	450.6	1,088.5	34.4
Cash and cash equivalents	8,863.6	13,372.8	15,265.2	483.1
	<u>15,586.3</u>	<u>19,457.4</u>	<u>22,935.1</u>	<u>725.7</u>
Total assets	<u>\$28,799.4</u>	<u>\$32,608.3</u>	<u>\$36,963.6</u>	<u>\$1,169.7</u>
Equity and liabilities:				
Equity attributable to equity holders of the Company	11,593.6	13,564.7	14,616.8	462.6
Non-controlling interests	3,995.7	7,024.9	8,470.2	268.0
Total equity	<u>15,589.3</u>	<u>20,589.6</u>	<u>23,087.0</u>	<u>730.6</u>
Non-current liabilities:				
Bank loans—non-current portion	6,739.9	3,889.0	4,560.0	144.3
Other non-current liabilities	566.2	584.7	586.9	18.6
	<u>7,306.1</u>	<u>4,473.7</u>	<u>5,146.9</u>	<u>162.9</u>
Current liabilities:				
Accounts payable	890.1	956.8	1,074.9	34.0
Payable to contractors and equipment suppliers	484.6	858.2	1,307.5	41.4
Other payables	1,669.2	1,541.4	1,905.3	60.3
Other current liabilities	265.8	527.1	1,165.5	36.9
Bank loans—current portion	2,227.8	2,874.8	1,508.2	47.7
Short-term bank loans	366.5	786.7	1,768.3	55.9
	<u>5,904.0</u>	<u>7,545.0</u>	<u>8,729.7</u>	<u>276.2</u>
Total liabilities	<u>13,210.1</u>	<u>12,018.7</u>	<u>13,876.6</u>	<u>439.1</u>
Total equity and liabilities	<u>\$28,799.4</u>	<u>\$32,608.3</u>	<u>\$36,963.6</u>	<u>\$1,169.7</u>

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	As of December 31,		
	2010 NT\$	2011 NT\$ (in millions)	2012 NT\$
Consolidated Balance Sheet Data:			
ROC GAAP:			
Current assets:			
Cash and cash equivalents	\$ 7,143.3	\$ 7,357.9	\$ 9,319.0
Restricted cash and cash equivalents	546.8	285.1	174.5
Financial assets at fair value through profit and loss	3.0	—	—
Notes receivable	14.0	5.7	5.0
Accounts receivable			
—related parties	258.0	—	—
—third parties	2,816.0	3,666.5	3,992.2
Other receivables			
—related parties	66.4	—	—
—third parties	182.0	73.2	149.9
Inventories	1,279.8	1,533.9	1,687.9
Deferred income tax, net	278.7	76.6	77.8
Prepaid expenses and other current assets	202.3	92.3	131.8
Total current assets	12,790.3	13,091.2	15,538.1
Long-term investments	10.5	39.1	11.6
Property, plant and equipment—net	17,273.0	13,896.1	12,108.0
Intangible assets—net	94.2	100.5	178.9
Other assets	1,147.0	1,154.2	912.8
Total assets	31,315.0	28,281.1	28,749.4
Current liabilities:			
Short-term bank loans	1,494.7	546.9	366.5
Current portion of long-term loans	4,925.7	684.0	2,227.8
Convertible notes	65.8	—	—
Accounts payable	690.1	1,130.8	890.1
Payables to contractors and equipment suppliers	790.6	415.4	484.6
Other payables	896.7	1,081.5	1,008.4
Current portion of capital leases payable	822.0	—	—
Accrued expenses and other current liabilities	990.9	830.9	767.0
Total current liabilities	10,697.5	4,712.2	5,775.6
Long-term liabilities	6,566.4	8,579.6	6,829.3
Other liabilities	7.7	6.0	175.4
Total liabilities	17,271.6	13,297.8	12,780.3
Total equity (including non-controlling interests)	\$ 14,043.4	\$ 14,983.3	\$ 15,969.1

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As of December 31,

2010	2011
NT\$	NT\$

(in millions)

Consolidated Balance Sheet Data:

US GAAP:

Current assets:		
Cash and cash equivalents	\$ 7,143.3	\$ 7,357.9
Restricted cash and cash equivalents	546.8	285.1
Financial assets at fair value through profit and loss	3.0	—
Notes receivable	14.0	5.7
Accounts receivable		
—related parties	258.0	—
—third parties	2,816.0	3,666.5
Other receivables		
—related parties	66.4	—
—third parties	182.0	73.2
Inventories	1,280.9	1,534.9
Deferred income tax, net	272.5	70.4
Prepaid expenses and other current assets	202.3	92.3
Total current assets	12,785.2	13,086.0
Long-term investments	10.5	39.1
Property, plant and equipment—net	16,924.1	13,501.0
Intangible assets—net	94.2	100.5
Other assets	1,221.1	1,237.6
Total assets	31,035.1	27,964.2
Current liabilities:		
Short-term bank loans	1,494.7	546.9
Current portion of long-term loans	4,925.7	684.0
Convertible notes	65.8	—
Accounts payable	690.1	1,130.8
Payables to contractors and equipment suppliers	790.6	415.4
Other payables	896.7	1,081.5
Current portion of capital leases payable	822.0	—
Accrued expenses and other current liabilities	990.9	830.9
Total current liabilities	10,697.5	4,712.2
Long-term liabilities	6,566.4	8,579.6
Other liabilities	398.6	383.5
Total liabilities	17,662.5	13,675.3
Total equity (including non-controlling interests)	\$13,372.6	\$14,288.9

Year ended December 31,

2012	2013	2014	2014
NT\$	NT\$	NT\$	US\$

(in millions)

Consolidated Statement of Cash Flows Data:

IFRSs:

Capital expenditures	\$ 2,817.9	\$ 3,624.9	\$ 3,568.2	\$ 112.9
Depreciation and amortization	4,631.8	3,294.9	2,909.0	92.1
Net cash generated from (used in):				
Operating activities	4,527.0	6,223.2	5,599.9	177.2
Investing activities	(2,599.8)	(3,005.6)	(3,325.4)	(105.2)
Financing activities	(312.3)	1,305.2	(374.9)	(11.9)
Net increase in cash and cash equivalents	\$ 1,614.9	\$ 4,522.8	\$ 1,899.6	\$ 60.1

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

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

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, 2014, which was NT\$31.60 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 17, 2015, the noon buying rate was NT\$31.05 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
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
2014	30.30	31.80	29.85	31.60
October	30.40	30.49	30.31	30.45
November	30.73	30.99	30.48	30.99
December	31.35	31.80	31.03	31.60
2015				
January	31.64	32.00	31.06	31.75
February	31.55	31.76	31.31	31.44
March	31.44	31.71	31.19	31.24
April (through 17, 2015)	31.12	31.33	30.87	31.05

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 2014. 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. Our revenue for 2014 increased 13.7 % from 2013 levels and generated a profit of NT\$1,663 million (US\$53 million) in 2014. 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 2014. 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 50% and 52% of our revenue in 2013 and 2014, 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\$4,781 million and NT\$5,171 million (US\$164 million) in 2013 and 2014, respectively. We invested NT\$2,054 million and NT\$1,056 million (US\$33 million) in 2013 and 2014, 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 and 2014 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, 2014, we had approximately NT\$4,560 million (US\$144 million) and NT\$3,276 million (US\$104 million) outstanding long-term and short-term indebtedness, respectively. Our long-term indebtedness as of December 31, 2014, represented bank loans with an interest rate between 1.8947% and 3.16545%. As of December 31, 2014, NT\$6,068 million (US\$192 million) of our indebtedness was secured by collateral comprised of assets owned by ChipMOS TECHNOLOGIES INC., or ChipMOS Taiwan and ChipMOS TECHNOLOGIES (Shanghai) LTD., or ChipMOS Shanghai.

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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;
- 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.

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 2014, our top five customers, collectively accounted for 60% 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.

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.

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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 57% and 47% of our total cost of revenue in 2013 and 2014, respectively. For memory and logic/mixed-signal semiconductor assembly services, our fixed costs represented 20% and 19% of our total cost of revenue in 2013 and 2014, respectively. For LCD and other flat-panel display driver semiconductor testing and assembly services, our fixed costs represented 45% and 46% of our total cost of revenue in 2013 and 2014, respectively. For bumping services, our fixed costs represented 19% and 19% of our total cost of revenue in 2013 and 2014, 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.

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.

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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”.

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 LLC (“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”.

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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, although final and conclusive judgments in the courts of the United States against our company under which a sum of money is payable (not being a sum of money payable in respect of taxes or other charges of a like nature, in respect of a fine or other penalty, or in respect of multiple damages as defined in The Protection of Trading Interests Act 1981 of Bermuda) would be enforced by the Supreme Court of Bermuda as a debt against our company, subject to certain conditions and exceptions.

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 Securities and Exchange Commission's ("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, 2014, based on criteria set forth in Internal Control – Integrated Framework (2013) 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.

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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 Industries Co., Ltd. ("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. ChipMOS Taiwan became listed and commenced trading on the main board of TWSE on April 11, 2014. 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 without any "green shoe" option outstanding. See "—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".

In November 2012, pursuant to a Registration Statement on Form F-3 declared effective on September 5, 2012, ThaiLin Semiconductor Corp. ("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. In September 2014, Siliconware Precision sold 1,000,000 of our common shares back to ChipMOS Bermuda under the share purchase agreement entered in August 2014. 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.

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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, 2015, 17.5% 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 Vitelic Inc. ("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.

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 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 60.4% subsidiary as of March 31, 2015, ThaiLin, ChipMOS Taiwan's 47.5% owned subsidiary as of March 31, 2015, and ChipMOS Shanghai, ThaiLin's indirectly wholly-owned subsidiary as of March 31, 2015. On November 12, 2014, ChipMOS Taiwan made announcement for the contemplated merger with ThaiLin. Upon the closing of the merger, ThaiLin will be merged with ChipMOS Taiwan. As a result of the merger, ChipMOS Taiwan will become our 58.0% owned subsidiary and ChipMOS Shanghai will become ChipMOS Taiwan's indirectly wholly-owned subsidiary through MODERN MIND TECHNOLOGY LIMITED, ("Modern Mind"). For more information, please see "—Pending Merger with ThaiLin may or may not complete or achieve the expected synergy, efficiency and effectiveness". 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.

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Any future outbreak of health epidemics and outbreaks of contagious diseases, including avian influenza, swine flu, Severe Acute Respiratory Syndrome, or Ebola virus disease, 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 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.

Also, according to World Health Organization, the current outbreak of in West Africa is the largest and most complex Ebola virus disease (EVD) outbreak since the Ebola virus was first discovered in 1976. There have been more cases and deaths in this outbreak than all others combined. It has also spread between countries starting in Guinea then spreading across land borders to Sierra Leone and Liberia, by air to Nigeria, and by land to Senegal. People remain infectious as long as their blood and body fluids, including semen and breast milk, contain the virus. Men who have recovered from the disease can still transmit the virus through their semen for up to 7 weeks after recovery from illness. There is as yet no proven treatment available for EVD. As such, we cannot predict the impact that any future outbreak of EVD 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 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”) proposed 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 PRC 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. The CSSTA has been put on hold ever since the Sunflower Student Movement.

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.

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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.

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.

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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.

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, our largest shareholder 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, 2015, Baupost Group LLC/MA owned 11.5% of our common shares, according to the 13F filed by Baupost Group LLC/MA on February 13, 2015. This shareholder, through its 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 the largest shareholder or its 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.

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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 approved the listing application of ChipMOS Taiwan to be listed on the TWSE. 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.

ChipMOS Taiwan became listed and commenced trading on the main board of TWSE on April 11, 2014. For a TWSE-listed company to continue trading on the main board of TWSE depends in part on market conditions and other factors that may 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, 2015, we had approximately 29 million common shares issued and outstanding. As of March 31, 2015, Baupost Group LLC/MA, our largest shareholder, owned 3,283,235 common shares, representing approximately 11.5% of our outstanding common shares. See “Item 7. Major Shareholders and Related Party Transactions—Major Shareholders”.

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 Investment Limited (“Giant Haven”) to ProMOS Technologies Inc. (“ProMOS”) and Powertech Technology Inc. (“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. 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. In September 2014, Siliconware Precision sold 1,000,000 common shares back to ChipMOS Bermuda. From April 2012 to March 2014, Mosel sold 2,267,270 common shares through its wholly-owned subsidiary, Giant Haven, under Rule 144. By the end of 2014, Mosel and Mosel’s wholly-owned subsidiary, Giant Haven did not hold any of our common shares. Furthermore, Siliconware Precision may be able to sell, in any three-month period, that number of those ChipMOS common shares that Siliconware Precision owns, 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.

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. ChipMOS Taiwan became listed and commenced trading on the main board of TWSE on April 11, 2014. 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 without any “green shoe” option outstanding. See “—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 (“PacMOS”), which, as of March 31, 2015, owned 2.4% 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.

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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 (as amended) (and other relevant legislations and regulations) of Bermuda has been given by the Bermuda Monetary Authority (the "BMA") for the issue and transfer of our common shares 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). In the event our common shares are no longer listed on the NASDAQ Capital Market or another appointed stock exchange, specific consents of the BMA would be required for all issues and transfers of our shares, unless such issues and/or transfers fall under certain exemptions as provided by the BMA.

Pending merger with ThaiLin may or may not complete or achieve the expected synergy, efficiency and effectiveness.

On November 12, 2014, ChipMOS Taiwan made public announcement at Market Observation Post System, the official public disclosure website for TWSE-listing companies in Taiwan, announcing ChipMOS Taiwan's contemplated merger with ThaiLin, a Taiwan company which approximately 47.5% issued share capital is held by ChipMOS Taiwan (the "Merger"). The Company made the corresponding announcement of the Merger at EDGAR on the same date. As a result of the Merger, pursuant to all of the terms and conditions of the Merger Agreement by and between ChipMOS Taiwan and ThaiLin, dated November 12, 2014 (the "Merger Agreement"), ThaiLin will merge into ChipMOS Taiwan, which will hold 100% of the issued share capital of Modern Mind, which holds 100% interests of ChipMOS Shanghai. The Merger was approved by the board of directors of ChipMOS Taiwan and ThaiLin on November 12, 2014, and approved by the shareholders of ChipMOS Taiwan and ThaiLin on December 30, 2014. As a result of Merger, ChipMOS Taiwan will become our 58.0% owned subsidiary and ChipMOS Shanghai will become an indirectly wholly-owned subsidiary of ChipMOS Taiwan through ChipMOS Taiwan's wholly-owned subsidiary, Modern Mind. The interests of ChipMOS Bermuda in Modern Mind and ChipMOS Shanghai will increase to 58.0%. The testing services provided by ThaiLin will be continually provided by ChipMOS Taiwan. And, no effect of the Merger on our quality control, insurance coverage, tax credit and alternative minimum tax ("AMT") expenses imposed under the ROC Alternative Minimum Tax Act ("AMT Act").

Completion of the Merger is expected to occur on June 17, 2015 and is further subject to the satisfaction or waiver of the conditions set forth in the Merger Agreement and the receipt of approvals from relevant Republic of China governing authorities, including but not limited to the Fair Trade Commission, Financial Supervisory Commission, TWSE, and Gre Tai Securities Market. The Company intends to work with all parties to satisfy conditions set forth in the Merger Agreement in order to complete the Merger.

Although we expect that completion of the Merger will occur as contemplated in the Merger Agreement, unforeseen events and occurrences may delay or prevent completion of the Merger, or may significantly reduce the anticipated potential benefits to ChipMOS of the Merger. However, prior to the completion of the Merger, there might be situation such as event default continuing for 60 days without improvement by the default party that causes ChipMOS Taiwan or ThaiLin to decide that the Merger should be abandoned and completion of the Merger is no longer desired. It could develop that the conditions precedent to the Merger are not satisfied or waived, which in turn could delay or prevent completion of the Merger. Moreover, although we believe that the Merger will increase synergy, efficiency, and effectiveness of the Company and its subsidiaries, there can be no assurance that the expected synergy, efficiency, and effectiveness of the Company and its subsidiaries will be realized after the completion of the Merger. In particular, if the industry change or our business decline could prevent these from being realized.

Item 4. Information on the Company

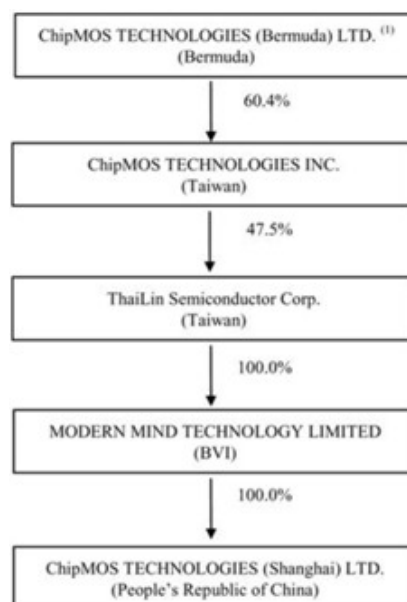
Overview of the Company

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. Upon the closing of the Merger, ThaiLin will be merged with and into ChipMOS Taiwan and as a result Modern Mind will become a wholly-owned subsidiary of ChipMOS Taiwan. As of March 31, 2015, Baupost Group LLC/MA, owned 11.5% of our common shares.

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.



Note:

(1) Under IFRS 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, ThaiLin, Modern Mind, and Modern Mind’s wholly-owned subsidiary ChipMOS Shanghai.

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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.

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. ChipMOS Taiwan became listed and commenced trading on the main board of TWSE on April 11, 2014. 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 without any "green shoe" option outstanding. 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.

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 Modern Mind becoming a wholly-owned subsidiary of ThaiLin. The MMT Assignment Agreement was completed on October 3, 2011.

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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.

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 bearing 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 was 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, 2015, 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.

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 2014, 23.2% of our revenue was derived from testing services for memory and logic/mixed-signal semiconductors, 34.9% from assembly services for memory and logic/mixed-signal semiconductors, 23.5% from LCD and other flat-panel display driver semiconductor testing and assembly services and 18.4% 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 2014.

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.

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 2014.

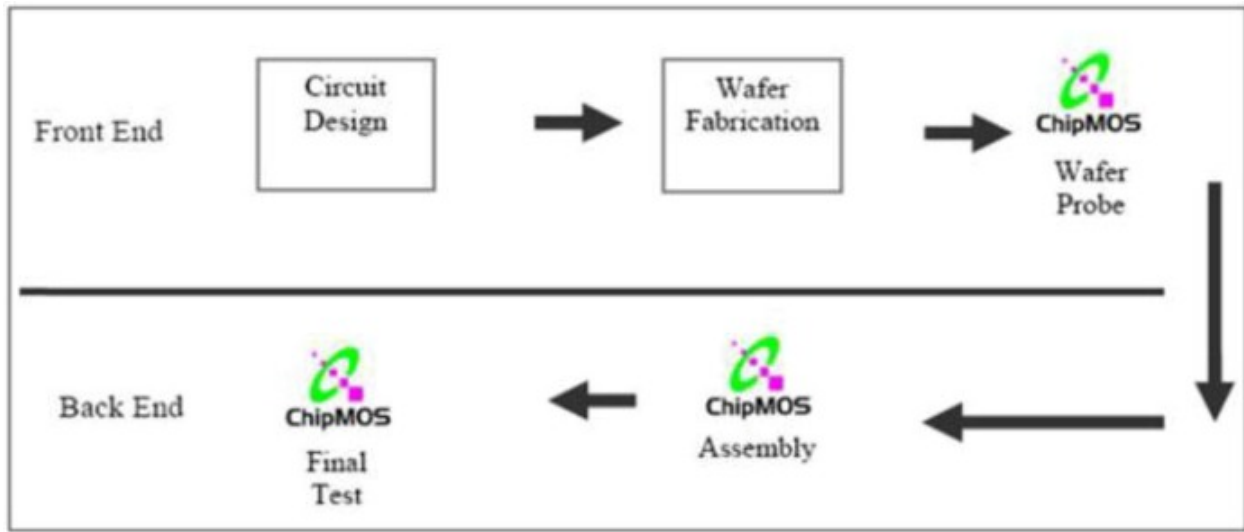
Logic/Mixed-Signal Semiconductor Market

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.

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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.

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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.

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 2015 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 2014, we spent approximately 3.1% 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, 2015, our research and development team comprised 390 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.

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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 2014. 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.

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,	
	2013	2014
Testing		
Memory testing revenue	20.5%	20.4%
Logic/mixed-signal testing revenue	3.2	2.9
Total testing revenue	23.7	23.3
Assembly		
Memory assembly revenue	29.1	32.0
Logic/mixed-signal assembly revenue	3.3	2.8
Total assembly revenue	32.4	34.8
LCD and other flat-panel display driver semiconductor testing and assembly revenue	24.7	23.5
Bumping	19.2	18.4
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 parallel test, which includes to complete wafer test in one touchdown (up to 1,000 plus devices simultaneously). The memory semiconductors we test are used primarily in desktop computers, laptop, tablet computers, 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 analysis.

- **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 test result of the prototype semiconductor complies with the designed requirements using a variety of different operating specifications, including functionality, frequency, voltage, current, timing and temperature range.

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- **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.

Wafer Probing. Wafer probing is the process stage immediately before the assembly of semiconductors and involves visual inspection and the electrical testing of the processed wafer 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 process.

Laser Repairing. This is a unique process in testing operation for memory products. In laser repairing, 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 stresses environment 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' specification, including the logo, part number, 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 110 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 any bent leads, ball damage, inaccurate markings or other package defects. Packing involves dry packing, package-in-tray, 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:

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

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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.

The differentiating characteristics of these packages include:

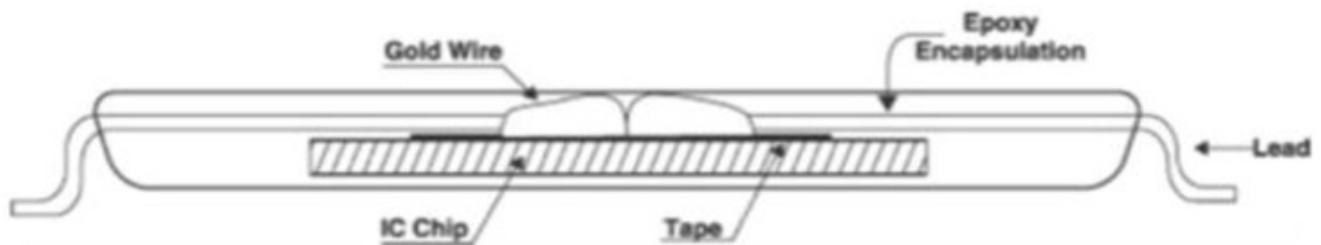
- the size of the package;
- the number of electrical connections which the package can support;
- the electrical performance and requirements of the package; and
- the heat dissipation requirements of the package.

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.

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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.

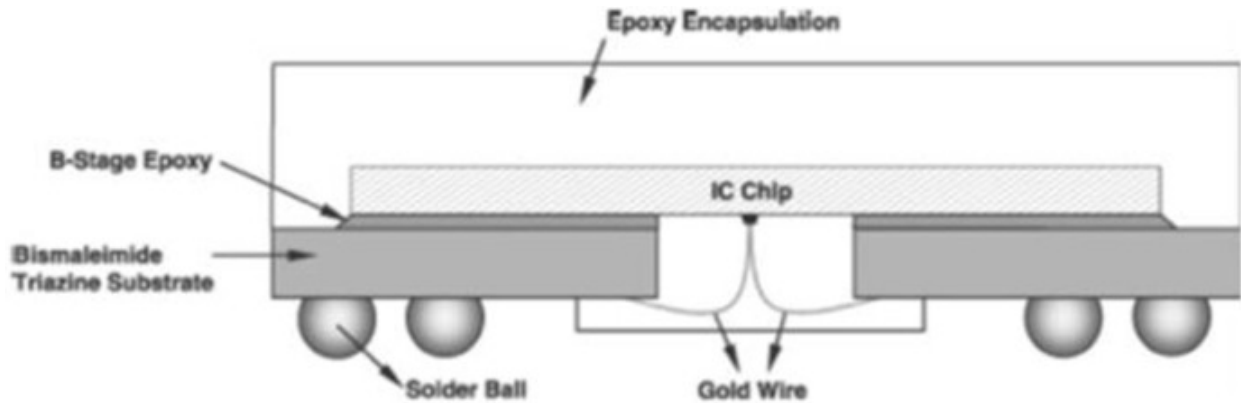
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The BGA format solves this problem by effectively creating external terminals on the bottom of the package in the form of small bumps or balls. These balls are evenly distributed across the entire bottom surface of the package, allowing greater pitch 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:

Package	Connections	Description	End-User Applications
Mini BGA	24-400	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	54-126	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)	10-52	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	24-162	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



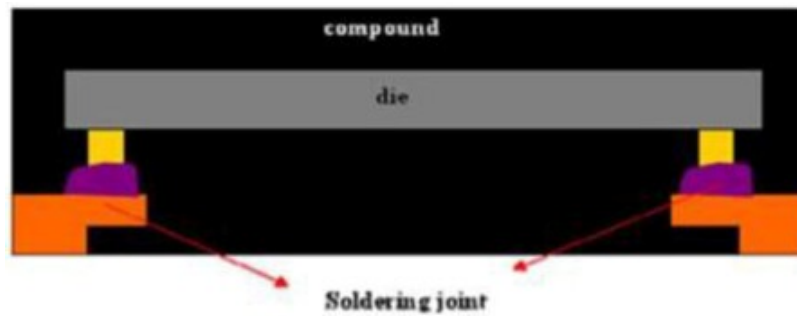
Wafer-level CSP (WL CSP) is the technology of packaging an integrated circuit at wafer level. WL CSP is essentially a true chip scale package (CSP) technology, since the resulting package is practically of the same size as the die. WL CSP has the ability to enable true integration of wafer fab, packaging, 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	6-36	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

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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

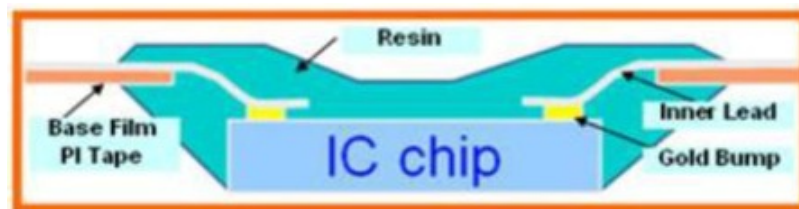
TCPs offer a high number of inputs and outputs, a thin package profile and a smaller footprint on the circuit board, without compromising performance. Key package features include surface mount technology design, fine-pitch tape format and slide carrier handling. Because of their flexibility and high 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 thermosetting 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:



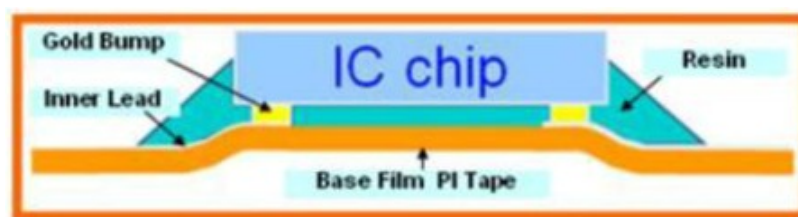
Chip-on-Film (COF) Technology

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 TCP in certain applications.

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 50% of market share. $22\mu\text{m}$ inner lead pitch of COF package has been released to mass production in these two years.

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>Laser Marking</i>	A laser mark is applied on IC backside to provide product information.
<i>Laser Grooving</i>	Application in wafer within Low-K material to reduce chipping of chips during dicing process.
<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.

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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-inch 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, power devices and MEMS .

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 recommends 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 2013, 2014 and 2015, respectively, was 90, 83 and 85. Our top 15 customers in terms of revenue in 2014 were (in alphabetical order):

Asahi Kasei Microdevices Corporation
Elite Semiconductor Memory Technology Inc.
Etron Technology, Inc.
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
Samsung Electronics Co., Ltd.
Spansion LLC
Winbond Electronics Corporation, or Winbond
Zentel Electronics Corp.

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. In 2014, our largest customer was Novatek, our second-largest customer was Micron and our third-largest customer was Winbond accounting for approximately 20%, 16% and 10% 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.

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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.

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 was determined based on a purchase rate of 50.2% multiplied by the portion of the Damages Claim that was allowed by a final adjudication of the U.S. Bankruptcy Court and 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 provided that Citigroup will pay to the Company the amount calculated based on the purchase price of the rights offering shares. 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 with 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,	
	2013	2014
Taiwan	72%	72%
Singapore	15	16
United States	4	3
Japan	3	3
Korea	3	4
Hong Kong SAR	1	1
Others	2	1
Total	<u>100%</u>	<u>100%</u>

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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, 2015, our sales and marketing efforts were primarily carried out by teams of sales professionals, application engineers and technicians, totaling 39 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 2013 and 2014, we paid approximately NT\$9 million and NT\$22 million (US\$696 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 2013 and 2014, we spent approximately NT\$564 million, or 3% and NT\$679 million (US\$21 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;

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- 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;
- 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, 2015, we employed 390 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, 2015, we employed 412 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.

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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 2014, we achieved monthly assembly yields of an average of 99.96% for our memory and logic/mixed-signal assembly packages, 99.97% for our COF packages, 99.95% for our COG packages and 99.91% 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 23% and 21% of our revenue in 2013 and 2014, 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, 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, 2015, we held 425 patents in Taiwan, 161 patents in the United States, 230 patents in the People's Republic of China and 1 patent in the United Kingdom, France, Germany, Japan, and the Republic of Korea respectively, relating to various semiconductor testing and assembly technologies. These patents will expire at various dates through to 2034. As of March 31, 2015, we also had a total of 27 pending patent applications in the United States, 53 in Taiwan, 68 in the People's Republic of China, 3 in Europe, 1 in Japan, and 2 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".

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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, alkali and VOC pollutions, 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. The bumping process also generates stationary acid, alkali, liquid waste and VOC pollutions. In addition, excess materials, either on lead-frames or molding process, are removed from assembled semiconductors in the trimming and de-junking processes, respectively. We have installed various types of wastewater and air pollutants treatment equipments at our assembly and 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 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 Factory Label, ISO50001, ISO14064, ISO14067 and WFN (Water Footprint) in 2014, Smart Green Building Label in 2013, health promotion awards granted by Department of Health of ROC since 2012, “Safety & Health Performance Certification Unit” from Council of the Labor Affairs of ROC in 2009 and 2010. Our bumping facility has won “Civil Defense Excellent Award” from Hsin-chu 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, lead-free plating, lead-free solder ball and 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, we obtained SGS recognition and received the “Greenhouse Gas Verification Statement”. In 2013 and 2014, we further obtained many SGS recognition and received the “Carbon footprint Verification Statement”. 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\$56,627 million and NT\$7,173 million, respectively. ChipMOS Shanghai also maintains property insurance policies for a maximum coverage of approximately RMB919 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.

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.

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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 2027 and 2034, respectively, and two parcels of land for our Southern Taiwan Science Park facility with lease expiration in year 2024 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, 2015.

<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	8 steppers 19 sputters 296 testers
Hsinchu Industrial Park, Taiwan	Testing	27,123	96 testers 34 burn-in ovens
Hsinchu Science Park, Taiwan	Testing	31,168	157 testers 92 burn-in ovens
Southern Taiwan Science Park, Taiwan	Assembly/Testing	146,180	833 wire bonders 131 inner-lead bonders 389 testers
Shanghai Qingpu Industrial Zone, Mainland China	Assembly/Testing	66,817	25 testers 272 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, 2015, we operated 549 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, 2015, we operated 1,105 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, 2015, we operated 8 steppers and 19 sputters for gold bumping, 131 inner-lead bonders for assembly and 389 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 2014, our consolidated revenue was NT\$22,005 million (US\$696 million) and our profit for the year attributable to equity holders of the Company was NT\$1,663 million (US\$53 million).

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. On April 9, 2014, ChipMOS Bermuda sold approximately 1.3 million ChipMOS Taiwan shares as "green shoe" option to market investors. ChipMOS Taiwan became listed and commenced trading on the main board of TWSE on April 11, 2014. As of March 31, 2015 we own approximately 522 million or 60.4% of ChipMOS Taiwan shares without any "green shoe" option outstanding. 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. 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. 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. Through our subsidiaries, we also have equity interests in other companies that are engaged in the semiconductor industry.

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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.

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 and 2014. 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.

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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.

Recent Acquisitions

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. On April 9, 2014, ChipMOS Bermuda sold approximately 1.3 million ChipMOS Taiwan shares as "green shoe" option to market investors. ChipMOS Taiwan became listed and commenced trading on the main Board of TWSE on April 11, 2014. As of March 31, 2015, we owned approximately 522 million ChipMOS Taiwan shares representing 60.4% of ChipMOS Taiwan's outstanding shares without any "green shoe" option outstanding. 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,		
	2013	2014	2014
	NT\$	NT\$	US\$
	(in millions)		
Testing			
Memory	\$ 3,979.6	\$ 4,481.9	\$ 141.8
Logic/mixed-signal	616.5	637.6	20.2
Total testing	4,596.1	5,119.5	162.0
Assembly			
Memory	5,635.0	7,053.6	223.2
Logic/mixed-signal	638.7	616.4	19.5
Total assembly	6,273.7	7,670.0	242.7
LCD and other flat-panel display driver semiconductor testing and assembly	4,781.2	5,171.3	163.7
Bumping	3,710.9	4,044.3	128.0
Total	<u>\$19,361.9</u>	<u>\$22,005.1</u>	<u>\$696.4</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.

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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 upfront 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.

We experienced collection problems for our services of receivables from ProMOS and Spansion in 2008 and 2009, respectively. See "Item 4. Information on the Company — Customers" for more information.

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

Related Party Revenues

In 2013 and 2014, 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 72% and 72% of our revenue in 2013 and 2014, 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, 2015, we had 963 testers, 149 burn-in ovens, 1,105 wire bonders, 131 inner-lead bonders, 8 steppers and 19 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 65% in 2013 and 74% in 2014. Our average capacity utilization rate for assembly of memory and logic/mixed-signal semiconductors was 80% in 2013 and 78% in 2014. Our average capacity utilization rate for LCD and other flat-panel display driver semiconductor testing and assembly was 81% in 2013 and 80% in 2014. In addition, our average capacity utilization rate for bumping was 87% in 2013 and 85% in 2014.

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.

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.

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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,		
	2013	2014	2014
	NT\$	NT\$	US\$
	(in millions)		
Gross profit:			
Testing			
Memory	\$ 654.0	\$1,502.6	\$ 47.5
Logic/mixed-signal	222.0	194.9	6.2
Total testing	876.0	1,697.5	53.7
Assembly			
Memory	503.5	1,173.1	37.2
Logic/mixed-signal	171.8	297.5	9.4
Total assembly	675.3	1,470.6	46.6
LCD and other flat-panel display driver semiconductor testing and assembly	1,358.6	1,298.7	41.1
Bumping	529.6	756.1	23.9
Total	<u>\$3,439.5</u>	<u>\$5,222.9</u>	<u>\$165.3</u>
Gross profit margin:			
Testing			
Memory	16.4%	33.5%	33.5%
Logic/mixed-signal	36.0	30.6	30.6
Total testing	19.1	33.2	33.2
Assembly			
Memory	8.9	16.6	16.6
Logic/mixed-signal	26.9	48.3	48.3
Total assembly	10.8	19.2	19.2
LCD and other flat-panel display driver semiconductor testing and assembly	28.4	25.1	25.1
Bumping	14.3	18.7	18.7
Overall	17.8%	23.7%	23.7%

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.

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.

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Other Non-Operating Income (Expenses), Net

Our other non-operating income principally consists of interest income, foreign exchange gains and gain on disposal of financial assets at fair value through profit or loss.

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

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. 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. On April 9, 2014, ChipMOS Bermuda sold approximately 1.3 million ChipMOS Taiwan shares as “green shoe” option to market investors. After the completion of the aforesaid sales the Company held approximately 522 million ChipMOS Taiwan shares, representing 60.4% of the total number of ChipMOS Taiwan’s outstanding shares without any “green shoe” option outstanding. In 2014, 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 December 31, 2014 and March 31, 2015, we owned approximately 522 million ChipMOS Taiwan shares, representing 60.4% 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\$1,335 million and NT\$1,663 million (US\$53 million) in 2013 and 2014, 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,	
	2013	2014
IFRSs:		
Revenue	100.0%	100.0%
Cost of revenue	(82.2)	(76.3)
Gross profit	17.8	23.7
Other operating income	2.2	0.8
Research and development expenses	(2.9)	(3.1)
Sales and marketing expenses	(0.6)	(0.5)
Administrative and general expenses	(3.6)	(3.4)
Other operating expenses	(0.5)	(0.6)
Operating profit	12.4	16.9
Finance costs	(0.9)	(0.6)
Other non-operating income (expense), net	1.5	1.8
Profit before tax	13.0	18.1
Income tax	(4.3)	(4.7)
Profit for the year	<u>8.7%</u>	<u>13.4%</u>
Attributable to:		
Equity holders of the Company	6.9%	7.6%
Non-controlling interests	1.8%	5.8%

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Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenue. Our revenue increased by NT\$2,643 million, or 14%, to NT\$22,005 million (US\$696 million) in 2014 from NT\$19,362 million in 2013.

Revenue from testing services for memory and logic/mixed-signal semiconductors increased by NT\$524 million, or 11%, to NT\$5,120 million (US\$162 million) in 2014 from NT\$4,596 million in 2013. Revenue from testing services for memory semiconductors increased by NT\$502 million, or 13%, to NT\$4,482 million (US\$142 million) in 2014 from NT\$3,980 million in 2013, principally due to the increased capacity utilization rate and higher customer demand. Revenue for testing services for logic/mixed-signal semiconductors increased by NT\$22 million, or 3%, to NT\$638 million (US\$20 million) in 2014 from NT\$616 million in 2013, principally due to the increased capacity utilization rate and higher customer demand.

Revenue from assembly services for memory and logic/mixed-signal semiconductors increased by NT\$1,396 million, or 22%, to NT\$7,670 million (US\$242 million) in 2014 from NT\$6,274 million in 2013. Revenue from assembly services for memory semiconductors increased by NT\$1,419 million, or 25%, to NT\$7,054 million (US\$223 million) in 2014 from NT\$5,635 million in 2013, primarily as a result of increased customer demand. Revenue from assembly services for logic/mixed-signal semiconductors decreased by NT\$23 million, or 3%, to NT\$616 million (US\$19 million) in 2014 from NT\$639 million in 2013, 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\$390 million, or 8%, to NT\$5,171 million (US\$164 million) in 2014 from NT\$4,781 million in 2013. This increase was principally as a result of an increase in customer demand for LCD and other flat-panel display products in 2014.

Revenue from bumping services increased by NT\$333 million, or 9%, to NT\$4,044 million (US\$128 million) in 2014 from NT\$3,711 million in 2013. This increase was principally as a result of an increase in customer demand for bumping services in 2014.

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 increased by NT\$860 million, or 5%, to NT\$16,782 million (US\$531 million) in 2014 from NT\$15,922 million in 2013, primarily due to the increase of direct material expenses, direct labor expenses, utilities expenses, expendable equipment expenses and maintenance and repair expenses of NT\$184 million (US\$6 million), NT\$194 million (US\$6 million), NT\$167 million (US\$5 million), NT\$125 million (US\$4 million) and NT\$124 million (US\$4 million) respectively.

Our gross profit increased to NT\$5,223 million (US\$165 million) in 2014 from NT\$3,440 million in 2013. Our gross margin was 23.7% in 2014, compared to 17.8% in 2013.

Our gross profit margin for testing services for memory and logic/mixed-signal semiconductors increased to 33.2% in 2014 from 19.1% in 2013, 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 19.2% in 2014 from 10.8% in 2013, primarily due to the increased sales of higher margin logic/mixed-signal semiconductors assembly services.

Our gross profit margin for LCD and other flat-panel display driver semiconductor testing and assembly services decreased to 25.1% in 2014 from 28.4% in 2013, primarily due to the change in product mix.

Our gross profit margin for bumping services increased to 18.7% in 2014 from 14.3% in 2013, primarily due to the increased sales of higher margin bumping services.

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 decreased by NT\$260 million, or 59%, to NT\$182 million (US\$6 million) in 2014 from NT\$442 million in 2013, primarily due to the decrease of reversal of accrued royalty fees of NT\$140 million (US\$4 million), gain on disposal of property, plant and equipment of NT\$79 million (US\$3 million) and reversal of allowance for impairment of receivables of NT\$65 million (US\$2 million).

Research and Development Expenses. Research and development expenses increased by NT\$115 million, or 20%, to NT\$679 million (US\$21 million) in 2014 from NT\$564 million in 2013, primarily due to the increase of employee benefit costs.

Sales and Marketing Expenses. Sales and marketing expenses decreased by NT\$6 million, or 5%, to NT\$102 million (US\$3 million) in 2014 from NT\$108 million in 2013, primarily due to the decrease of freight-out expense.

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Administrative and General Expenses. Administrative and general expenses increased by NT\$57 million, or 8%, to NT\$756 million (US\$24 million) in 2014 from NT\$699 million in 2013, primarily due to the increase of employee benefit costs.

Other Operating Expenses. Other operating expenses increased by NT\$44 million, or 43%, to NT\$145 million (US\$5 million) in 2014 from NT\$101 million in 2013, primarily due to the increase of accrued compensation of NT\$79 million (US\$3 million) and partially offset by the decrease of accrued royalty of NT\$40 million (US\$1 million).

Finance Costs. Finance costs decreased by NT\$42 million, or 23%, to finance costs of NT\$141 million (US\$4 million) in 2014 from NT\$183 million in 2013. This change was primarily due to the decrease of interest on bank loans by NT\$48 million (US\$2 million).

Other Non-Operating Income (Expenses), Net. Other non-operating income (expenses), net, changed by NT\$102 million, or 35%, to other non-operating income, net, of NT\$391 million (US\$12 million) in 2014 from other non-operating income, net, of NT\$289 million in 2013. This change was primarily due to the increase of foreign exchange gains by NT\$73 million (US\$2 million) and interest income by NT\$22 million (US\$1 million).

Profit before Tax. As a result of the foregoing, profit before tax increased by 58% to NT\$3,975 million (US\$126 million) in 2014 from NT\$2,516 million in 2013.

Income Tax. We had an income tax expense of NT\$1,036 million (US\$33 million) in 2014 compared to income tax expense of NT\$827 million for 2013, primarily due to the increase of profit before tax.

Profit for the Year Attributable to Non-controlling Interests. The profits of Modern Mind, ChipMOS Shanghai, ChipMOS Taiwan and ThaiLin attributable to non-controlling interests amounted to NT\$1,275 million (US\$40 million) in 2014, compared to NT\$354 million in 2013.

Profit for the Year Attributable to Equity Holders of the Company. As a result of the foregoing, the profit for the year attributable to the Company was NT\$1,663 million (US\$53 million) in 2014, compared to NT\$1,335 million in 2013.

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

Revenue. Our revenue increased by NT\$141 million, or 1%, to NT\$19,362 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 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 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 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 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 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 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 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 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 in 2013 from NT\$16,768 million in 2012, primarily due to the decrease of depreciation expenses of NT\$1,333 million and partially offset by the increases in employee benefit costs, inventory valuation allowance and operating leases of NT\$273 million, NT\$92 million and NT\$115 million, respectively.

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

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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 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, reversal of allowance for impairment of receivables of NT\$62 million and reversal of accrued royalty fees of NT\$140 million.

Research and Development Expenses. Research and development expenses increased by NT\$59 million, or 12%, to NT\$564 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 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 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 in 2013 from NT\$49 million in 2012, primarily due to the increase of accrued compensation of NT\$42 million and accrued royalty of NT\$40 million and partially offset by the decrease of loss on disposal of property, plant and equipment of NT\$37 million.

Finance Costs. Finance costs decreased by NT\$46 million, or 20%, to finance costs of NT\$183 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.

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 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.

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

Income Tax. We had an income tax expense of NT\$827 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 in 2013, compared to NT\$40 million in 2012.

Profit for the Year Attributable to Equity Holders of the Company. As a result of the foregoing, the profit for the year attributable to the Company was NT\$1,335 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.

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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, 2014, we provided NT\$7 million (US\$231 thousand) for the first type of reserve and NT\$10 thousand (US\$315) for the second type of reserve. See “Item 4. Information on the Company—Customers”.

The allowance we set aside for doubtful receivables was NT\$7 million as of December 31, 2013 and NT\$7 million (US\$231 thousand) as of December 31, 2014. The allowances as of December 31, 2013 and 2014 represented 0.2% and 0.1%, respectively, of our accounts receivable as of those dates. The allowance and reversal in 2013 and 2014 reflected an enlargement and reduction of NT\$7 million and NT\$161 thousand (US\$5 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\$3 thousand (US\$105) for 2014.

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

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated economic useful lives. The determination of the useful lives involves management’s estimation. The Group assesses annually the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year when the estimate is changed and the future period.

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 2013 and 2014, the Group has NT\$1,218 million and NT\$915 million (US\$29 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.

As of December 31, 2013 and 2014, the ending balances for deferred tax assets were NT\$195 million and NT\$178 million (US\$6 million), respectively.

Deferred Tax Liabilities

In the opinion of the directors, the Company controls the dividend policy of its subsidiaries in the ROC and it is probable that the temporary differences arising from the withholding tax on dividends declared in respect of the profits earned by the Company’s subsidiaries in the ROC will not reverse in the foreseeable future.

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, 2014, 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, 2014, nil impairment loss was recognized with respect to property, plant and equipment and other non-current assets.

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 2014, the share-based compensation expense amounted to NT\$282 million (US\$9 million), which was taken into account when determining our profit for the year and shareholders' equity for the year ended December 31, 2014.

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, 2014, our primary sources of liquidity were cash and cash equivalents of NT\$15,265 million (US\$483 million), short-term loans of NT\$4,247 million (US\$134 million) available to us in undrawn facilities, which have expired or will expire from January 2015 to November 2015, and long-term loans of NT\$4,000 million (US\$127 million) available to us in undrawn facilities, which will expire in July 2019. To meet our liquidity, capital spending and other capital needs, we have taken certain steps discussed below.

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In July 2014, ChipMOS Taiwan obtained a syndicated loan facility from banks in Taiwan in the amount of NT\$10,000 million (US\$316 million) for a term of five years, which was used to refinance the existing syndicated loan in July 2014, and to suffice our working capital. 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,		
	2013 NT\$	2014 NT\$ (in millions)	2014 US\$
Net cash generated from (used in):			
Operating activities	\$ 6,223.2	\$ 5,599.9	\$ 177.2
Investing activities	(3,005.6)	(3,325.4)	(105.2)
Financing activities	1,305.2	(374.9)	(11.9)
Net increase in cash and cash equivalents	<u>\$ 4,522.8</u>	<u>\$ 1,899.6</u>	<u>\$ 60.1</u>

Net Cash Generated from Operating Activities

Net cash generated from operating activities totaled NT\$5,600 million (US\$177 million) in 2014, compared to NT\$6,223 million in 2013. Net cash generated from operating activities was positively impacted by a profit before tax of NT\$3,975 million (US\$126 million) with depreciation expenses of NT\$2,906 million (US\$92 million) in 2014 compared to a profit before tax of NT\$2,516 million with depreciation expenses of NT\$3,292 million in 2013. The decrease in net cash generated from operating activities was primarily due to an increase of short-term deposits of NT\$87 million (US\$3 million) in 2014 compared to a decrease of short-term deposits of NT\$354 million in 2013, an increase of accounts and notes receivable of NT\$762 million (US\$24 thousand) in 2014 compared to an increase of accounts and notes receivable of NT\$2 million in 2013, an increase of inventories of NT\$185 million (US\$6 million) in 2014 compared to a decrease of NT\$168 million in 2013 and an increase of other current assets of NT\$569 million (US\$18 million) in 2014 compared to an increase of other current assets of NT\$1 million in 2013 and partially offset by an increase of other payables of NT\$295 million (US\$9 million) in 2014 compared to a decrease of NT\$128 million in 2013.

Net cash generated from operating activities totaled NT\$6,223 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 with depreciation expenses of NT\$3,292 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 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 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 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\$3,325 million (US\$105 million) in 2014, compared to NT\$3,006 million in 2013. The increase in net cash used in investing activities primarily resulted from the decrease in proceeds from sales of property, plant and equipment which was NT\$4 million (US\$126 thousand) in 2014, compared to NT\$151 million in 2013 and the increase in acquisition of available-for-sale financial assets which was NT\$209 million (US\$7 million) in 2014 compared to nil in 2013.

Net cash used in investing activities totaled NT\$3,006 million in 2013, compared to NT\$2,600 million in 2012. The increase in net cash used in investing activities primarily resulted from the increase in capital expenditures which was NT\$3,251 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 in 2013, compared to NT\$38 million in 2012.

Net Cash (Used in) Generated from Financing Activities

Net cash used in financing activities totaled NT\$375 million (US\$12 million) in 2014, compared to net cash generated from financing activities totaled NT\$1,305 million in 2013. The decrease in net cash generated from financing activities was primarily the result of the net payments of long-term loans of NT\$696 million (US\$22 million) in 2014, compared to NT\$2,204 million in 2013, net proceeds of short-term loans of NT\$982 million (US\$31 million) in 2014, compared to NT\$420 million in 2013 and the decrease in proceeds from partial disposal of a subsidiary of NT\$34 million (US\$1 million) in 2014 compared to NT\$3,537 million in 2013.

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Net cash generated from financing activities totaled NT\$1,305 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 in 2013, compared to NT\$201 million in 2012, net proceeds of short-term loans of NT\$420 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 in 2013.

Capital Resources

Capital expenditures in 2013 were funded by NT\$6,223 million in cash flows from operating activities. Capital expenditures in 2014 were funded by NT\$5,600 million (US\$177 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, 2014, we had long-term loans of NT\$6,068 million (US\$192 million) (including current portions of such long-term loans of NT\$1,508 million (US\$48 million)). As of December 31, 2014, NT\$21 million (US\$1 million) of our long-term loans were collateralized by equipment, and NT\$47 million (US\$1 million) were collateralized by land and buildings and prepaid rents-land use right owned by ChipMOS Shanghai. As of December 31, 2014, NT\$6,000 million (US\$190 million) of our long-term loans were collateralized by land and buildings and equipment owned by ChipMOS Taiwan. Our long-term loans were floating rate loans with a rate between 1.8947% and 3.16545% as of December 31, 2014, repayable quarterly or semi-annually until March 2015 to July 2019.

We had entered into the following syndicated loan and long-term loans facilities:

- 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.
- 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 and fully repaid in July 2014.
- 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 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. This loan facility has expired in May 2014.
- On July 2, 2014, we obtained a syndicated loan facility from banks in Taiwan in the amount of NT\$10,000 million (US\$316 million) in a term of five years. This loan facility is secured by existing land and buildings and equipment owned by ChipMOS Taiwan. This loan facility was drawn of NT\$8,000 million (US\$253 million) as of the date of this Annual Report on Form 20-F.

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 total indebtedness to shareholders’ equity (excluding intangible assets) ratio below 1.5:1;
- maintain the profit before interest, taxes, depreciation and amortization to gross interest expense ratio above 2.5:1.

ChipMOS Taiwan was in compliance with the financial ratio requirement for 2012 to 2014. ThaiLin and ChipMOS Shanghai were not required to maintain any financial ratio during 2012 to 2014.

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.

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Set forth below are the maturities of our long-term bank loans outstanding as of December 31, 2014:

	As of	
	December 31, 2014	
	NT\$	US\$
	(in millions)	
During 2015	\$ 1,508	\$ 48
During 2016	1,560	49
During 2017	1,560	49
During 2018	840	27
During 2019 and onwards	600	19
	<u>\$ 6,068</u>	<u>\$ 192</u>

As of December 31, 2014, certain of our property, plant and equipment, restricted short-term deposits and prepaid rent (land use rights) with an aggregate net book value of NT\$7,268 million (US\$230 million), NT\$80 million (US\$3 million) and NT\$99 million (US\$3 million), respectively, were pledged as collateral mainly for long-term bank loans, short-term bank loans and customs duty guarantee.

Our unused credit lines for short-term loans, as of December 31, 2014, totaled NT\$4,247 million (US\$134 million), which have expired or will expire from January 2015 to November 2015. As of December 31, 2014, our unused long-term credit facilities totaled NT\$4,000 million (US\$127 million) which will expire in July 2019.

As of December 31, 2014, we had unsecured short-term credit loans for exporting and importing raw materials in the total amount of NT\$617 million (US\$20 million), which were due between February 2015 and May 2015, and unsecured export loan in the total amount of NT\$1,127 million (US\$36 million), which were due between January 2015 to March 2015, and secured short term loan for importing raw materials in the total amount of NT\$24 million (US\$1 million), which was due in January 2015.

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 2015. 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”.

Off-Balance Sheet Arrangements

As of December 31, 2014, 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 2012, 2013 and 2014, tax credits resulted in tax savings for ChipMOS Taiwan of approximately NT\$33 million, NT\$60 million and nil, respectively.

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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 2012, 2013 and 2014, tax credits resulted in tax savings for ThaiLin of approximately NT\$21 million, NT\$18 million and nil, 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 AMT Act that became effective on January 1, 2006. The 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 2014.

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, 2014, 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⁾	\$6,289	\$ 1,604	\$ 3,224	\$ 1,461	\$ —
Short-term loans ⁽¹⁾	1,773	1,773	—	—	—
Operating leases	450	84	77	64	225
Capital commitments	1,040	1,040	—	—	—
Total contractual cash obligations	<u>\$9,552</u>	<u>\$ 4,501</u>	<u>\$ 3,301</u>	<u>\$ 1,525</u>	<u>\$ 225</u>

Note:

(1) Includes interest payments. Assumes level of relevant interest rates remains at December 31, 2014, 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, 2015. 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.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Term Expires</u>
Shih-Jye Cheng	56	Chairman and Director/Chief Executive Officer	2017
Antonio R. Alvarez	58	Independent Director	2017
Chin-Shyh Ou	57	Deputy Chairman and Independent Director	2017
Hsing-Ti Tuan	70	Director	2015
Yeong-Her Wang	58	Independent Director	2015
Shou-Kang Chen	53	Chief Financial Officer and Director	2015
John Yee Woon Seto	70	Independent Director	2016
Chao-Jung Tsai	60	Director	2016
Rong Hsu	64	Independent Director	2016
Carl Lei	51	Acting President of ChipMOS Shanghai	—
Lafair Cho	52	Chairman and President of ThaiLin	—
Li-Chun Li	58	Chief Operating Officer	—
Steve Cheng	52	President of ChipMOS USA	—
Vincent Hsu	46	Vice President, LCDD Production Group	—
Michael Lee	49	Vice President, Wafer Bump Production Group	—
Ivan Hsu	49	Vice President, Memory Production Group	—
Jesse Huang	48	Vice President, Assembly Production Group	—
David W. Wang	65	Vice President, Strategy and Investment Relations	—
Edward Lee	54	Vice President, I.T.M. Center	—
Jennifer Chen	46	Vice President, Human Resource Management Center	—
Wan-Hua Wu	53	Vice President, New Product Development Management Center	—
D.Y. Tsai	44	Vice President, QRA Center	—
C.F. Huang	50	Vice President, Wafer Sort Production Group	—
Leo Lin	46	Account Vice President, Sales Account Division, Business Management Center	—
Paul Yang	46	Executive Vice President of ThaiLin	—

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. from 2002 to November 2005, the chairman of ChipMOS Logic TECHNOLOGIES INC. (“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 filed a petition for appeal against the High Court’s decision on September 18, 2013. Mr. Cheng was confirmed not guilty by Taiwan’s Supreme Court on August 7, 2014. The Supreme Court’s ruling is not subject to appeal and the litigation closed. For more information, please see “—Special Committee”.

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Antonio R. Alvarez has served as one of our directors from July 2005. Mr. Alvarez served as the chief operating officer of Aptina Imaging from August 2012 until its acquisition by On Semiconductor in August 2014. 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 and Sun-Edison Semiconductor since 2014.

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 in charge of R&D from 2005 to 2010. Mr. Tuan was the president of Mosel Vitelec 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 and accounting management center 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.

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 Vitelec Corporation U.S.A. He served as the executive vice president of the business group of Mosel from 1995 to 2005. He was a director of Mosel from 1999 to 2008. He served on the board of directors in a number of companies, such as ProMOS 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.

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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-Vitelec (U.S.A.) and ProMOS from 2003 to 2009, and vice president of product development in Mosel-Vitelec (U.S.A.) and Mosel-Vitelec (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.

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 MSc from the University of Michigan and Bachelor of Science degree from Fu Jen University.

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Edward Lee joined ChipMOS Taiwan as vice president of ITM Center in August 2014. Prior to joining ChipMOS, he was the group CIO of AVerMedia Technologies group from September 2010 to August 2014, the Practice Director of Oracle Taiwan Consulting Services from February 2002 to December 2009, the vice president of Picoway Technologies from September 2000 to February 2002 and Senior Manager of HP Taiwan from September 1988 to December 2000. Mr. Lee graduated from National Cheng Kung University in Taiwan with the bachelor's degree in Industrial Management and master's degree in Transportation Management Science.

Jennifer Chen has served as ChipMOS Taiwan's vice president of human resource management center since June 2014. She was the head of human resource management center of ChipMOS Taiwan since 2002. She served at ChipMOS Taiwan's human resource management center since 1997. Miss Chen holds a bachelor's degree of business management of Soochow University in Taiwan.

Wan-Hua Wu joined ChipMOS Taiwan as vice president of new product development management center since November 2014. He was a vice president of assembly and power product line in Sigurd from 2004 to 2013. He was a president in Sigurd Wuxi from 2007 to 2008. He was an executive vice president of assembly and testing in Vate from 2001 to 2004. He was a director of engineering in Amkor Taiwan from 1998 to 2001. He was the department head of R&D and QRA in Siliconware Precision from 1992 to 1998. He was a senior engineer of assembly in TI Taiwan from 1989 to 1992. Mr. Wu holds a bachelor's degree in Mechanical engineering of National Taiwan University of Science and Technology and a master's degree of management of National Chiao Tung University in Taiwan.

D.Y. Tsai has served as ChipMOS Taiwan's vice president of QRA Center since June 2014. He served as the head of QRA Center of ChipMOS Taiwan since 2009. He was the department head and division head of the quality service of ChipMOS Taiwan from 2004 to 2009. Mr. Tsai holds a master degree from the graduate school of mining, metallurgy and material science of National Cheng Kung University in Taiwan.

C.F. Huang has served as ChipMOS Taiwan's vice president of wafer sort production group since June 2014. He was the senior division head of ChipMOS Taiwan's Wafer Sort Production Division from 2013 to 2014. Prior to that, he was in charge of ChipMOS Taiwan's Wafer Sort Engineering Division. He joined ChipMOS Taiwan as deputy manager of Wafer Sort Equipment Section in 1997. He was an equipment engineer in Mosel from 1989 to 1997. He received his master's degree in Executive MBA from the College of Technology Management, Tsing Hua University in Taiwan.

Leo Lin has been the head of LCDD Sales Account Division of ChipMOS Taiwan since June 2014. He has served as one of sales section manager of ChipMOS Taiwan since December 1999. He holds a bachelor's degree in Industrial Engineering of National Tsing Hua University and a master of Industrial Engineering from the graduate school of Yuan Ze University in Taiwan.

Paul Yang has joined ThaiLin as executive vice president responsible for memory and mixed-signal operation since September 2014. Before joining ThaiLin, he was the CEO of Infinet Group which is owned by Spirox Technology from April 2012 to December 2013. He was the vice president of Spirox Technology Corp in 2011, and a special assistant to Chairman and CEO of WIN Semiconductor from August 2009 to August 2010. He was the president and CEO of Global Testing Corporation from March 2004 to October 2008. He worked at Semiconductor Test Group of Agilent Technologies from November 1999 to February 2004 and was the general manager of Agilent Semiconductor Test Group China and Korea. Mr. Yang holds a master's degree from the graduate school of electrical engineering of National Cheng Kung University in Taiwan.

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Board Practice and Terms of Directorship

Our board of directors consists of three classes of directors. The first 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 second 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. The third class, consisting of Shih-Jye Cheng, Antonio R. Alvarez and Chin-Shyh Ou, is up for re-election at the annual general meeting in 2017 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.

Share Ownership

The following table sets forth certain information as of March 31, 2015 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	391,084	1.4%	140,561	2.55-14.0675	2015/8/31-2019/8/31
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	—	—	*	*	*
Edward Lee	—	—	—	—	—
Jennifer Chen	—	—	*	*	*
Wan-Hua Wu	—	—	—	—	—
D.Y. Tsai	—	—	*	*	*
C.F. Huang	—	—	—	—	—
Leo Lin	—	—	*	*	*
Paul Yang	—	—	—	—	—

Notes:

* Indicate actual numbers held and/or including options exercisable or vested within 60 days after March 31, 2015, would beneficially own less than 1% of our ordinary shares.

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

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Compensation Committee

The aggregate compensation paid in 2014 to our directors and our executive officers, including cash and accrued pension payable upon retirement, was approximately NT\$198 million (US\$6 million). In 2014, we granted options to purchase 173,700 of our common shares to our directors and executive officers as set forth in the table below. These options will vest over a period of four years, with an equal proportion vesting on each of August 31 and December 31, 2015, 2016, 2017 and 2018, except for certain options granted on August 31, 2014 that vested on August 31, 2015.

<u>Number of common shares issuable upon exercise of options</u>	<u>Expiration date</u>	<u>Exercise price (US\$)</u>	<u>Considerations paid for options</u>
9,800	August 31, 2020	20.3405	None
118,000	August 31, 2020	20.3405	None
8,400	December 31, 2020	19.8220	None
37,500	August 31, 2024	20.3405	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

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.

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. 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 known as Diwan, Ernst & Young) as its accounting advisor to assist in its evaluation and provide recommendations.

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.

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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.

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 numerous trial hearings from 2008 to 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"). On August 7, 2014 Supreme Court rendered a verdict affirming High Court's not guilty verdict on September 3, 2013, and Taipei District Court's not guilty decision on October 1, 2007. The Supreme Court's ruling is not subject to appeal and closes the litigation. On August 12, 2014, our board of directors approved to discharge the special committee.

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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
	2012	2013	2014	March 31, 2015
General operations	3,069	3,434	3,498	3,414
Quality control	400	406	409	412
Engineering	1,345	1,365	1,416	1,417
Research and development	313	330	387	390
Sales, administration and finance	176	178	197	200
Others	383	375	365	372
Total	5,686	6,088	6,272	6,205

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
	2012	2013	2014	March 31, 2015
ThaiLin	544	520	495	492
ChipMOS Taiwan Hsinchu Production Group	1,564	1,680	1,748	1,724
ChipMOS Taiwan Southern Taiwan Production Group	2,962	3,282	3,438	3,406
Shanghai	609	600	586	578
Japan and the United States	7	6	5	5
Total	5,686	6,088	6,272	6,205

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 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. In 2014, we granted 241,256 share options, with an exercise price, at the time of grant, ranging from US\$19.38 to US\$20.3405 per share. In 2014, 113,541 share options were forfeited, 1,658 share options were expired and 390,664 share options were exercised. As of December 31, 2014, we had 1,300,416 share options outstanding, with an exercise price ranging from US\$2.55 to US\$21.488.

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In September 2006, August 2008 and May 2013 we adopted a share appreciation rights (“SARs”) plan pursuant to which we may issue up to 500,000, 750,000 and 1,000,000 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, August 2018 and May 2023.

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. In 2014, 36,010 SARs were granted, 24,841 SARs were forfeited, 1,264 SARs were expired and 138,489 SARs were exercised. As of December 31, 2014, we had 683,845 SARs outstanding, with an exercise price, at the time of grant, ranging from US\$2.55 to US\$20.3405.

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.

Item 7. Major Shareholders and Related Party Transactions

Major Shareholders

The following table and information set out certain information as of March 31, 2015 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.

Identity of person or group	Number of shares owned	Percentage Owned
Baupost Group LLC/MA ⁽¹⁾	3,283,235	11.5
Directors and executive officers, as a group ⁽²⁾	445,925	1.6

Notes:

(1) According to the Schedule 13F filed by Baupost Group LLC/MA with the SEC on February 13, 2015.

(2) 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, 2015, approximately 93% 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 March 31, 2015, we own approximately 522 million ChipMOS Taiwan shares representing 60.4% of ChipMOS Taiwan’s outstanding shares without any “green shoe” option outstanding. 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.

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 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 an indirect wholly-owned subsidiary of ThaiLin, through ThaiLin's direct wholly-owned subsidiary Modern Mind.

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.

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, 2015, 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.

Item 8. Financial Information

Consolidated Financial Statements and Other Financial Information

Please see “Item 18. Financial Statements” and pages F-1 through F-63.

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 and the case was closed by the court.

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.

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Other than the matters described above, we were not involved in any material litigation in 2014 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 6.—Directors, Senior Management and Employees—Special Committee”.

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, 2014 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.

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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, 2015, there were 28,502,859 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 Global Select Market or the NASDAQ Capital Market for our common shares.

	NASDAQ Price per share ⁽¹⁾ (US\$)		
	High	Low	Average
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
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
2014	25.80	18.13	22.29
First Quarter	23.16	18.13	20.75
Second Quarter	25.80	20.43	22.82
Third Quarter	24.93	22.16	23.83
Fourth Quarter	23.36	19.66	21.71
November	22.09	20.82	21.49
December	23.36	20.32	22.68
2015			
January	24.18	23.06	23.53
February	24.99	23.14	23.84
March	24.66	21.57	23.50
First Quarter	24.99	21.57	23.61
April (through April 22, 2015)	24.81	23.53	24.15

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.

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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, 2015, no preferred shares have been issued by our company.

Bermuda Law

We are an exempted company organized under the Companies Act 1981 of Bermuda (as amended) (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 the Bermuda Companies Act, 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.

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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 members 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 keep its register of members at its registered office or after giving written notice to the registrar of companies in Bermuda, at such other place in Bermuda but may, subject to the provisions of Bermuda law, establish a branch register of members outside Bermuda. We maintain a principal register of members in Hamilton, Bermuda and a branch register of members 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 holding 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.

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.

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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 and our bye-laws, 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.

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 Inc. 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 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.

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- 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.
- 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.
- 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.
- 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.
- 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.
- On July 2, 2014, ChipMOS Taiwan obtained a syndicated loan facility from banks in Taiwan in the amount of NT\$10 billion (US\$316 million) separated into two parts with term of five years. This loan facility was used to refinance the existing bank debts and for general corporate purposes.
- On August 14, 2014, the Company entered Share Purchase Agreement with Siliconware Precision for the purchase of 1 million Company's Common Shares.
- On November 12, 2014, ChipMOS Taiwan and ThaiLin entered into a merger agreement, whereby ThaiLin agreed to be merged into ChipMOS Taiwan, with ChipMOS Taiwan as the surviving entity. Under the terms of the merger agreement, ThaiLin's shareholders will be offered a combination of NT\$12.5 in cash and 0.311 of one ChipMOS Taiwan common share in exchange for each ThaiLin common share held.

Please see also "Item 7. Major Shareholders and Related Party Transactions" for further summary information regarding the contracts listed under "– 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 a 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 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 tax withholding, 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 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 or withholding 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 or withholding 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. 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.

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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 SEC. 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, 2014, we had aggregate debts outstanding of NT\$7,836 million (US\$248 million), which was incurred for capital expenditure and general operating expenses. Of our outstanding debts as of December 31, 2014, 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 1.708% as of December 31, 2014. 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\$78 million (US\$2 million) based on our outstanding floating rate indebtedness as of December 31, 2014.

As of December 31, 2013 and 2014, 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, 2014, 31.2% of our financial assets and 27.3% of our financial liabilities are denominated in the US dollar and Japanese yen, respectively. We do not hold or issue any derivative for trading purposes or to hedge against fluctuations in foreign exchange rates. We mitigate this risk by conducting sales and purchases transactions in the same currency. 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\$159 million (US\$5 million) based on our outstanding assets and liabilities denominated in foreign currencies as of December 31, 2014. As of December 31, 2013 and 2014, 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, as amended). 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, 2014.

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 24, 2015

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, as amended). 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 as issued by the International Accounting Standards Board.

As of December 31, 2014, 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 (2013) 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, 2014 was effective.

Moore Stephens CPA Limited, 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, 2014 and has issued an attestation report on the Company's internal control over financial reporting as of December 31, 2014. 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 2014, 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.

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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 and Moore Stephens CPA Limited for the years ended December 31, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
	NT\$	NT\$
	(In thousands)	
Audit Fees	\$ 9,247	\$9,480
Audit Related Fees	—	—
Tax Fees	—	—
All Other Fees	1,283	—
Total	<u>\$10,530</u>	<u>\$9,480</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 2013 and 2014, 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 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 and Moore Stephens CPA Limited (from January 1, 2015) were 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). Repurchase Program III was terminated on November 21, 2013.

On November 12, 2014, 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 25, 2014 to purchase through a broker our common shares, with a maximum purchase amount of US\$15 million (Repurchase Program IV). Repurchase Program IV was completed on January 21, 2015.

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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, 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.

On August 12, 2014, our Board of Directors approved the repurchase of 1,000,000 of our common shares from Siliconware Precision. The transaction was completed on September 3, 2014.

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, 2014.

Purchases of Equity Securities by the Issuer

Period	Total Number of Shares Purchased	Average Price Paid Per Share (US\$)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (US\$ Million)
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
December, 2014 – January, 2015 (Repurchase Program IV)	637,804	23.52	637,804	None
Total	1,425,614		1,425,614	

Note:

(1) Does not include repurchases from ThaiLin on November 21, 2013.

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.

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Item 16G requires a foreign private issuer to provide in its annual report filed with the SEC 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: <ul style="list-style-type: none"> (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.

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<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-63.

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⁾
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⁾

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<u>Exhibits</u>	<u>Description</u>
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⁾
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⁾

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<u>Exhibits</u>	<u>Description</u>
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. ⁽⁹⁾
4.52	Form of Change In Control Severance Agreement. ⁽⁹⁾
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⁾

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<u>Exhibits</u>	<u>Description</u>
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. (English Translation) ⁽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. ⁽¹⁵⁾
4.68	Syndicated Loan Agreement, dated July 2, 2014, between ChipMOS TECHNOLOGIES INC. and Bank of Taiwan as the lead Arranger. (English Translation)
4.69	Share Purchase Agreement, dated August 14, 2014, between ChipMOS TECHNOLOGIES (Bermuda) LTD. and Siliconware Precision Industries Co., Ltd.
4.70	Merger Agreement, dated November 12, 2014, between ChipMOS TECHNOLOGIES INC. and ThaiLin Semiconductor Corp. (English Translation)
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 SEC 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.

(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.

(15) Incorporated by reference to our Annual Report on Form 20-F (File No. 0-31106), filed on April 25, 2014.

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 24, 2015.

ChipMOS TECHNOLOGIES (Bermuda) LTD.

By: /s/ Shih-Jye Cheng

Name: **Shih-Jye Cheng**

Title: **Chairman and Chief Executive Officer**

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ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
ChipMOS TECHNOLOGIES (Bermuda) LTD.

We have audited the accompanying consolidated statements of financial position of ChipMOS TECHNOLOGIES (Bermuda) LTD. and subsidiaries (collectively, the “Group”) as of December 31, 2013 and 2014, and the related consolidated income statements, statements of comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2014. We have also audited the Group’s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework (2013) 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 audits 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.

Report of Independent Registered Public Accounting Firm (continued)

To the Board of Directors and Shareholders of
ChipMOS TECHNOLOGIES (Bermuda) LTD.

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 December 31, 2013 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, 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, 2014, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ Moore Stephens CPA Limited
Certified Public Accountants
Hong Kong

March 12, 2015

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Consolidated Income Statements
For the years ended December 31, 2012, 2013 and 2014

	Note	2012 NT\$000	2013 NT\$000	2014 NT\$000	2014 US\$000
Revenue	4	19,220,560	19,361,930	22,005,131	696,365
Cost of revenue		(16,767,941)	(15,922,395)	(16,782,190)	(531,082)
Gross profit		2,452,619	3,439,535	5,222,941	165,283
Other operating income	6	127,949	442,411	182,272	5,768
Research and development expenses		(505,429)	(564,476)	(678,830)	(21,482)
Sales and marketing expenses		(79,936)	(107,651)	(101,811)	(3,222)
Administrative and general expenses		(637,566)	(699,126)	(755,565)	(23,910)
Other operating expenses		(48,745)	(100,849)	(144,622)	(4,577)
Operating profit		1,308,892	2,409,844	3,724,385	117,860
Finance costs	7	(228,565)	(183,005)	(140,804)	(4,456)
Other non-operating income (expense), net	8	(232,555)	289,256	391,207	12,380
Profit before tax		847,772	2,516,095	3,974,788	125,784
Income tax	9	(178,116)	(827,094)	(1,036,244)	(32,792)
Profit for the year		669,656	1,689,001	2,938,544	92,992
Attributable to:					
Equity holders of the Company		629,781	1,335,348	1,663,234	52,634
Non-controlling interests		39,875	353,653	1,275,310	40,358
		669,656	1,689,001	2,938,544	92,992
Earnings per share attributable to equity holders of the Company:					
Basic	10	NT\$ 22.92	NT\$ 45.55	NT\$ 56.33	US\$ 1.78
Diluted		NT\$ 22.25	NT\$ 44.27	NT\$ 54.99	US\$ 1.74

Details of dividends to equity holders of the Company for the years are set out in Note 11 to the financial statements.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2012, 2013 and 2014

	Note	2012 NT\$000	2013 NT\$000	2014 NT\$000	2014 US\$000
Profit for the year		669,656	1,689,001	2,938,544	92,992
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	29,962	948
Net other comprehensive income (loss) to be reclassified to profit or loss in the subsequent periods		(20,192)	27,438	29,962	948
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>					
Net actuarial losses	22	(75,079)	(30,574)	(14,502)	(459)
Income tax effect	9	12,763	5,198	2,465	78
Net other comprehensive loss not to be reclassified to profit or loss in the subsequent periods		(62,316)	(25,376)	(12,037)	(381)
Other comprehensive income (loss) for the year, net of tax		(82,508)	2,062	17,925	567
Total comprehensive income for the year, net of tax		587,148	1,691,063	2,956,469	93,559
Attributable to:					
Equity holders of the Company		553,522	1,325,326	1,670,227	52,855
Non-controlling interests		33,626	365,737	1,286,242	40,704
		587,148	1,691,063	2,956,469	93,559

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Consolidated Statements of Financial Position
December 31, 2013 and 2014

	<u>Note</u>	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2014</u>	<u>December 31,</u> <u>2014</u>
		<u>NT\$000</u>	<u>NT\$000</u>	<u>US\$000</u>
Assets				
Non-current assets				
Available-for-sale financial assets	12	8,594	217,708	6,889
Property, plant and equipment	13	12,811,953	13,494,889	427,053
Deferred tax assets	9	194,926	178,137	5,637
Refundable deposits		20,460	21,251	673
Prepaid rent – non-current portion	14	94,657	96,006	3,038
Other non-current assets		20,325	20,517	650
		<u>13,150,915</u>	<u>14,028,508</u>	<u>443,940</u>
Current assets				
Inventories	15	1,519,403	1,704,666	53,945
Accounts and notes receivable	16	4,114,626	4,876,713	154,327
Other receivables	16	164,233	145,382	4,601
Short-term deposits	17	181,931	269,399	8,525
Other current assets		104,437	673,779	21,322
Cash and cash equivalents	17	13,372,770	15,265,153	483,074
		<u>19,457,400</u>	<u>22,935,092</u>	<u>725,794</u>
Total assets		<u>32,608,315</u>	<u>36,963,600</u>	<u>1,169,734</u>

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Consolidated Statements of Financial Position (Continued)
December 31, 2013 and 2014

	<u>Note</u>	<u>December 31,</u> <u>2013</u> <u>NT\$000</u>	<u>December 31,</u> <u>2014</u> <u>NT\$000</u>	<u>December 31,</u> <u>2014</u> <u>US\$000</u>
Equity and liabilities				
Capital and reserves				
Issued capital	18	37,165	34,019	1,077
Reserves	19	13,386,426	14,178,666	448,692
Other component of equity	19	438,652	456,638	14,450
Treasury stock	20	(297,580)	(52,558)	(1,663)
Equity attributable to equity holders of the Company		13,564,663	14,616,765	462,556
Non-controlling interests		7,024,963	8,470,257	268,046
Total equity		20,589,626	23,087,022	730,602
Non-current liabilities				
Bank loans – non-current portion	21	3,888,972	4,560,000	144,304
Long-term deferred revenue		92,084	93,424	2,956
Accrued pension cost	22	490,489	491,758	15,562
Guarantee deposit		2,192	1,694	54
		<u>4,473,737</u>	<u>5,146,876</u>	<u>162,876</u>
Current liabilities				
Accounts payable		956,799	1,074,925	34,017
Payables to contractors and equipment suppliers		858,239	1,307,459	41,375
Other payables		1,541,409	1,905,292	60,294
Current tax payable		320,687	950,080	30,066
Receipts in advance		30,579	53,099	1,680
Deferred revenue		2,423	2,525	80
Other current liabilities		173,380	159,899	5,060
Bank loans – current portion	21	2,874,756	1,508,153	47,726
Short-term bank loans	23	786,680	1,768,270	55,958
		<u>7,544,952</u>	<u>8,729,702</u>	<u>276,256</u>
Total liabilities		12,018,689	13,876,578	439,132
Total equity and liabilities		32,608,315	36,963,600	1,169,734

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2012, 2013 and 2014

	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)				
	NT\$000	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 by the company	(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 by the company	(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	
Profit for the year	—	—	1,663,234	—	—	1,663,234	1,275,310	2,938,544	
Other comprehensive income	—	—	(10,993)	17,986	—	6,993	10,932	17,925	
Total comprehensive income	—	—	1,652,241	17,986	—	1,670,227	1,286,242	2,956,469	
Share-based payments	473	234,967	—	—	—	235,440	—	235,440	
Repurchase / Cancellation of shares by the company	(1,170)	(322,533)	(345,758)	—	(52,558)	(722,019)	—	(722,019)	
Disposal of shares held by a subsidiary	(2,449)	(149,222)	(145,982)	—	297,580	(73)	—	(73)	
Partial disposal of a subsidiary	—	8,979	—	—	—	8,979	24,707	33,686	
Cash dividend (Note 11)	—	—	(123,392)	—	—	(123,392)	—	(123,392)	
Changes in non-controlling interests	—	—	—	—	—	—	134,345	134,345	
Other movement	—	(22,781)	5,721	—	—	(17,060)	—	(17,060)	
December 31, 2014	34,019	11,695,221	2,483,445	456,638	(52,558)	14,616,765	8,470,257	23,087,022	

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2012, 2013 and 2014

	Note	2012 NT\$000	2013 NT\$000	2014 NT\$000	2014 US\$000
Cash flows from operating activities					
Profit before tax		847,772	2,516,095	3,974,788	125,784
Adjustments to reconcile profit before tax to net cash flows:					
Depreciation of property, plant and equipment	13	4,623,038	3,292,144	2,906,086	91,965
Amortization of assets		8,775	2,804	2,880	91
(Reversal) / allowance for impairment of accounts and notes receivable	16	(2,410)	7,415	(161)	(5)
Reversal of impairment of other receivables	16	—	(64,779)	—	—
Interest expense	7	227,765	180,426	132,651	4,198
Interest income	8	(31,823)	(42,722)	(64,352)	(2,036)
Impairment of available-for-sale financial assets		27,486	3,041	—	—
Impairment of property, plant and equipment		6,843	671	—	—
Impairment of other non-current assets		1,540	220	—	—
(Gain) / loss on disposal of property, plant and equipment, net		14,013	(121,212)	(41,784)	(1,322)
Share-based payments		181,763	232,590	281,614	8,912
Deferred income		(2,324)	(2,375)	(2,440)	(77)
Accrued pension cost		167,012	(22,797)	(13,231)	(419)
Changes in operating assets and liabilities:					
Accounts and notes receivable		(326,855)	(1,926)	(761,925)	(24,112)
Other receivables		(68,905)	81,401	60,055	1,900
Inventories		(154,023)	168,486	(185,263)	(5,863)
Other current assets		(35,971)	(1,103)	(569,197)	(18,013)
Short-term deposits		(343,560)	354,006	(87,000)	(2,753)
Accounts payable		(240,653)	66,722	118,126	3,738
Other payables		2,574	(127,698)	294,980	9,335
Receipts in advance		(159,352)	4,464	22,518	713
Other current liabilities		24,940	(29,638)	(13,479)	(427)
Interest received		4,767,645	6,496,235	6,054,866	191,609
Interest paid		28,659	41,343	64,701	2,048
Income tax paid		(228,486)	(180,525)	(132,554)	(4,195)
		(40,809)	(133,881)	(387,097)	(12,250)
Net cash generated from operating activities		4,527,009	6,223,172	5,599,916	177,212
Cash flows from investing activities					
Proceeds from sales of property, plant and equipment		37,848	151,093	3,973	126
Acquisition of property, plant and equipment		(2,748,627)	(3,251,283)	(3,119,021)	(98,703)
Acquisition of available-for-sale financial assets		—	—	(209,114)	(6,618)
Decrease (increase) in refundable deposits		345	610	(791)	(25)
Decrease (increase) in financial assets at fair value through profit or loss		110,647	93,955	(468)	(15)
Net cash used in investing activities		(2,599,787)	(3,005,625)	(3,325,421)	(105,235)
Cash flows from financing activities					
Proceeds from short-term bank loans		—	420,199	981,590	31,063
Proceeds from long-term bank loans		595,927	23,801	6,000,000	189,873
Payments on short-term bank loans		(180,435)	—	—	—
Payments on long-term bank loans		(796,528)	(2,227,800)	(6,695,575)	(211,885)
Decrease in guarantee deposits		538	(286)	(498)	(15)
Cash received (paid) in respect of share-based payment		6,901	(44,496)	22,638	716
Payments on repurchase of shares		(305,835)	(40,205)	(722,019)	(22,849)
Proceeds from disposal of shares held by a subsidiary		528,296	144,922	—	—
Payments on disposal of shares held by a subsidiary		—	—	(73)	(2)
Proceeds from partial disposal of a subsidiary		—	3,536,777	33,686	1,066
Cash dividend	11	(117,521)	(122,491)	(123,392)	(3,905)
Changes in non-controlling interests		(43,688)	(385,194)	128,706	4,073
Net cash (used in) generated from financing activities		(312,345)	1,305,227	(374,937)	(11,865)
Net increase in cash and cash equivalents		1,614,877	4,522,774	1,899,558	60,112
Effect of foreign exchange rate changes		2,683	(13,620)	(7,175)	(227)
Cash and cash equivalents at beginning of year		7,246,056	8,863,616	13,372,770	423,189
Cash and cash equivalents at end of year	17	8,863,616	13,372,770	15,265,153	483,074

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

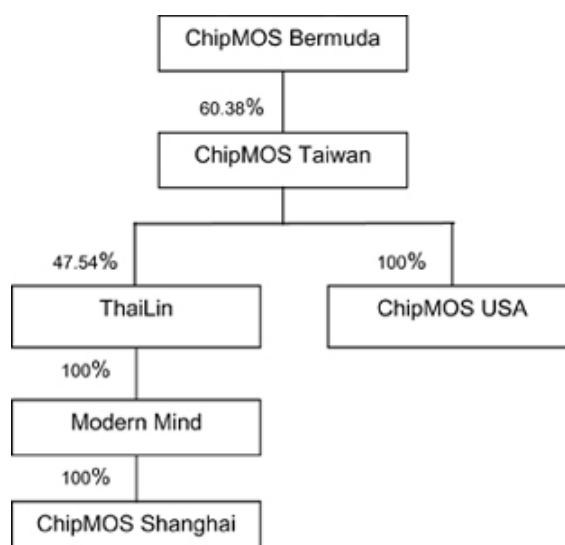
December 31, 2012, 2013 and 2014

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 Market since June 2001 and traded on the NASDAQ Global Select Market since July 1, 2006. 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, 2014, the consolidated financial statements of the Company include:



ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

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. 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 non-controlling 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. On October 3, 2013, ChipMOS Bermuda completed the sale of 180.0 million outstanding ChipMOS Taiwan shares, at the price of NT\$20.0 per share to investors and certain non-US employees of ChipMOS Taiwan. Also on April 9, 2014, ChipMOS Bermuda completed the sale of 1.3 million outstanding ChipMOS Taiwan shares, at the price of NT\$26.5 per share as “green shoe” option to market investors. As of December 31, 2014, ChipMOS Bermuda owned 60.38% (2013:62.09%) of ChipMOS Taiwan’s outstanding shares without any “green shoe” option outstanding.

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, 2014, ChipMOS Taiwan held a 47.54% (2013: 47.54%) 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, 2014, ChipMOS Taiwan owned 100% (2013: 100%) of the outstanding shares of ChipMOS USA.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements (Continued)****December 31, 2012, 2013 and 2014****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 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, 2014, ThaiLin owned 100% (2013: 100%) of the outstanding shares of Modern Mind and Modern Mind owned 100% (2013: 100%) of the interests of ChipMOS Shanghai.

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual IFRSs, International Accounting Standards (“IASs”) issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB.

These consolidated financial statements have been prepared under the historical cost convention except for accrued pension cost which has been measured at fair value. These consolidated financial statements are presented in New Taiwan dollars (“NT\$”), which is the Company’s functional currency.

b) Adoption of new and revised International Financial Reporting Standards

In the preparation of the financial statements for the year ended December 31, 2014, the Group has applied, for the first time, the following revised standards and a new interpretation issued by the IASB.

IAS 32 Amendments	Offsetting Financial Assets and Financial Liabilities
IAS 36 Amendments	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 Amendments	Novation of Derivatives and Continuation of Hedge Accounting
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Investment Entities
IFRIC -Int 21	Levies

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

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

b) Adoption of new and revised International Financial Reporting Standards (continued)

The adoption of the above revised standards and interpretation has had no significant effect on these consolidated financial statements.

c) Basis of consolidation

The consolidated financial statements include the accounts of ChipMOS Bermuda and all entities controlled by ChipMOS Bermuda. The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

The Company's consolidated financial statements for the years ended December 31, 2012, 2013 and 2014 include the financial results of ChipMOS Taiwan and its subsidiaries, ThaiLin, ChipMOS USA, Modern Mind and 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 investment retained and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The Group's share of components previously recognized in other comprehensive income is reclassified to income statements or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

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

d) Significant judgments and estimates

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions 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, depreciation of property, plant and equipment, defined benefit plans, deferred tax assets and deferred tax liabilities. 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments 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, 2013 and 2014

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

d) Significant judgments 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. Further details are disclosed in Note 16.

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. Further details are disclosed in Note 13.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated economic useful lives. The determination of the useful lives involves management's estimation. The Group assesses annually the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year when the estimate is changed and the future period.

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 judgment 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.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements (Continued)****December 31, 2012, 2013 and 2014****2. Basis of preparation of financial statements and principal accounting policies (continued)****d) Significant judgments and estimates (continued)**Estimates and assumptions (continued)*Deferred tax assets (continued)*

The Group has NT\$915,012 thousand (US\$28,956 thousand) (2013: NT\$1,218,080 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.

Deferred tax liabilities

In the opinion of the directors, the Company controls the dividend policy of its subsidiaries in the Republic of China ("ROC") and it is probable that the temporary differences arising from the withholding tax on dividends declared in respect of the profits earned by the Company's subsidiaries in the ROC will not reverse in the foreseeable future.

Further details on deferred taxes are disclosed in Note 9.

e) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost, less provision for depreciation and impairment losses, if any.

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 5 years
Other equipment	1 to 7 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

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

e) Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the consolidated income statements in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

f) 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 in those expense categories consistent with the function of the impaired asset.

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.

g) 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.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

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

h) Investments and other financial assets

Initial recognition and measurement

The Group's financial assets are classified, at initial recognition, into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial investments. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases or sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales 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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading and those designated as at FVTPL upon initial recognition.

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future; or it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

There were no financial assets at FVTPL at the end of the reporting periods.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

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

h) Investments and other financial assets (continued)

Subsequent measurement (continued)

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.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial investments in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

i) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

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

i) Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the consolidated income statement.

j) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

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

k) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include bank loans, accounts payable and other monetary liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the consolidated income statements when the liabilities are derecognized as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated income statements.

l) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated income statements.

m) 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.

n) 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.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

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

o) 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.

p) 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.

q) 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. 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.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

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

r) 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.

s) Government grant

The grant relates to land use rights in the PRC. Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated income statement over the expected useful life of the relevant asset by equal annual installments or deducted from the carrying amount of the asset and released to the consolidated income statement by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the consolidated income statements over the expected useful lives of the relevant assets by equal annual installments.

t) Research and development costs

Research and development costs are expensed in the period in which it is incurred.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

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

u) 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.

v) Pension and other post-employment benefits

The Group operates defined contribution and defined benefit plans in the ROC and the PRC. 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 recognizes 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.

w) 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, 2013 and 2014

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

w) 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, as a minimum, the services received measured at the grant date fair value of the equity instruments granted should be recognized, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. 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.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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.

x) Income tax

Income tax represents the sum of current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

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

x) Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

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

y) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

z) 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.

or

(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) The entity and the Group 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).

aa) Subsidiaries

A subsidiary is an entity (including a structured entity) controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

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

bb) Fair value measurement

The Group measures its accrued pension cost at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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, 2014, which was NT\$31.60 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, 2013 and 2014

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 and other Flat-Panel Display Driver Semiconductors (“LCDD”) and Bumping when making decisions about allocating resources and assessing the performance of the Group. The information of the segments’ other assets and liabilities are not regularly provided to the Chief Executive Officer / Chairman for decision making. 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	LCDD 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	5,577,308	6,423,019	4,356,271	2,920,439	45,263	(101,740)	19,220,560
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
	2013						
	Testing NT\$000	Assembly NT\$000	LCDD 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
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
Gross profit	720,015	768,267	1,352,510	529,290	44,211	25,242	3,439,535
Operating profit	336,959	374,420	1,057,372	332,364	165,130	143,599	2,409,844
Depreciation and amortization	(1,314,987)	(590,899)	(1,008,206)	(390,963)	(53,963)	64,070	(3,294,948)
Interest income	—	—	—	—	43,983	(1,261)	42,722
Interest expense	—	—	—	—	(181,687)	1,261	(180,426)
Impairment recognized during the year	—	—	—	—	(3,932)	—	(3,932)
Expenditure for segment assets	350,081	770,218	2,053,704	455,367	74	(4,581)	3,624,863
Property, plant and equipment	3,239,589	2,672,015	4,564,714	2,470,019	379	(134,763)	12,811,953

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

4. Segment Information (continued)

	2014							Total US\$000
	Testing NT\$000	Assembly NT\$000	LCDD NT\$000	Bumping NT\$000	Others NT\$000	Elimination NT\$000	Total NT\$000	
Revenue								
External customers	5,119,534	7,670,011	5,171,269	4,044,317	—	—	22,005,131	696,365
Inter-segment	230,663	210	—	—	49,125	(279,998)	—	—
Total revenue	5,350,197	7,670,221	5,171,269	4,044,317	49,125	(279,998)	22,005,131	696,365
Gross profit	1,673,373	1,425,201	1,295,555	755,541	49,125	24,146	5,222,941	165,283
Operating profit	1,257,818	1,003,190	1,009,052	475,156	(173,885)	153,054	3,724,385	117,860
Depreciation and amortization	(740,341)	(563,327)	(1,178,872)	(435,967)	(53,902)	63,443	(2,908,966)	(92,056)
Interest income	—	—	—	—	65,587	(1,235)	64,352	2,036
Interest expense	—	—	—	—	(133,886)	1,235	(132,651)	(4,198)
Expenditure for segment assets	773,634	977,202	1,055,768	777,258	—	(15,621)	3,568,241	112,919
Property, plant and equipment	3,256,167	3,172,127	4,407,990	2,791,221	200	(132,816)	13,494,889	427,053

Geographic information:

Area	2012	2013	2014	2014
	NT\$000	NT\$000	NT\$000	US\$000
ROC	13,631,585	13,955,389	15,747,158	498,328
U.S.	1,400,707	830,911	745,837	23,602
Singapore	2,779,346	2,838,978	3,471,540	109,859
Korea	310,419	611,357	882,819	27,937
Japan	491,092	516,995	736,705	23,314
Others	607,411	608,300	421,072	13,325
	<u>19,220,560</u>	<u>19,361,930</u>	<u>22,005,131</u>	<u>696,365</u>

Net revenue from customers representing at least 10% of the total revenue:

Customers	2012		2013		2014		2014
	Amount NT\$000	%	Amount NT\$000	%	Amount NT\$000	%	Amount US\$000
Novatek Microelectronics Corp. ("Novatek")	3,941,108	21	3,838,436	20	4,404,039	20	139,368
Micron Technology, Inc. Group ("Micron")	2,713,780	14	2,896,514	15	3,521,646	16	111,444
Winbond Electronics Corporation ("Winbond")	Not applicable		Not applicable		2,227,706	10	70,497

The revenue generated from the above customers is mainly from the segments of Testing, Assembly, LCDD and Bumping.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

5. Operating costs and expenses

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2014</u>
	NT\$000	NT\$000	NT\$000	US\$000
Included in cost of revenue:				
Employee benefit cost				
Salaries	3,046,720	3,389,330	3,639,263	115,167
Labor and health insurance	240,827	273,121	287,242	9,090
Pension	274,760	180,017	183,071	5,793
Other personnel expenses	227,603	208,545	269,170	8,518
Share-based payments	91,469	103,840	114,024	3,608
Depreciation	4,575,024	3,242,409	2,855,490	90,364
Amortization	1,019	959	1,030	33
Minimum lease payment	90,615	205,494	289,258	9,154
Costs of inventories recognized as an expense	4,805,978	4,521,841	4,748,501	150,269
Included in research and development expenses:				
Employee benefit cost				
Salaries	293,933	351,991	448,902	14,206
Labor and health insurance	22,213	27,062	33,939	1,074
Pension	33,954	16,265	19,741	625
Other personnel expenses	10,471	10,191	14,662	464
Share-based payments	33,015	38,933	48,051	1,521
Depreciation	19,572	18,392	17,390	550
Minimum lease payment	1,100	887	1,663	53
Included in sales and marketing expenses:				
Employee benefit cost				
Salaries	44,433	51,751	51,289	1,623
Labor and health insurance	2,195	2,657	2,548	81
Pension	6,821	5,249	5,217	165
Other personnel expenses	2,705	2,233	2,386	76
Share-based payments	2,787	6,879	7,085	224
Depreciation	857	776	734	23
Amortization	8	15	15	—
Minimum lease payment	136	120	89	3
(Reversal) / allowance for impairment of accounts and notes receivable	—	7,415	(161)	(5)
Included in administrative and general expenses:				
Employee benefit cost				
Salaries	270,030	278,512	334,529	10,586
Labor and health insurance	16,045	17,243	17,813	564
Pension	25,082	9,241	9,848	312
Other personnel expenses	12,440	7,570	10,523	333
Share-based payments	54,492	82,938	112,454	3,559
Depreciation	27,585	30,567	32,472	1,028
Amortization	7,748	1,830	1,835	58
Minimum lease payment	6,014	6,971	8,506	269
Included in other operating expenses:				
Loss on disposal of property, plant and equipment	37,327	85	538	17
Impairment of property, plant and equipment	6,843	671	—	—
Impairment of other non-current assets	1,540	220	—	—

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

6. *Other operating income*

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2014</u>
	NT\$000	NT\$000	NT\$000	US\$000
Gain on disposal of property, plant and equipment	23,314	121,297	42,322	1,339
Deferred income	2,324	2,375	2,440	77
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	—	—
Gain on disposal of scrapped material	54,700	38,322	45,397	1,437
Reversal of accrued royalty fees (Note 24a)	—	140,435	—	—
Compensation of insurance	—	3,601	12,172	385
Settlement of advance and sundry credit	11,295	11,271	35,241	1,115
Others	24,927	60,331	44,700	1,415
	<u>127,949</u>	<u>442,411</u>	<u>182,272</u>	<u>5,768</u>

7. *Finance costs*

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2014</u>
	NT\$000	NT\$000	NT\$000	US\$000
Interest on bank loans	253,364	204,710	146,397	4,633
Less: amounts capitalized in qualifying assets	(25,599)	(24,284)	(13,746)	(435)
	227,765	180,426	132,651	4,198
Finance expenses	800	2,579	8,153	258
	<u>228,565</u>	<u>183,005</u>	<u>140,804</u>	<u>4,456</u>

8. *Other non-operating income (expense), net*

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2014</u>
	NT\$000	NT\$000	NT\$000	US\$000
Interest income	31,823	42,722	64,352	2,036
Foreign exchange gains (losses), net	(248,288)	233,990	306,931	9,713
Impairment of available-for-sale financial assets	(27,486)	(3,041)	—	—
Gain on disposal of financial assets at fair value through profit or loss	4,262	7,143	12,212	387
Others	7,134	8,442	7,712	244
	<u>(232,555)</u>	<u>289,256</u>	<u>391,207</u>	<u>12,380</u>

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

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, 2013 and 2014 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, 2013 and 2014 are:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2014</u>
	NT\$000	NT\$000	NT\$000	US\$000
<i>Current income tax:</i>				
Current income tax charge	41,421	402,119	1,021,331	32,321
Adjustments in respect of current income tax of previous year	1	21,641	(4,341)	(138)
<i>Deferred tax:</i>				
Relating to origination and reversal of temporary differences	136,694	403,334	19,254	609
Income tax expense reported in the consolidated income statements	<u>178,116</u>	<u>827,094</u>	<u>1,036,244</u>	<u>32,792</u>

Deferred tax charged to other comprehensive income:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2014</u>
	NT\$000	NT\$000	NT\$000	US\$000
Net actuarial losses	<u>12,763</u>	<u>5,198</u>	<u>2,465</u>	<u>78</u>

Reconciliation of income tax expense and the accounting profit before income tax:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2014</u>
	NT\$000	NT\$000	NT\$000	US\$000
Profit before tax	<u>847,772</u>	<u>2,516,095</u>	<u>3,974,788</u>	<u>125,784</u>
Income tax at 17%	144,121	427,736	675,714	21,383
Income tax effect of different tax rates	85,228	232,652	266,559	8,435
Permanent differences	(56,285)	(38,485)	(6,129)	(194)
Deferred tax assets not recognized	55,403	45,171	19,771	626
Temporary differences not recognized	(109,393)	8,262	(17,778)	(564)
10% income tax on unappropriated earnings	59,042	151,758	98,107	3,106
Income tax expense reported in the consolidated income statements	<u>178,116</u>	<u>827,094</u>	<u>1,036,244</u>	<u>32,792</u>

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

9. *Income tax (continued)*

The details of deferred tax assets (liabilities) are as follows:

	January 1, NT\$000	Profit and loss NT\$000	Other comprehensive income NT\$000	December 31, NT\$000	December 31, US\$000
Year of 2013					
Unrealized exchange gains (losses)	(103)	(6,784)	—	(6,887)	
Accounts receivable	31,912	(20,041)	—	11,871	
Inventories	7,722	5,867	—	13,589	
Property, plant and equipment	34,156	(21,479)	—	12,677	
Deferred income	79,076	(9,551)	—	69,525	
Share-based payments	362	280	—	642	
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	
Financing charges	—	4,312	—	4,312	
Accrued pension cost	79,046	(2,716)	5,198	81,528	
Other	—	631	—	631	
	<u>593,062</u>	<u>(403,334)</u>	<u>5,198</u>	<u>194,926</u>	
Year of 2014					
Unrealized exchange gains (losses)	(6,887)	(1,642)	—	(8,529)	(270)
Accounts receivable	11,871	(1,765)	—	10,106	320
Inventories	13,589	(252)	—	13,337	422
Property, plant and equipment	12,677	(3,338)	—	9,339	296
Deferred income	69,525	(9,550)	—	59,975	1,898
Share-based payments	642	414	—	1,056	33
Provision	7,038	3,273	—	10,311	326
Financing charges	4,312	(4,312)	—	—	—
Accrued pension cost	81,528	(1,986)	2,465	82,007	2,595
Other	631	(96)	—	535	17
	<u>194,926</u>	<u>(19,254)</u>	<u>2,465</u>	<u>178,137</u>	<u>5,637</u>

At December 31, 2014, the Group has tax losses arising in the PRC of approximately NT\$915,012 thousand (US\$28,956 thousand) (2013: NT\$1,218,080 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.

As of December 31, 2014, the temporary differences associated with withholding tax on dividends from the Company's subsidiaries in the ROC not recognized as deferred tax liabilities amounted to NT\$3,003,336 thousand (US\$95,042 thousand) (2013: NT\$2,169,473 thousand).

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

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> NT\$000	<u>2013</u> NT\$000	<u>2014</u> NT\$000	<u>2014</u> US\$000
Profit attributable to equity holders of the Company for basic earnings	629,781	1,335,348	1,663,234	52,634
Weighted average number of ordinary shares for basic EPS (in thousands)*	27,477	29,319	29,527	29,527
Earnings per share – basic	NT\$ 22.92	NT\$ 45.55	NT\$ 56.33	US\$ 1.78
Profit attributable to equity holders of the Company for diluted earnings	629,781	1,335,348	1,663,234	52,634
Weighted average number of ordinary shares for basic EPS (in thousands)*	27,477	29,319	29,527	29,527
Effect of dilution:				
Share options (in thousands)	828	843	717	717
Weighted average number of ordinary shares for diluted EPS (in thousands)*	28,305	30,162	30,244	30,244
Earnings per share – diluted	NT\$ 22.25	NT\$ 44.27	NT\$ 54.99	US\$ 1.74

* 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> NT\$000	<u>2013</u> NT\$000	<u>2014</u> NT\$000	<u>2014</u> US\$000
Dividend declared and paid of US\$0.14 (2012 and 2013: US\$0.14) per ordinary share	<u>117,521</u>	<u>122,491</u>	<u>123,392</u>	<u>3,905</u>

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

12. Available-for-sale financial assets

	December 31, 2013	December 31, 2014	December 31, 2014
	NT\$000	NT\$000	US\$000
Unlisted equity investments, at cost	28,594	237,708	7,522
Less: Allowance for impairment losses	(20,000)	(20,000)	(633)
	<u>8,594</u>	<u>217,708</u>	<u>6,889</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, 2013	452,738	9,762,290	39,796,893	3,308,610	4,084,158	57,404,689	
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	452,738	10,015,141	42,112,850	3,464,418	3,810,250	59,855,397	
Additions	—	180,711	1,001,180	198,685	2,187,665	3,568,241	
Disposals	—	(133,580)	(634,438)	(109,434)	(152,926)	(1,030,378)	
Reclassification	—	31,943	1,240,121	37,708	(1,309,772)	—	
Exchange adjustments	—	55,660	58,020	16,045	42,541	172,266	
December 31, 2014	452,738	10,149,875	43,777,733	3,607,422	4,577,758	62,565,526	1,979,922
Accumulated depreciation and impairment							
January 1, 2013	—	4,387,800	34,670,182	2,866,458	3,004,966	44,929,406	
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	—	4,845,988	35,998,552	3,089,527	3,109,377	47,043,444	
Depreciation charge for the year	—	582,971	1,946,727	230,819	145,569	2,906,086	
Impairment	—	—	—	—	—	—	
Disposals	—	(133,580)	(635,085)	(108,813)	(149,157)	(1,026,635)	
Reclassification	—	—	(41,134)	—	41,134	—	
Exchange adjustments	—	40,212	53,766	12,680	41,084	147,742	
December 31, 2014	—	5,335,591	37,322,826	3,224,213	3,188,007	49,070,637	1,552,869
Net book value							
January 1, 2013	452,738	5,374,490	5,126,711	442,152	1,079,192	12,475,283	
December 31, 2013	452,738	5,169,153	6,114,298	374,891	700,873	12,811,953	
December 31, 2014	452,738	4,814,284	6,454,907	383,209	1,389,751	13,494,889	427,053

As of December 31, 2013 and 2014, 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, 2013 and 2014****14. Prepaid rent**

	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2014</u>	<u>December 31,</u> <u>2014</u>
	NT\$000	NT\$000	US\$000
Prepaid rent – current	2,519	2,624	83
Prepaid rent – non-current	94,657	96,006	3,038
	<u>97,176</u>	<u>98,630</u>	<u>3,121</u>

Prepaid rent represents government grant of land use rights. The land use rights were pledged as of December 31, 2013 and 2014 (Note 28). The current portion is included in other current assets.

There are no unfulfilled conditions or contingencies attached to these grants.

15. Inventories

	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2014</u>	<u>December 31,</u> <u>2014</u>
	NT\$000	NT\$000	US\$000
Raw materials	1,302,652	1,532,628	48,501
Work in process	220,044	182,331	5,770
Finished goods	84,394	72,288	2,287
	1,607,090	1,787,247	56,558
Less: Allowance for impairment losses	(87,687)	(82,581)	(2,613)
	<u>1,519,403</u>	<u>1,704,666</u>	<u>53,945</u>

During 2013, NT\$22,628 thousand was recognized as an expense for inventories carried at net realizable value. This was recognized in cost of revenue.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

16. Accounts and notes and other receivables

	December 31, 2013 <u>NT\$000</u>	December 31, 2014 <u>NT\$000</u>	December 31, 2014 <u>US\$000</u>
Accounts receivable	4,119,891	4,881,649	154,483
Notes receivable	2,207	2,375	75
Less: Allowance for impairment losses	<u>(7,472)</u>	<u>(7,311)</u>	<u>(231)</u>
	4,114,626	4,876,713	154,327
Other receivables	164,710	145,859	4,616
Less: Allowance for impairment losses	<u>(477)</u>	<u>(477)</u>	<u>(15)</u>
	164,233	145,382	4,601
	<u>4,278,859</u>	<u>5,022,095</u>	<u>158,928</u>

The movements in allowance for impairment of accounts and other receivables during the year are as follows:

	Accounts receivable <u>NT\$000</u>	Other receivables <u>NT\$000</u>
January 1, 2013	57	64,783
Impairment losses reversed	—	(64,779)
Impairment losses recognized	<u>7,415</u>	<u>473</u>
December 31, 2013	7,472	477
Impairment losses reversed	<u>(161)</u>	<u>—</u>
December 31, 2014	7,311	477
December 31, 2014 (US\$000)	<u>231</u>	<u>15</u>

The individually impaired receivables related to customers that were in financial difficulties or other factors, e.g. the customers were in default or delinquency in interest or principal payments and only a portion of the receivables is expected to be recovered.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements (Continued)****December 31, 2012, 2013 and 2014****16. Accounts and notes and other receivables (continued)**

Ageing of accounts receivable which are past due but not impaired is as follows:

	December 31, 2013 <u>NT\$000</u>	December 31, 2014 <u>NT\$000</u>	December 31, 2014 <u>US\$000</u>
£ 1 month	84,476	71,823	2,273
1 – 2 months	7,289	18	—
2 – 3 months	732	3	—
3 – 4 months	531	—	—
> 4 months	2	50	2
	<u>93,030</u>	<u>71,894</u>	<u>2,275</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the management of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

17. Cash and cash equivalents and short-term deposits

	December 31, 2013 <u>NT\$000</u>	December 31, 2014 <u>NT\$000</u>	December 31, 2014 <u>US\$000</u>
Short-term deposits	5,029,105	5,413,684	171,319
Cash	534	537	17
Cash at banks	<u>8,525,062</u>	<u>10,120,331</u>	<u>320,263</u>
	13,554,701	15,534,552	491,599
Less:			
Short-term deposits with a maturity date of more than three months	(101,400)	(188,400)	(5,962)
Restricted short-term deposits (Note 28)	<u>(80,531)</u>	<u>(80,999)</u>	<u>(2,563)</u>
	(181,931)	(269,399)	(8,525)
Cash and cash equivalents	<u>13,372,770</u>	<u>15,265,153</u>	<u>483,074</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 7 days and 6 months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

17. *Cash and cash equivalents and short-term deposits (continued)*

As of December 31, 2013 and 2014, the above restricted short-term deposits were pledged as collateral (Note 28).

Cash and short-term deposits of NT\$694,305 thousand (US\$21,972 thousand) (2013: NT\$419,679 thousand) are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

18. *Issued capital*

	December 31, 2012 thousands	December 31, 2013 thousands	December 31, 2014 thousands
<u>Authorized shares</u>			
Ordinary shares	62,500	62,500	62,500
Preferred shares	18,750	18,750	18,750
	December 31, 2012 thousands	December 31, 2013 thousands	December 31, 2014 thousands
<u>Ordinary shares issued and fully paid</u>			
Thousand shares	33,366	31,778	29,003
Share capital (NT\$000)	<u>39,013</u>	<u>37,165</u>	<u>34,019</u> (US\$1,077 thousand)

The par value of ordinary shares issued was US\$0.04 per share.

The movement of ordinary shares issued is set out below:

	2012 thousands	2013 thousands	2014 thousands
January 1	33,398	33,366	31,778
Share option	668	499	391
Treasury stock	(700)	(2,087)	(3,166)
December 31	<u>33,366</u>	<u>31,778</u>	<u>29,003</u>

On November 12, 2014, the Board of Directors of the Company approved a share repurchase program for repurchase of ordinary shares by the Company of up to US\$15.0 million. As of December 31, 2014, 73 thousand shares were repurchased and recorded as treasury stock. In January 2015, a further 565 thousand shares were repurchased and all the repurchased 638 thousand shares were retired and cancelled.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

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:

	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2014
	NT\$000	NT\$000	NT\$000	US\$000
Share premium	7,388,384	6,932,632	6,260,568	198,119
Share-based payment	995,610	1,080,108	1,150,855	36,419
Treasury stock	548,457	808,159	1,339,484	42,389
Convertible notes*	2,574,007	2,627,120	2,369,544	74,986
Others	—	497,792	574,770	18,189
	<u>11,506,458</u>	<u>11,945,811</u>	<u>11,695,221</u>	<u>370,102</u>

* The convertible notes represented the share premium arising from the conversion of convertible notes. If the convertible note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued.

20. Treasury stock

The movement of treasury stock is set out below:

	2012		2013		2014		
	thousand	NT\$000	thousand	NT\$000	thousand	NT\$000	US\$000
January 1	6,474	924,781	4,474	635,741	2,093	297,580	9,417
Disposal by a subsidiary	(2,000)	(284,108)	(2,381)	(338,161)	(2,093)	(297,580)	(9,417)
Other	—	(4,932)	—	—	73	52,558	1,663
December 31	<u>4,474</u>	<u>635,741</u>	<u>2,093</u>	<u>297,580</u>	<u>73</u>	<u>52,558</u>	<u>1,663</u>

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

21. Long-term bank loans

	December 31, 2013 <u>NT\$000</u>	December 31, 2014 <u>NT\$000</u>	December 31, 2014 <u>US\$000</u>
Syndicated bank loans collateralized by equipment, repayable semi-annually from January 2012, early repaid in July 2014, interest at floating rate (2.5158% as of December 31, 2013)	2,691,000	—	—
Syndicated bank loans collateralized by land and buildings, repayable semi-annually from January 2014, early repaid in July 2014, interest at floating rate (2.5158% as of December 31, 2013)	3,028,000	—	—
Bank loans collateralized by buildings, repayable quarterly from July 2013, early repaid in December 2014, interest at floating rate (1.92% as of December 31, 2013)	425,000	—	—
Bank loans collateralized by buildings, repayable quarterly from February 2014, early repaid in March 2014, interest at floating rate (1.73% as of December 31, 2013)	400,000	—	—
Bank loans collateralized by buildings and land use right, repayable quarterly from June 2014 to March 2015, interest at floating rate (3.1645% and 3.16545% as of December 31, 2013 and December 31, 2014, respectively)	178,770	46,737	1,479
Bank loans collateralized by equipment, repayable quarterly from July 2014 to April 2015, interest at floating rate (3.1645% and 3.16545% as of December 31, 2013 and December 31, 2014, respectively)	40,958	21,416	678
Syndicated bank loans collateralized by land, buildings and equipment, repayable semi-annually from January 2015 to July 2019, interest rate at floating rate (1.8947% as of December 31, 2014)	—	6,000,000	189,873
	<u>6,763,728</u>	<u>6,068,153</u>	<u>192,030</u>
Less: current portion	<u>(2,874,756)</u>	<u>(1,508,153)</u>	<u>(47,726)</u>
	<u>3,888,972</u>	<u>4,560,000</u>	<u>144,304</u>

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements (Continued)****December 31, 2012, 2013 and 2014****21. Long-term bank loans (continued)**

Unused credit lines of long-term bank loans are as follows:

	December 31, 2013	December 31, 2014
NT\$000	400,000*	4,000,000
US\$000	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).

Details of the repayment schedule in respect of the bank loans are as follows:

	December 31, 2013 NT\$000	December 31, 2014 NT\$000	December 31, 2014 US\$000
Less than 1 year	2,874,756	1,508,153	47,726
2 to 5 years	3,888,972	4,560,000	144,304
	<u>6,763,728</u>	<u>6,068,153</u>	<u>192,030</u>

Under syndicated bank loans facility agreements, the Group is required to maintain certain financial ratios. As of December 31, 2013 and 2014, the Group was in compliance with the financial ratio requirements.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

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 deposited in the Labor Pension Fund Supervisory Committee's name in Bank of Taiwan. The Labor Pension Fund Supervisory Committee shall review, supervise, and audit all matters related to the Labor Pension Fund.

The plan provides benefits that are defined by salary and period of membership and hence, the benefits do not bear a direct relationship with the assets supporting them. The plan is a final salary defined benefit plan and is a compulsory pension plan for eligible employees in accordance with the Taiwan's Labor Standards Law. Plan benefits are paid in the form of lump sum.

The plan assets are 100% held in a commingled fund which is operated and managed by the government designated authorities. The Group does not have any rights to intervene in the fund's investment.

- 2) The amounts arising from the defined benefit obligation of the Group under the consolidated statements of financial position were as follows:

	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2014</u>	<u>December 31,</u> <u>2014</u>
	NT\$000	NT\$000	US\$000
Present value of funded defined benefit obligation	(808,621)	(812,840)	(25,723)
Fair value of plan assets	318,132	321,082	10,161
Accrued pension cost	<u>(490,489)</u>	<u>(491,758)</u>	<u>(15,562)</u>

- 3) Changes in present value of funded defined benefit obligation:

	<u>2013</u>	<u>2014</u>	<u>2014</u>
	NT\$000	NT\$000	US\$000
Benefit obligation at beginning of year	787,869	808,621	25,589
Service cost	638	569	18
Interest cost	11,741	17,238	546
Actuarial losses	29,846	14,872	471
Benefit paid from plan assets	<u>(21,473)</u>	<u>(28,460)</u>	<u>(901)</u>
Benefit obligation at end of year	<u>808,621</u>	<u>812,840</u>	<u>25,723</u>

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

22. Accrued pension cost (continued)

a) Defined benefit plans (continued)

4) Changes in plan assets:

	<u>2013</u>	<u>2014</u>	<u>2014</u>
	NT\$000	NT\$000	US\$000
Fair value of assets at beginning of year	313,531	318,132	10,067
Expected return on plan assets	4,802	6,937	220
Actuarial (losses) / gains	(728)	370	12
Employer contributions	22,000	24,103	763
Benefits paid from plan assets	(21,473)	(28,460)	(901)
Fair value of assets at end of year	<u>318,132</u>	<u>321,082</u>	<u>10,161</u>

5) The amounts recognized in the consolidated income statements, consist of:

	<u>2013</u>	<u>2014</u>	<u>2014</u>
	NT\$000	NT\$000	US\$000
Service cost	638	569	18
Interest cost	11,741	17,238	546
Expected return on plan assets	(4,802)	(6,937)	(220)
Plan amendments	—	—	—
Net periodic benefit cost	<u>7,577</u>	<u>10,870</u>	<u>344</u>

6) The pension costs in 2013 and 2014 were as follows:

	<u>2013</u>	<u>2014</u>	<u>2014</u>
	NT\$000	NT\$000	US\$000
Cost of revenue	5,748	8,549	271
Research and development expenses	713	920	29
Sales and marketing expenses	74	98	3
Administrative and general expenses	1,042	1,303	41
	<u>7,577</u>	<u>10,870</u>	<u>344</u>

7) Amounts recognized in other comprehensive income (losses) in 2013 and 2014 were as follows:

	<u>2013</u>	<u>2014</u>	<u>2014</u>
	NT\$000	NT\$000	US\$000
Current year	<u>(30,574)</u>	<u>(14,502)</u>	<u>(459)</u>
Accumulated	<u>(105,653)</u>	<u>(120,155)</u>	<u>(3,802)</u>

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". ChipMOS Taiwan and ThaiLin do not have any rights to intervene in the Funds' investment. 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 December 31, 2013 and 2014, is given in the Annual Labor Retirement Fund Utilization Report published by the government.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements (Continued)****December 31, 2012, 2013 and 2014****22. Accrued pension cost (continued)**

a) Defined benefit plans (continued)

- 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 the 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:

	2013	2014
Discount rate used in determining present values	2.15%	2.25%
Expected future salary increase rate	3.00%~5.00%	3.50%~5.00%

The representative rates of mortality 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.

The turnover rates derived from turnover experience 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%

The major assumptions of the actuarial valuation remain unchanged from 2013.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

22. Accrued pension cost (continued)

a) Defined benefit plans (continued)

11) The significant actuarial assumptions at December 31, 2013 are shown below:

	<u>Sensitivity analysis</u> %	<u>Effect on Defined Benefit Obligation</u> NT\$000
Discount rate (increase)	0.25	(30,824)
Discount rate (decrease)	0.25	32,506
Salary increase rate (increase)	0.25	31,956
Salary increase rate (decrease)	0.25	(30,472)

The significant actuarial assumptions at December 31, 2014 are shown below:

	<u>Sensitivity analysis</u> %	<u>Effect on Defined Benefit Obligation</u>	
		NT\$000	US\$000
Discount rate (increase)	0.25	(29,666)	(939)
Discount rate (decrease)	0.25	31,236	988
Salary increase rate (increase)	0.25	30,736	973
Salary increase rate (decrease)	0.25	(29,352)	(929)

12) The historical information of experience adjustments is as follows:

	<u>2013</u> NT\$000	<u>2014</u> NT\$000	<u>2014</u> US\$000
Present value of defined benefit obligation	(808,621)	(812,840)	(25,723)
Fair value of plan assets	318,132	321,082	10,161
Present value of unfunded defined benefit obligation	<u>(490,489)</u>	<u>(491,758)</u>	<u>(15,562)</u>
Experience adjustments on plan liabilities	<u>(29,846)</u>	<u>(14,872)</u>	<u>(471)</u>
Experience adjustments on plan assets	<u>(728)</u>	<u>(370)</u>	<u>(12)</u>

The Group expects to make contributions of NT\$24,980 thousand (US\$791 thousand) during 2015.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements (Continued)****December 31, 2012, 2013 and 2014****22. Accrued pension cost (continued)**

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\$162,132 thousand (US\$5,131 thousand) and NT\$162,849 thousand in the consolidated income statements in 2014 and 2013, 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\$44,875 thousand (US\$1,420 thousand) and NT\$40,348 thousand in the consolidated income statements in 2014 and 2013, respectively.

23. Short-term bank loans

	December 31, 2013	December 31, 2014	December 31, 2014
	NT\$000	NT\$000	US\$000
Secured bank loans	—	24,151	764
Unsecured bank loans	786,680	1,744,119	55,194
	786,680	1,768,270	55,958
Annual interest rate	0.8621% - 1.6913%	0.8668% - 3.16545%	

Unused credit lines of short-term bank loans are as follows:

	December 31, 2013	December 31, 2014
NT\$000	2,275,416	3,125,486
US\$000	25,000	35,498

Certain of the Group’s short-term bank loans are secured by certain assets as collateral (Note 28).

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements (Continued)****December 31, 2012, 2013 and 2014****24. Significant commitments and contingencies**Operating leases commitments

ChipMOS Taiwan entered into several operating lease contracts for land. These renewable operating leases will expire by 2034.

ChipMOS Taiwan entered into several operating lease contracts for machinery and equipment. These renewable operating leases will expire by 2016.

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:

	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2014</u>	<u>December 31,</u> <u>2014</u>
	<u>NT\$000</u>	<u>NT\$000</u>	<u>US\$000</u>
£ 1 year	127,497	83,832	2,653
2 to 5 years	143,540	140,767	4,455
> 5 years	113,095	225,279	7,129
	<u>384,132</u>	<u>449,878</u>	<u>14,237</u>

Capital commitments

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

	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2014</u>
Property, plant and equipment		
NT\$000	265,271	910,802
US\$000	—	3,532
China Yuan 000	2,518	3,454

In total, the capital commitments of the Group as at December 31, 2013 and 2014 are NT\$277,576 thousand and NT\$1,040,001 thousand (US\$32,911 thousand), respectively.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

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 July 13, 2009, Freescale filed a complaint with the court alleging 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 and for declaratory judgement of patent non-infringement and invalidity. After procedures of numerous motions, discovery, summary judgment and mediation, 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 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 per year and filing a Joint Stipulation for the Dismissal of all claims pending between them. After settlement, ChipMOS Taiwan reserved the over-accrued royalty of NT\$140,435 thousand (Note 6) to other operating income. The Joint Stipulation for Dismissal was filed on July 26, 2013 and the case was closed by the Court.
- 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. On April 21, 2008, Tessera requested that the International Trade Commission investigate ChipMOS Bermuda, ChipMOS Taiwan and ChipMOS USA on the basis of alleged violations of Section 337 of the Tariff Act of 1930. After procedures of numerous motions, discovery and mediation, 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, 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 and the case was closed by the Court.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

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:

	Country of incorporation and operation	2013	2014
ChipMOS Taiwan	ROC	37.91%	39.62%
ThaiLin	ROC	70.48%	71.30%
ChipMOS Shanghai	PRC	70.48%	71.30%
		2013	2014
		NT\$000	NT\$000

Accumulated balances of material non-controlling interests:

ChipMOS Taiwan	4,500,684	5,759,956
ThaiLin	1,756,413	1,633,448
ChipMOS Shanghai	770,648	1,079,319

Profit (loss) allocated to material non-controlling interests:

ChipMOS Taiwan	312,240	993,576
ThaiLin	80,682	238,265
ChipMOS Shanghai	(39,312)	43,589

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 2013:

	ChipMOS Taiwan NT\$000	ThaiLin NT\$000	ChipMOS Shanghai 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	—

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

25. *Material partly-owned subsidiaries (continued)*

Summarized statement of comprehensive income for 2014:

	ChipMOS Taiwan NT\$000	ThaiLin NT\$000	ChipMOS Shanghai NT\$000
Revenue	19,544,911	1,514,711	1,176,382
Cost of revenue	(14,895,046)	(1,096,355)	(1,087,229)
Operating expenses	(1,104,143)	(154,879)	(39,281)
Finance costs	(126,487)	(8,552)	(6,999)
Other non-operating income (expenses), net	624,677	945,047	18,045
Profit before tax	4,043,912	1,199,972	60,918
Income tax	(710,525)	(192,963)	—
Profit for the year	3,333,387	1,007,009	60,918
Total comprehensive income for the year	3,098,982	415,175	60,918
Attributable to non-controlling interests	993,576	238,265	43,589
Dividends paid to non-controlling interests	411,075	80,874	—

Summarized statement of financial position as of December 31, 2013:

	ChipMOS Taiwan NT\$000	ThaiLin NT\$000	ChipMOS Shanghai 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

Summarized statement of financial position as of December 31, 2014:

	ChipMOS Taiwan NT\$000	ThaiLin NT\$000	ChipMOS Shanghai NT\$000
Current assets	17,068,919	2,336,985	1,216,519
Non-current assets	14,243,381	3,121,787	717,511
Current liabilities	7,827,932	358,413	325,004
Non-current liabilities	5,400,498	52,846	94,107
Total equity	18,083,870	5,047,513	1,514,919

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

25. *Material partly-owned subsidiaries (continued)*

Summarized cash flow information for year ended December 31, 2013:

	ChipMOS Taiwan NT\$000	ThaiLin NT\$000	ChipMOS Shanghai 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	551,479	716,860	122,747

Summarized cash flow information for year ended December 31, 2014:

	ChipMOS Taiwan NT\$000	ThaiLin NT\$000	ChipMOS Shanghai NT\$000
Operating	5,731,189	197,096	187,075
Investing	(2,914,304)	510,149	(110,800)
Financing	777,122	(979,170)	168,524
Effect of foreign exchange rate changes	—	—	25,358
Net increase in cash and cash equivalents	3,594,007	(271,925)	270,157

26. *Changes in ownership interest in subsidiaries*

During 2013, 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 recognized and the consideration received was credited to capital surplus and debited to retained earnings, respectively.

During 2014, ChipMOS Bermuda disposed of approximately 2% of its interest in ChipMOS Taiwan which in turn becomes a 60.38% owned subsidiary of the Company. The consideration of NT\$33,686 thousand (US\$1,066 thousand) was received in cash. An amount of NT\$24,707 thousand (US\$782 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\$8,979 thousand (US\$284 thousand) between the amount of additional non-controlling interests recognized and the consideration received was credited to capital surplus.

27. *Related party transactions*

During 2013, 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.

Key management personnel compensation:

	2012 NT\$000	2013 NT\$000	2014 NT\$000	2014 US\$000
Short-term employee benefits	139,993	155,969	220,848	6,989
Post-employment pension	1,919	1,825	2,147	68
Share-based payments	27,826	49,044	87,937	2,783
	<u>169,738</u>	<u>206,838</u>	<u>310,932</u>	<u>9,840</u>

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements (Continued)****December 31, 2012, 2013 and 2014****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:

	December 31, 2013	December 31, 2014	December 31, 2014
	NT\$000	NT\$000	US\$000
Property, plant and equipment (Note 13)	6,149,767	7,267,802	229,994
Restricted short-term deposits (Note 17)	80,531	80,999	2,563
Prepaid rents (Note 14)	97,176	98,630	3,121
	<u>6,327,474</u>	<u>7,447,431</u>	<u>235,678</u>

29. Financial instruments by category

	December 31, 2013	December 31, 2014	December 31, 2014
	NT\$000	NT\$000	US\$000
Financial assets			
Available-for-sale financial assets, at cost	8,594	217,708	6,889
Loans and receivables	17,854,020	20,577,898	651,200
	<u>17,862,614</u>	<u>20,795,606</u>	<u>658,089</u>
Financial liabilities			
Financial liabilities at amortized cost	10,906,855	12,124,099	383,674

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, 2013 and 2014****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.

	December 31, 2013		
	Change in exchange rate	Effect on profit (NT\$000)	Effect on equity (NT\$000)
<u>Financial assets</u>			
US\$000	5%	431,099	431,099
JPY000	5%	39,559	39,559
<u>Financial liabilities</u>			
US\$000	5%	73,205	73,205
JPY000	5%	33,071	33,071

	December 31, 2014		
	Change in exchange rate	Effect on profit (NT\$000)	Effect on equity (NT\$000)
<u>Financial assets</u>			
US\$000	5%	305,799	305,799
JPY000	5%	18,856	18,856
<u>Financial liabilities</u>			
US\$000	5%	123,347	123,347
JPY000	5%	41,990	41,990

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements (Continued)****December 31, 2012, 2013 and 2014****30. Financial risk management and fair values of financial instruments (continued)**

a) Financial risk management (continued)

1) Market risk (continued)

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, 2014, 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 and equity by approximately NT\$78,364 thousand (US\$ 2,480 thousand) (2013: NT\$75,504 thousand).

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 December 31, 2013 and 2014, respectively, as detailed in the below table. The credit concentration risk of other accounts and notes receivable is insignificant.

<u>Customers</u>	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2014</u>
Micron	13%	14%
Novatek	17%	18%
Himax Technologies, Inc.	Not applicable	10%

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, 2013 and 2014

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 21 and 23 about the unused credit lines of the Group.

The maturity profile of the Group's non-derivative financial liabilities as of December 31, 2013 and 2014 based on the contracted undiscounted payments, is as follows:

	December 31, 2013			
	≤ 1 year	2 to 5 years	> 5 years	Total
	NT\$000	NT\$000	NT\$000	NT\$000
Long-term bank loans (including current portion)	2,995,869	3,974,915	—	6,970,784
Accounts payable and payables to contractors and equipment suppliers	1,815,038	—	—	1,815,038
Other payables	1,541,409	—	—	1,541,409
Short-term bank loans	790,438	—	—	790,438
	<u>7,142,754</u>	<u>3,974,915</u>	<u>—</u>	<u>11,117,669</u>

	December 31, 2014				
	≤ 1 year	2 to 5 years	> 5 years	Total	Total
	NT\$000	NT\$000	NT\$000	NT\$000	US\$000
Long-term bank loans (including current portion)	1,604,086	4,684,449	—	6,288,535	199,004
Accounts payable and payables to contractors and equipment suppliers	2,382,384	—	—	2,382,384	75,392
Other payables	1,905,292	—	—	1,905,292	60,294
Short-term bank loans	1,773,368	—	—	1,773,368	56,119
	<u>7,665,130</u>	<u>4,684,449</u>	<u>—</u>	<u>12,349,579</u>	<u>390,809</u>

b) Fair values of financial instruments

The notional amounts of financial assets and financial liabilities are assumed to approximate their fair values.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

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\$149,240 thousand (US\$4,723 thousand) (2013: NT\$101,928 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>2013</u> Number of options	<u>2013</u> WAEP US\$	<u>2014</u> Number of options	<u>2014</u> WAEP US\$
Outstanding at January 1	1,705,548	9.02	1,565,023	10.01
Granted during the year	688,996	13.89	241,256	20.24
Forfeited during the year	(75,944)	11.72	(113,541)	11.89
Exercised during the year	(500,383)	5.81	(390,664)	7.29
Expired during the year	(253,194)	21.65	(1,658)	7.75
Outstanding at December 31	<u>1,565,023</u>	10.01	<u>1,300,416</u>	12.57
Exercisable at December 31	<u>462,032</u>	7.39	<u>446,269</u>	9.49

The weighted average share price at the date of exercise of these options exercised in 2014 was US\$22.86 (2013: US\$17.93).

The weighted average remaining contractual life for the share options outstanding as of December 31, 2014 was 4.34 years (2013: 4.61 years).

The weighted average fair value of options granted during 2014 was US\$18.75 (2013: US\$13.69).

The range of exercise prices for options outstanding at the end of 2014 was US\$2.55~21.488 (2013: US\$2.3796~21.488).

The following tables list the inputs to the Black-Scholes Option Pricing Model used for the option plans for the years ended December 31, 2014 and 2013, respectively.

	<u>2013</u>	<u>2014</u>
Dividend yield	0~1.33%	0~1.33%
Expected volatility	70.88~239.76%	96.31~213.94%
Risk-free interest rate	0.3725~3.04%	0.3725~3.00%
Expected life	3.5~7 years	3.5~7 years

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements (Continued)****December 31, 2012, 2013 and 2014****31. Share-based payments (continued)**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.

The carrying amount of the liability relating the SARs at December 31, 2014 was NT\$221,619 thousand (US\$7,013 thousand) (2013: NT\$136,568 thousand).

During the year, the Group recognized NT\$132,374 thousand (US\$4,189 thousand) (2013: NT\$130,662 thousand) compensation expenses in respect of SARs plans. The total compensation expenses of the SARs vested up to December 31, 2014 were NT\$421,498 thousand (US\$13,339 thousand) (2013: NT\$289,124 thousand).

The following table illustrates the number and WAEP of, and movements in, SARs during the year:

	<u>2013</u> Number of rights	<u>2013</u> WAEP US\$	<u>2014</u> Number of rights	<u>2014</u> WAEP US\$
Outstanding at January 1	640,848	6.83	812,429	10.87
Granted during the year	521,020	13.95	36,010	20.24
Forfeited during the year	(46,501)	7.26	(24,841)	11.94
Exercised during the year	(249,563)	5.01	(138,489)	8.03
Expired during the year	(53,375)	22.88	(1,264)	7.35
Outstanding at December 31	<u>812,429</u>	10.87	<u>683,845</u>	11.91
Exercisable at December 31	<u>67,329</u>	4.73	<u>164,218</u>	9.57

The weighted average share price at the date of exercise of these SARs exercised in 2014 was US\$22.82 (2013: US\$17.76).

The weighted average remaining contractual life for the SARs outstanding as of December 31, 2014 was 4.13 years (2013: 2.68 years).

The weighted average fair value of SARs granted during 2014 was US\$17.64 (2013: US\$15.00).

The range of exercise prices for SARs outstanding at the end of 2014 was US\$2.55~20.3405 (2013: US\$2.448~14.0675).

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements (Continued)****December 31, 2012, 2013 and 2014****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\$7,836,423 thousand (US\$247,988 thousand) (2013: NT\$7,550,408 thousand) (Notes 21 and 23) less cash and cash equivalents of NT\$15,265,153 thousand (US\$483,074 thousand) (2013: NT\$13,372,770 thousand) (Note 17), and equity attributable to equity holders of the Company, comprising issued capital of NT\$34,019 thousand (US\$1,077 thousand) (2013: NT\$37,165 thousand) and all other equity reserves attributable to the equity holders of the Company of NT\$14,582,746 thousand (US\$461,479 thousand) (2013: 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 2013.

The Group monitors capital using the net debt-to-equity ratio, the percentages of which as of December 31, 2013 and 2014 were as follows:

	<u>Note</u>	<u>December 31,</u> <u>2013</u> <u>NT\$000</u>	<u>December 31,</u> <u>2014</u> <u>NT\$000</u>	<u>December 31,</u> <u>2014</u> <u>US\$000</u>
Bank loans	21, 23	7,550,408	7,836,423	247,988
Less: Cash and cash equivalents	17	(13,372,770)	(15,265,153)	(483,074)
Net debt		(5,822,362)	(7,428,730)	(235,086)
Equity attributable to the equity holders of the Company		13,564,663	14,616,765	462,556
Net debt-to-equity ratio		<u>-42.92%</u>	<u>-50.82%</u>	<u>-50.82%</u>

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements (Continued)****December 31, 2012, 2013 and 2014****33. Events after the reporting period**

- a) The proposed plan to merge ChipMOS Taiwan and ThaiLin was approved by the respective shareholders at the special general meetings held on December 30, 2014. Under the terms and conditions of the merger plan, ThaiLin's shareholders will be offered a combination of NT\$12.5 in cash and 0.311 of one ChipMOS Taiwan common share in exchange for each ThaiLin common share held. On consummation of the proposed merger, ThaiLin will be merged with ChipMOS Taiwan and ChipMOS Taiwan will continue as the surviving merged entity. The merger record date is expected to occur on June 17, 2015.
- b) On December 30, 2014, ChipMOS Taiwan's Board of Directors approved to further invest in JMC Electronics Co., LTD. ("JMC") 5,800 thousand common shares for the amount of NT\$116,000 thousand (US\$3,671 thousand). Together with the 13,300 thousand common shares investment approved on August 12, 2014, ChipMOS Taiwan will hold in aggregate of 21.22% of JMC's outstanding shares, after JMC completed its capital increase in January 2015.

34. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective for the year ended December 31, 2014 and which have not been early adopted by the Group are disclosed below:

		Effective for annual reporting periods beginning on or after
IAS 19 Amendments	Defined Benefit Plans: Employee Contributions	July 1, 2014
Amendments to IFRSs	Annual Improvements to IFRSs 2010 – 2012 Cycle	July 1, 2014
Amendments to IFRSs	Annual Improvements to IFRSs 2011 – 2013 Cycle	July 1, 2014
IAS 1 Amendments	Disclosure Initiatives	January 1, 2016
IAS 16 and IAS 38 Amendments	Classification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
IAS 16 and IAS 41 Amendments	Agriculture: Bearer Plants	January 1, 2016
IAS 27 Amendments	Equity Method in Separate Financial Statements	January 1, 2016
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	January 1, 2016
IFRS 10, IFRS 12 and IAS 28 Amendments	Investment Entities: Applying the Consolidation Exception	January 1, 2016
IFRS 11 Amendments	Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
IFRS 14*	Regulatory Deferral Accounts	January 1, 2016

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements (Continued)****December 31, 2012, 2013 and 2014****34. Standards issued but not yet effective (continued)**

		Effective for annual reporting periods beginning on or after
Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2017
IFRS 9	Financial Instruments	January 1, 2018

- * IFRS 14 applies to first annual IFRS financial statements for a period beginning on or after January 1, 2016 and therefore is not applicable to the Group. The Group has already commenced an assessment of the related impact of adopting the above new and revised IFRSs. So far, it has concluded that the above new and revised IFRSs will be adopted at the respective effective dates and the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group except for the following:

IFRS 9 “Financial Instruments”

In September 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from January 1, 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group’s financial assets. Further information about the impact will be available nearer the implementation date of the standard.

IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on January 1, 2017 and is currently assessing the impact of IFRS 15 upon adoption.

“Annual Improvements to IFRSs 2012-2014 Cycle”

The Annual Improvements to IFRSs 2012-2014 Cycle issued in September 2014 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2016. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendments are as follows:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendment is to be applied prospectively.

IFRS 7 Financial Instruments: Disclosures: Clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the IFRS 7 disclosures are required.

IAS 19 Employee Benefits: Clarifies that market depth of high quality corporate bonds used for discounting the post-employment benefit obligation for defined benefit plans is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012, 2013 and 2014

35. *Approval of the financial statements*

These financial statements were approved and authorized for issue by the Board of Directors on March 12, 2015.

(Translation)

NT\$10,000,000,000 Syndicated Loan Agreement

Syndicated Loan Agreement

ChipMOS TECHNOLOGIES INC.

(Borrower)

Bank of Taiwan Co., Ltd.

(Lead Arranger and Lender)

Taiwan Cooperative Bank Co., Ltd.

Land Bank of Taiwan Co., Ltd.

Yuanta Commercial Bank Co., Ltd.

Taishin International Bank Co., Ltd.

(Joint Lead Arrangers and Lenders)

Chang Hwa Commercial Bank, Ltd.

Hua Nan Commercial Bank, Ltd.

Ta Chong Bank, Ltd.

First Commercial Bank, Ltd.

Taiwan Shin Kong Commercial Bank Co., Ltd.

Bank of Panhsin Co., Ltd.

(Lenders)

Bank of Taiwan Co., Ltd.

(Facility Agent)

Taiwan Cooperative Bank Co., Ltd.

Land Bank of Taiwan Co., Ltd.

Yuanta Commercial Bank Co., Ltd.

(Document Management Banks)

July 2, 2014

Baker & McKenzie

15F, No. 168, Dunhua North Road, Taipei City

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Appendix

[Appendix 1 The Commitment Amount of Each Lender](#)

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Syndicated Loan Agreement

This Syndicated Loan Agreement (hereafter the “**Agreement**”) is entered into on July 2, 2014, by and among the following parties:

- (1) **ChipMOS TECHNOLOGIES INC.** is a company limited by shares organized and existing under the Laws of the Republic of China with the business address registered at the Hsinchu Science Park at No. 1, Yanfa 1st Rd., Paoshan Township, Hsinchu County (hereafter the “**Borrower**”);
and
- (2) **the banks and financial institutions specified in Appendix 1** (hereafter referred to as the “**Lender**” individually and as the “**Lenders**” collectively);
and
- (3) **Bank of Taiwan Co., Ltd.** shall be the lead arranger (hereafter the “**Lead Arranger**”) of this Syndicated Loan (as defined hereunder);
and
- (4) **Taiwan Cooperative Bank Co., Ltd.; Land Bank of Taiwan Co., Ltd.; Yuanta Commercial Bank Co., Ltd.; and Taishin International Bank Co., Ltd.** shall be the Joint Lead Arrangers of this Syndicated Loan;
and
- (5) **Bank of Taiwan Co., Ltd.** shall act as the Facility Agent under the Agreement (hereafter the “**Facility Agent**”);
and
- (6) **Taiwan Cooperative Bank Co., Ltd., Land Bank of Taiwan Co., Ltd., and Yuanta Commercial Bank Co., Ltd.** shall act as the Document Management Banks under this Agreement.

To repay the existing loans from the financial institutions (including, but not limited to, the outstanding amount under the 2011 Syndicated Loan (as defined hereunder)) and to replenish the medium-term operating working capital, the Borrower requests the Lead Arranger to organize the Lenders and applies for a credit facility in the amount of NT\$10 billion (NT\$10,000,000,000) (hereafter this “**Syndicated Loan**”).

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The Lead Arranger has hereby organized the Lenders, and the Lenders have agreed to provide financing to the Borrower up to the total Maximum Facility Amount (as defined hereunder) according to the terms and conditions set forth herein.

The Lead Arranger and the Lenders also agreed to jointly appoint Bank of Taiwan Co., Ltd. as the Facility Agent of the Agreement to act on behalf of the Lenders, to facilitate the relevant processes of administering this Syndicated Loan according to the terms and conditions stipulated by the Agreement, and to exercise the rights vested by the Lenders pursuant to this Agreement.

In addition, the Lead Arranger and the Lenders have agreed to jointly appoint Taiwan Cooperative Bank Co., Ltd.; Land Bank of Taiwan Co., Ltd.; and Yuanta Commercial Bank Co., Ltd. to act as the Document Management Banks.

NOW, THEREFORE, the parties hereto hereby agree as follows:

Article 1 Definitions and Interpretations

1. Definitions

Unless otherwise defined in the Agreement, the following terms shall have the meanings set forth below:

- (1) **“Maximum Facility Amount”** shall mean the Maximum Facility Amount committed by the Lenders pursuant to the terms of this Agreement for Tranche A Facility Amount and Tranche B Facility Amount (as defined hereunder). The Maximum Facility Amount shall be NT\$10 billion (NT\$10,000,000,000) upon the signing of this Agreement, which may be subsequently cancelled or reduced pursuant to the terms and provisions of this Agreement.
- (2) **“Tranche A Facility Amount”** shall mean the facility amount of NT\$6 billion (NT\$6,000,000,000) provided by the Lenders.

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- (3) **“Tranche B Facility Amount”** shall mean the facility amount of NT\$4 billion (NT\$4,000,000,000) provided by the Lenders. This Tranche B Facility Amount is divided into two facility amounts: NT\$4 billion (NT\$4,000,000,000) as Tranche B-1 Facility Amount (**“Tranche B-1 Facility Amount”**), and US\$100 million (US\$100,000,000) as Tranche B-2 Facility Amount (**“Tranche B-2 Facility Amount”**).
- (4) **“Tranche(s) Facility Amount”** shall mean the facility amounts under Tranche A Facility Amount or Tranche B Facility Amount.
- (5) **“Participation Percentage”** shall mean (a) the Commitment Amount respectively provided by each Lender as a percentage of each of the Tranches Facility Amount, with respect to the Tranches Facility Amount, and (b) the total Commitment Amount respectively provided by each Lender as a percentage of the Maximum Facility Amount, with respect to the Maximum Facility Amount.
- (6) **“Facility Participation Amount”** shall mean the facility amount provided by each Lender for each Drawdown, with respect to each and any Drawdown under this Agreement.
- (7) **“Commitment Amount”** shall mean the facility amount respectively committed by each Lender as indicated in Appendix 1. The following shall be deducted when calculating the Commitment Amount: (a) Facility Participation Amount already provided by the Lenders during each Drawdown under the Agreement, or (b) the amount cancelled or reduced pursuant to other provisions of the Agreement.
- (8) **“Outstanding Principal Balance”** shall mean the balance of loan principal already disbursed by the Lenders to the Borrower at any time during the Duration of the Agreement but not yet repaid by the Borrower. In the context of respective Lender, it shall mean the balance of loan principal already disbursed by said Lender to the Borrower but not yet repaid.
- (9) **“Outstanding Balance”** shall mean any and all indebtedness owed by the Borrower to the Lenders during the Duration of the Agreement, including the Outstanding Principal Balance, interest, default interest, penalties, fees and other unpaid payables.

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- (10) **“Majority Lenders”** (a) In terms of the Maximum Facility Amount, after the Borrower has made Drawdown for any one of the Tranches Facility Amount, it means the Lenders whose sum of the Outstanding Principal Balance has exceeded two-thirds of all of the Outstanding Principal Balance under the terms of this Agreement. Before or if the Outstanding Principal Balance is zero after the Borrower has made Drawdown for any one of the Tranches Facility Amount, it means the Lenders whose total Commitment Amount has exceeded two-thirds of the Maximum Facility Amount. (b) In terms of any Tranches Facility Amount, before or if the Outstanding Principal Balance is zero after the Borrower has made Drawdown for the Tranches Facility Amount, it means the Lenders whose total Commitment Amount has exceeded two-thirds of the sum of the Tranches Facility Amount for such Tranches Facility Amount. If the Borrower has already made Drawdown for any of the Tranches Facility Amount, it means the Lenders whose sum of the Outstanding Principal Balance for such Tranches Facility Amount has exceeded two-thirds of all of the Outstanding Principal Balances.
- (11) **“Drawdown”** shall mean the act of the Borrower drawing down any of the Tranches Facility Amount by requesting Lenders to disburse funds pursuant to the Agreement. **“Drawdown Date”** shall mean the date on which the Borrower draws down any of the Tranches Facility Amount, which must be a banking Business Day.
- (12) **“First Drawdown”** shall mean the act of Borrower drawing down any of the Tranches Facility Amount pursuant to the Agreement for the first time; **“First Drawdown Date”** shall mean the day on which the Borrower first draws down any of the Tranches Facility Amount (which must be a banking Business Day), or the day deemed as the First Drawdown Date pursuant to the Agreement.
- (13) **“Drawdown Request”** shall mean the drawdown request form delivered by the Borrower in accordance with the format presented in Schedule 1.
- (14) **“Final Maturity Date”** shall mean the last day of the Loan Period set forth in Paragraph 3 of Article 2.

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- (15) **“Duration of the Agreement”** shall mean the period starting from the date on which the Agreement is executed to the date on which the Borrower has completely paid off all of its indebtedness under the Agreement (including but not limited to the Outstanding Principal Balance, interest, default interest, penalties, advances, other expense items, related indemnities and interest incurred therefrom, commitment fees, Lead Arranger Fee, Facility Agent Fee, and all other relevant indebtedness), and after the Borrower has fully performed all of its obligations under the Agreement.
- (16) **“Business Days”** shall mean any day on which banks in Taiwan area are open to the public for business during regular business hours according to law and regulations.
- (17) **“Promissory Note(s)”** shall mean any promissory note(s) issued by the Borrower pursuant to Subparagraph (6) of Paragraph 1 of Article 10 and other promissory note(s) to be issued by the Borrower in the future to replace the aforementioned promissory note(s) that have the same format and substance as those presented in Schedule 2.
- (18) **“Note Authorization(s)”** shall mean any note authorization(s) issued by the Borrower pursuant to Subparagraph (6) of Paragraph 1 of Article 10 and other note authorization(s) to be issued by the Borrower in the future to replace the aforementioned note authorization(s) that have the same format and substance as those presented in Schedule 3.
- (19) **“Assignment of Insurance Rights and Benefits Agreement”** shall mean the agreement signed by the Borrower pursuant to Paragraph 3 of Article 11 of the Agreement; whereby the Borrower shall transfer the relevant insurance interests for the insurance purchased for the Collateral to the Facility Agent. The content and format of such agreements shall comply with those specified in Schedule 8.
- (20) **“Land(s)”** shall mean the particular land(s) owned by the Borrower as listed in Appendix 2.
- (21) **“Building(s)”** shall mean the particular Building(s) owned by the Borrower as listed in Appendix 2.

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- (22) **“Machinery and Equipment”** shall mean the machinery and equipment and the ancillary equipment owned by the Borrower as listed in Appendix 3.
- (23) **“Security Agreement”** shall mean the agreement for creation of real estate or chattel mortgage for items such as Land(s), Building(s), and Machinery and Equipment as stipulated by Article 11. **“Security Interests”** shall mean real estate or chattel mortgages created as the security for the Facility Agent under Article 11 hereof. **“Collateral(s)”** shall mean the various Land(s), Building(s), and Machinery and Equipment as stipulated by Article 11 hereof.
- (24) **“Negative Pledge”** shall mean the Negative Pledge issued by the Borrower under Subparagraph (15) of Paragraph 1 of Article 10 pursuant to the format specified in Schedule 9.
- (25) **“Security Document(s)”** shall mean the Agreement, Promissory Note(s), Note Authorization(s), Security Agreement, Assignment of Insurance Rights and Benefits Agreement, Negative Pledge, and other documents signed by the Borrower or others at any time to be provided as the security for the indebtedness owed by the Borrower under the Agreement.
- (26) **“Rights and Interests of Security”** shall mean the mortgage of real property, chattel mortgage, pledge of rights, creation of encumbrance, alienation guarantee under trust, assignment of right and interest, conditional sale, trust receipt, pledge, lien, guaranty agreement, rights of first refusal or other rights and interests of security, or other forms of security arrangements.
- (27) **“Reference Rate”** shall mean (a) the one-year regular savings variable rate established by Chunghwa Post Co. Ltd. one Business Day prior to the Drawdown Date or the benchmark Interest Rate Adjustment Date (as defined hereunder) in terms of the Drawdown of the Tranche A Facility Amount and/or Tranche B-1 Facility Amount by the Borrower; or (b) the London Interbank Offered Rate (LIBOR) (as defined hereunder) in terms of any Drawdown by the Borrower for the Tranche B-2 Facility Amount.

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- (28) **“Interest Period”** shall mean, in terms of each Drawdown by the Borrower, the period starting from the Drawdown Date to the preceding day to the relevant date of the First Drawdown Date during the month next to the Drawdown date and one full month hence after. If there is no relevant date, the last day of the month shall be deemed as the relevant date. However, in terms of any Drawdown for Tranche B Facility Amount, the last interest period shall end on the Maturity Date for such Drawdown.
- (29) **“Interest Rate Adjustment Date”** shall mean, in terms of any Drawdown under the Tranche A Facility Amount and Tranche B-1 Facility Amount, the commencement date of each applicable Interest Period.
- (30) **“Term of Facility”** shall mean no more than 180 days from each Drawdown Date without exceeding the Loan Period in terms of any Drawdown by the Borrower under the Tranche B-1 Facility Amount, and 3 months or 6 months after each Drawdown Date without exceeding the Loan Period in terms of any Drawdown by the Borrower under the Tranche B-2 Facility Amount. The **“Maturity Date”** shall mean the final date of the Term of Facility.
- (31) **“London Interbank Offered Rate (LIBOR)”** shall mean, in terms of any Drawdown by the Borrower under the Tranche B-2 Facility Amount, the fixing rate of US dollar offered rate, shown on the information screen page 3750 (or the various other US dollar offered rates that will replace page 3750 in the future) at approximately 11 AM by Reuters Co., Ltd. (Reuters) two Business Days prior to the Drawdown Date, of the London Interbank Offered Rate for the same Term of Facility of such Drawdown (i.e., **“Interest Rate Period”**). If such interest rates are not available, the interest rate in accordance with the market practice for a longer period shall prevail.
- (32) **“TAIFX3 Rate”** shall mean, in terms of any Drawdown by the Borrower under the Tranche B-2 Facility Amount, the fixing rate of US dollar offered rate of Taipei Foreign Exchange Trading Center for the same period as the Interest Rate Period for the drawdown displayed on page TAIFX3 of the Reuters information screen (TAIFX3) two (2) Business Days prior to each Drawdown Date (or later on another page of the system that displays US dollar offered rates in place of page TAIFX3). If such interest rates are not available, the fixing rate of US dollar offered rate (offer side) in accordance with the market practice for a longer period shall prevail.

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- (33) **“Additional Capital Costs”** shall mean, in terms of any Drawdown by the Borrower under the Tranche B-2 Facility Amount, the higher of the following two items: (a) the TAIFX3 rate minus the LIBOR minus 0.30% of the annual interest rate, or (b) zero.
- (34) **“Risk Sharing Percentage”** shall mean (a) the ratio of the sum of the Outstanding Principal Balance of each Lender compared to the total Outstanding Principal Balance of all of the Lenders under this Agreement in terms of the Maximum Facility Amount, and (b) the ratio of the Outstanding Principal Balance of each Lender of each of the Tranches Facility Amount compared to the total Outstanding Principal Balance of all the Lenders under such Tranches Facility Amount in terms of each of the Tranches Facility Amount.
- (35) **“Event of Default”** shall mean any event set forth in Paragraph 1 of Article 12.
- (36) **“Prospective Event of Default”** shall mean an event or circumstance which, with the passage of time, the giving of notice or the satisfaction of other conditions, would constitute an Event of Default.
- (37) **“New Taiwan Dollar (NTD)”** and **“NT\$”** shall mean the official currency of the Republic of China.
- (38) **“US Dollar (USD)”** and **“US\$”** shall mean the official currency of the United States of America.
- (39) **“Compensatory Interest Rate”** shall mean the benchmark rate for NT\$ loans (quarterly) posted by the Facility Agent at the time of interest accrual plus three percent (3%) per annum when the accrued interest payment is effected in NT\$, or the US\$ benchmark rate posted by the Facility Agent at the time of interest accrual plus three percent (3%) per annum when the accrued interest payment is effected in US\$.
- (40) **“2011 Syndicated Loan”** shall mean the Syndicated Loan Agreement dated July 14, 2011 with the Maximum Facility Amount of NT\$8,410,000,000 signed by the Borrower with Bank of Taiwan Co., Ltd. as the collateral management bank of the syndicated loan participating banks.

2. **Interpretations**

Unless otherwise provided in the Agreement, the terms below shall be interpreted as follows:

- (1) **“Authorization”** includes any approval, consent, license, permit, concession, permission, registration, resolution, instruction, statement or waiver.
- (2) **“Person”** refers to any individual, corporation, partnership, trust, organization, fund, association, business, joint venture, or other juristic person or non-juristic person organizations, and other legal entities or any government or agency created thereunder.
- (3) **“Tax”** means any tax, excise, tariff, payment, fees, deduction or withholding imposed, levied, charged, withheld or determined by taxation agency or other agencies, which also includes all associated interest, fines, penalties or other accrued or requested payment; the term “taxation” shall be interpreted in the same manner.

3. **Other**

- (1) The term the Agreement or any Security Document referred to in the Agreement includes the Agreement or Security Document and the modified or supplemental versions thereof at any time; unless otherwise specified, clauses, exhibits and schedules referred to in the Agreement shall mean the clauses, exhibits and schedules to the Agreement; the captions of clauses are for convenience only and shall not be used as basis for interpretation of clauses. The relevant competent authorities referred to in the Agreement shall include the future replacements and new competent authorities named; the term guidelines, directions, regulations or other relevant rules of relevant competent authorities referred to herein shall include the future additions, deletions and amendments.
- (2) Unless otherwise agreed, where it is necessary to convert NT\$ into another currency or vice versa, the applicable exchange rate shall be the mean value of the spot exchange rates between the relevant foreign currency and NT\$ posted by the Facility Agent at approximately 11 AM two (2) Business Days prior to the date of conversion.

Article 2 Facility Amount and Purpose

1. **Facility Amount**

- (1) Maximum Facility Amount
NT\$10 billion (NT\$10,000,000,000).
- (2) Tranches Facility Amount
 - (a) Tranche A Facility Amount
Medium-term (secured) loan in the amount of NT\$6 billion (NT\$6,000,000,000).
 - (b) Tranche B Facility Amount
 - (i) Tranche B-1 Facility Amount
Medium-term loan in the amount of NT\$4 billion (NT\$4,000,000,000), whereby the credit line shared with Tranche B-2 Facility Amount shall not exceed NT\$4 billion (NT\$4,000,000,000).
 - (ii) Tranche B-2 Facility Amount
Medium-term loan in the amount of US\$100 million (US\$100,000,000), whereby the credit line shared with Tranche B-1 Facility Amount shall not exceed NT\$4 billion (NT\$4,000,000,000).
- (3) The Tranche A Facility Amount discussed above shall not be used on a revolving basis, and the Tranche B Facility Amount may be used on a revolving basis within the Loan Period.

2. **Loan Purpose**

(1) **Purpose**

- (a) Tranche A Facility Amount
For the Borrower to repay the existing loans granted by financial institutions (including, but not limited to, the balance under the 2011 Syndicated Loan) and to supplement its medium-term working capital.

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(b) Tranche B Facility Amount

For the Borrower to replenish its medium-term working capital.

(2) **No Obligation to Supervise**

The Lenders, Facility Agent and Lead Arranger may examine, supervise and check the loan purpose adopted by the Borrower. However, the Lenders, Facility Agent and Lead Arranger shall have no obligations to supervise the actual loan purpose adopted by the Borrower.

3. **Loan Period**

(1) Tranche A Facility Amount

The Tranche A Facility Amount shall have a term of five (5) years starting from the First Drawdown Date, including a grace period of 6 months. However, if the Borrower fails to make the First Drawdown within the 3-month period set forth in Subparagraph (1) of Paragraph 4 of Article 2, the Loan Period shall be five (5) years starting from the last day of such 3-month period.

(2) Tranche B Facility Amount

The Tranche B Facility Amount shall have a term of five (5) years starting from the First Drawdown Date. However, if the Borrower fails to make the First Drawdown within the 3-month period set out in Subparagraph (1) of Paragraph 4 of Article 2, the Loan Period shall be five (5) years starting from the last day of such 3-month period.

4. **Drawdown Period**

(1) First Drawdown Period

The Borrower shall execute the First Drawdown within 3 months after the executive date of this Agreement, and for the First Drawdown the Borrower shall first apply for the Tranche A Facility Amount to repay the outstanding balance of the 2011 Syndicated Loan. However, if the Borrower fails to execute the First Drawdown within the said 3-month period, the expiry date of said 3-month period shall be regarded as the First Drawdown Date.

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(2) Tranche A Facility Amount

The Borrower shall make Drawdown on the full Tranche A Facility Amount available once within three (3) months from the First Drawdown Date.

(3) Tranche B Facility Amount

Tranche B Facility Amount may be utilized on a revolving basis within the Loan Period.

5. **Cancellation of Facility Amount**

(1) Unless otherwise provided in the Agreement, the Tranches Facility Amount must be drawn before the expiry of the Drawdown Period. The amount not drawn during the aforesaid period shall be cancelled automatically and shall not be available for Drawdown.

(2) The Borrower does not have the option to cancel all or any part of the Facility Amount, unless all of the conditions below are satisfied:

(a) The Borrower has given the Facility Agent at least one month prior written notice and obtained consent of the Facility Agent.

(b) The cancellation amount shall be at least NT\$50 million (NT\$50,000,000) or US\$1 million (US\$1,000,000), and the excessive part shall be in integral multiples of NT\$10 million (NT\$10,000,000) or US\$500 thousand (US\$500,000) or the total amount that has not yet been drawn by the Borrower.

(3) When the Borrower cancels any of the Tranches Facility Amount, the Commitment Amount of each Lender for said Tranche Facility Amount shall be cancelled accordingly based on its respective Risk Sharing Percentage (or Participation Percentage if there is no Outstanding Principal Balance), and the amount cancelled as agreed herein shall no longer be available for Drawdown.

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- (4) When the Borrower fails to cancel the Facility Amount according to the preceding paragraph, the Borrower shall pay a compensation equal to zero point one five percent (0.15%) of the cancelled amount, and pay the Lenders for the loss on the interest rate spread arising from the amount canceled (but the Lender shall provide the relevant documents or evidence for the claimed interest rate spread loss). The Facility Agent shall calculate and notify the Borrower of the amounts of loss on interest rate spread and compensation, and the Borrower shall pay those amounts to the Lenders on the day the cancellation takes effect along with other payments through the Facility Agent.

6. **Reduction of the Tranche B Facility Amount**

The Tranche B Facility Amount shall be averagely reduced in five (5) periods starting the last day of the 36th month after the First Drawdown Date and the last day of each six (6)-month period thereafter (hereafter “**Amount Reduction Date**”). If the Outstanding Principal Balance under the Tranche B Facility Amount has exceeded the reduced balance of the Tranche B Facility Amount on the Amount Reduction Date, the Borrower shall immediately repay the excess part of the Outstanding Principal Balance, the interests payable and expenses on the Amount Reduction Date.

Article 3 Drawdown Conditions

When the Borrower applies for a Drawdown, all of the Drawdown conditions under this Article for the First Drawdown and/or subsequent Drawdown must be satisfied. Otherwise, the Lenders are not obligated to grant the Borrower the Facility Amount pursuant to the Agreement. For the original documents submitted by the Borrower, the formats and contents must be acceptable to the Facility Agent. For photocopies of the documents submitted by the Borrower, the formats and contents shall be acceptable to the Facility Agent, and the Borrower or the document provider shall certify the authenticity, correctness and completeness of copies.

1. **Conditions Precedent for First Drawdown**

For the First Drawdown, the Borrower shall submit to the Facility Agent the following documents having a format and contents already accepted by the Facility Agent at least seven (7) Business Days prior to the scheduled Drawdown Date or such shorter period of time agreed by the Facility Agent, and shall have met the following conditions precedent:

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(1) **The Agreement**

The Agreement duly executed by all parties hereto.

(2) **Corporate documents**

The following copies of the documents shall be affixed with the company seal of the Borrower and the seal of the Borrower's responsible person to confirm that they are identical to the original:

- (a) Articles of Incorporation;
- (b) The Corporate Registration Card (including the directors' roster) issued by the Science Park Bureau;
- (c) Resolutions adopted by the Borrower's board of directors to execute this Agreement, Security Documents to which the Borrower is a party, other required notices or documents in connection with the Agreement, and in respect of authorizing the person(s) specified in Item (d) below to sign those documents (including, but not limited to, the meeting minutes of the board of directors of the Borrower); and
- (d) A specimen of the signatures and/or chops of the authorized signatories for signing this Agreement, Drawdown Request, all Security Documents to which the Borrower is a party and other required notices or documents in connection with the Agreement.

(3) **Promissory Note and Note Authorization**

An original Promissory Note and original Note Authorization issued by the Borrower pursuant to Subparagraph (6) of Paragraph 1 of Article 10 having a format and contents as prescribed in Schedules 2 and 3 hereto.

(4) **Legal Opinion**

The original legal opinions issued by the legal counsel of the Lenders for the Agreement and other relevant documents.

(5) **Financial Statements**

The original of the Borrower's latest CPA-audited financial statements.

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(6) **Negative Pledge**

The original Negative Pledge issued by the Borrower pursuant to Subparagraph (15) of Paragraph 1 of Article 10 of the Agreement.

(7) **Amount**

The First Drawdown shall include the Tranche A Facility Amount.

(8) **Expected Bank Loan Repayment List**

The expected bank loan repayment list provided by the Borrower shall specify the name of the creditor banks, the debt amount, and the creditor bank account details.

(9) **Land Lease Agreement**

A photocopy of the lease agreement if the building is located in the administrative regions of the Hsinchu Science Park Bureau or the Southern Taiwan Science Park Bureau leased by the Borrower, which shall have the lease term no less than the Loan Period.

(10) **Subordination Undertaking**

If the Borrower has advances from its shareholder, an original consent letter (having a format shown in Schedule 5) shall be signed by said shareholder consenting to the subordination of shareholder loan.

(11) **Collection Account**

Borrower has opened the Collection Account with the Facility Agent.

(12) **Other documents**

Other data or documents as reasonably required by the Facility Agent.

2. **Conditions Precedent to Each Drawdown**

- (1) In addition to the conditions specified in the preceding paragraph, the Facility Agent shall receive the following documents at least 3 Business Days prior to the scheduled Drawdown Date (7 Business Days prior to the First Drawdown) or such shorter period of time agreed by the Facility Agent for each Tranches Facility Amount to be drawn by the Borrower; the formats and contents of such documents shall be confirmed by the Facility Agent, and the following conditions shall be satisfied as the prerequisites elements:

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- (a) The Drawdown Request issued by the Borrower according to the format prescribed by Schedule 1 shall specify the Tranche Facility Amount and the amount to be drawn and the scheduled Drawdown Date. For Drawdown of the Tranche B Facility Amount, the Borrower shall specify the Drawdown currency, the Term of Facility and the Maturity Date. The Borrower shall certify the following items in the Drawdown Request that starting from the date the Agreement is executed to the Drawdown application date: (i) no Event of Default or Prospective Event of Default under this Agreement has occurred or continues to exist; (ii) no representation under the Agreement has been violated by the Borrower; (iii) the Borrower has fulfilled its undertakings under the Agreement; (iv) no material adverse changes have occurred to the financial condition of the Borrower since the date the Agreement is executed; (v) if the documents specified by the various items of Paragraph 1 of this Article are provided by the Borrower, said documents shall remain effective/applicable and unchanged within the Drawdown Period; (vi) no litigation, arbitration, compulsory execution, or other administrative litigation procedures having material adverse effect on the ability of the Borrower to perform its obligations in connection with the Agreement or Security Documents to which it is a party and (vii) loan proceeds disbursed from previous drawdowns of Facility Amount have been used pursuant to purposes as agreed herein.
- (b) When applying for the Drawdown of Tranche B-1 Facility Amount, if the Term of Facility for a Drawdown has not exceeded 180 days and the Maturity Date has not exceeded the Loan Period, where the Maturity Date that has exceeded the Amount Reduction Date, the amount shall comply with the provisions in connection with the amount reduction under Agreement.
- (c) Applying for Drawdown of Tranche B-2 Facility Amount:

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- (i) If the Term of Facility for a Drawdown is three (3) or six (6) months and the Maturity Date has not exceeded the Loan Period, where the Maturity Date that has exceeded the Amount Reduction Date, the amount shall comply with the provisions in connection with the amount reduction under Agreement.
 - (ii) The Borrower shall issue the actual transaction related certification documents (including, but not limited to, the commercial invoices, import or export transaction certifications, transport documents, or other relevant documents recognized by the Facility Agent) to the Facility Agent. There shall be a transaction list for the actual transaction certifications mentioned above (the contents shall include, but not limited to, file names, numbers, dates, trade counterparts, and amounts), the contents of which shall be confirmed by the Borrower as identical to those listed in the transaction list statement. The Borrower shall immediately provide the original transaction certification to the Facility Agent for its review when deemed necessary by the Facility Agent.
 - (d) When applying for the Drawdown of Tranche B-1 Facility Amount and/or Tranche B-2 Facility Amount, if after this Drawdown the total Outstanding Principal Balance for the Tranche B-1 Facility Amount and/or Tranche B-2 Facility Amount has not exceeded the valid Tranche B Facility Amount, for the purpose of this Item, the Outstanding Principal Balance calculated in US\$ shall be converted to NT\$ by applying the NT\$ to US\$ average daily closing exchange rate posted by the Facility Agent two (2) Business Days prior to the Borrower's Drawdown Date.
- (2) The following conditions are also precedent to the grant of Facility Participation Amount to the Borrower by each Lender. Thus, as of the date each Lender grants the Borrower the Facility Participation Amount:
- (a) No Drawdown Date was beyond the Drawdown Period for each of the Tranches Facility Amount;

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- (b) The aggregate Drawdown amount has not exceeded the relevant Tranches Facility Amount;
- (c) The Outstanding Principal Balance under the Tranche Facility Amount intended for the Drawdown for any Lender shall not exceed the Commitment Amount for such Tranche Facility Amount committed by the Lender due to the Drawdown;
- (d) No Event of Default or Prospective Event of Default has occurred; and
- (e) Statements and representations made by the Borrower under the Agreement remain to be authentic and accurate in relation to the facts and circumstances at the time of the Drawdown.

3. **Amount of Drawdown**

Unless agreed upon by the Facility Agent or all of the remaining amount applied for the Drawdown, each Drawdown for Tranche B-1 Facility Amount by the Borrower shall not be less than NT\$300 million (NT\$300,000,000), and the exceeded part shall be in integral multiples of NT\$100 million (NT\$100,000,000); and each Drawdown for Tranche B-2 Facility Amount by the Borrower shall not be less than US\$5 million (US\$5,000,000), and the exceeded part shall be in integral multiples of US\$1 million (US\$1,000,000).

4. **Irrevocability of Drawdown Request**

If the conditions precedent for each Drawdown as described above have been satisfied, the Facility Agent may accept the Drawdown Request submitted by the Borrower on behalf of the Lenders. Unless otherwise agreed by the Facility Agent, Drawdown Request shall be irrevocable and binding on the Borrower once it is received by the Facility Agent. If subsequently the conditions precedent to the relevant Drawdown are not continuously satisfied or other conditions precedent are not satisfied so that all or part of the drawdown amount requested by the Borrower is not disbursed by the Lenders, the Borrower shall, according to the demand of the Facility Agent, promptly pay each Lender for expenses and losses incurred therefrom. Nevertheless, each Lender shall present supporting documents or proofs for the expenses and losses it claims.

5. **Drawdown Procedures**

- (1) After the Facility Agent has accepted the Drawdown Request, the Facility Agent shall notify the respective Lenders in writing at least two (2) Business Days prior to each Drawdown Date and notify the respective Lenders of the Facility Participation Amount based on their respective Participation Percentage and the disbursement date. The relevant Lenders shall remit or deposit the funds in the form of readily available fund into the account designated by the Facility Agent no later than noon of the Drawdown Date (Taipei time). However, if the Borrower intends to repay the outstanding balance for the bank borrowings by using the Tranche A Facility Amount, the Borrower shall authorize the Facility Agent to distribute the facility amounts of the Lenders into the bank accounts designated by the Borrower's creditor banks. The Facility Agent's distribution of the Facility Amount into the bank accounts designated by the Borrower's creditor banks shall be regarded as that the Borrower has received the loan disbursement by the Lenders, and the Borrower shall provide the pay-off certificates of the borrowings from the creditor banks to the Facility Agent no later than one Business Day after the Drawdown Date.
- (2) In terms of the Tranche B-1 Facility Amount, if the Outstanding Principal Balance of the previous Drawdown will mature at the Drawdown Date of the subsequent Drawdown, the Borrower shall authorize the Facility Agent to use the subsequent Drawdown of the Tranche B-1 Facility Amount to settle the Outstanding Principal Balance. That is, the Outstanding Principal Balance shall be settled at the Drawdown Date of the subsequent Drawdown, and that the Borrower has received the Drawdown disbursement for the subsequent Drawdown in the amount equivalent to the Outstanding Principal Balance without requiring another fund disbursement. The Lenders only need to disburse the amount that exceeded the difference in order to settle the matured Outstanding Principal Balance for the subsequent Drawdown.

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- (3) Any Lender that is unable to disburse funds as agreed upon shall notify the Facility Agent in writing no later than 10:30 AM one (1) Business Day prior to the relevant Drawdown Date, and the Facility Agent shall notify the Borrower immediately after receiving such notice. Unless the Facility Agent has received a notice of inability to disburse funds from a Lender prior to the relevant Drawdown Date, the Facility Agent may assume that the said Lender will be able to disburse funds as agreed, and it may (but is not obligated to) disburse loan proceeds to the Borrower in a timely manner based on such assumption. Notwithstanding the foregoing, the Facility Agent is not obligated to disburse funds or make advances to the Borrower on behalf of any Lender before actually receiving the agreed funds from such Lender.
- (4) The failure of any Lender to disburse loan proceeds as agreed upon hereunder does not relieve said Lender from its other obligations under the Agreement, nor does it relieve the Borrower from its obligations hereunder. Neither any other Lender nor the Facility Agent shall be held responsible for the Lender's breach of the Agreement. If a Lender's failure to disburse funds as agreed upon is attributable to the fault of the Lender itself, the Lender shall indemnify the Borrower for additional cost and expenses incurred due to the fact that the Borrower has to borrow the funds undisbursed by said Lender from any other party at a rate higher than the interest rate for the related loan. However, the Borrower shall present supporting documents or proofs for the additional cost and expenses it claims. The Borrower is not required to pay any commitment fee on the undrawn facility amount due to any Lender's failure to disburse the funds as agreed upon hereunder.

6. Discretion over Drawdown Amount

The Borrower shall draw any of the Tranches Facility Amount according to the Commitment Amount committed by each Lender based on the Lenders' respective Participation Percentage under the Agreement. However, if it is technically unlikely to strictly follow the various percentages of the Drawdown, the Facility Agent has the discretion to decide the allocation based on its reasonable judgment, to which neither the Borrower nor the Lenders may raise any objection.

7. Subsequent Conditions to the First Drawdown

The Borrower shall meet the following conditions as the subsequent conditions for the First Drawdown:

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- (1) The Borrower shall, within 10 Business Days or any other time period agreed upon by the Facility Agent, enable the Facility Agent to have the first priority of the maximum amount real estate and chattel mortgage pursuant to Article 11.
- (2) The Borrower shall, within ten (10) Business Days or any other time period agreed upon by the Facility Agent, sign the Assignment of Insurance Rights and Benefits Agreement (the format of which is specified in Schedule 8) to transfer the building and equipment insurance-related interests to the Facility Agent, and obtain the original letter of commitment issued by relevant insurance company based on the format specified in the attachment to Schedule 8 hereto and deliver the same to the Facility Agent.
- (3) The Borrower shall, within ten (10) Business Days or any other time period agreed upon by the Facility Agent, deliver the original insurance form and the copy of the insurance payment receipt to the Facility Agent to prove that the Borrower has obtained the various insurance for the Collateral as required under this Agreement.

Article 4 Interest, Expenses and Protection of Benefits

1. Interest

The Borrower shall pay interest on Outstanding Principal Balance under this Agreement, which is calculated in the following manner:

(1) Tranche A Facility Amount

(a) Interest rate

Interest shall be calculated based on the Reference Rate plus a margin of zero point four-six percent (0.46%) per annum.

(b) Interest rate adjustment

Interest rate shall be adjusted on every Interest Rate Adjustment Date.

(c) Interest Period and Payment Deadline

The Interest Period is defined in Subparagraph (28) of Paragraph 1 of Article 1. The Borrower shall pay the interest accrued for the previous Interest Period on the first day of the current Interest Period.

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- (d) Taxes
The statutory business tax and the stamp duty on the interest shall be borne by the Borrower.
- (e) Interest Accrual Basis
Interest shall be calculated in accordance with the actual number of days elapsed on the basis of a year of 365 days.
- (2) Tranche B-1 Facility Amount
 - (a) Interest rate
Interest shall be calculated based on the Reference Rate plus a margin of zero point five-six percent (0.56%) per annum.
 - (b) Interest rate adjustment
Interest rate shall be adjusted on every Interest Rate Adjustment Date.
 - (c) Interest Period and Payment Deadline
The Interest Period is defined in Subparagraph (28) of Paragraph 1 of Article 1. The Borrower shall pay the interest accrued for the previous Interest Period on the first day of the current Interest Period. However, the Borrower shall pay the interest for the final period on the Maturity Date for the Drawdown.
 - (d) Taxes
The statutory business tax and the stamp duty on the interest shall be borne by the Borrower.
 - (e) Interest Accrual Basis
Interest shall be calculated in accordance with the actual number of days elapsed on the basis of a year of 365 days.
- (3) Tranche B-2 Facility Amount

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- (a) Interest rate
Interest shall be calculated based on the Reference Rate plus a margin of one point three-five percent (1.35%) per annum and the Additional Capital Costs. Interest rate for each Drawdown shall remain unchanged during the Term of Facility.
- (b) Interest Period and Payment Deadline
The Interest Period is defined in Subparagraph (28) of Paragraph 1 of Article 1. The Borrower shall pay the interest accrued for the previous Interest Period on the first day of the current Interest Period. However, the Borrower shall pay the interest for the final period on the Maturity Date for the Drawdown.
- (c) Taxes
The statutory business tax and the stamp duty on the interest shall be borne by the Borrower.
- (d) Interest Accrual Basis
Interest shall be calculated in accordance with the actual number of days elapsed on the basis of a year of 360 days.
- (e) Market Fluctuation
 - (i) If the Lenders with more than two-thirds of the Outstanding Principal Balance under the Tranche B-2 Facility Amount notify the Facility Agent two Business Days prior to any Drawdown indicating that the Reference Rate cannot accurately reflect their funding costs, or the Facility Agent has recognized that the London interbank market has failed to provide information needed for the determination of Reference Rate; the Facility Agent shall forthwith notify the Borrower and the Lenders of the situation and determine an alternative rate in accordance with Sub-Items (ii) or (iii) hereof to replace the Reference Rate.

(ii) Mutual Agreement on Alternative Reference Rate:

After the Facility Agent has delivered the aforesaid notice, the Borrower and the Facility Agent shall immediately in good faith negotiate with the Lenders to reach mutual agreement on an alternative rate to replace the Reference Rate, including the applicable rate, interest days, and payment date. If all of the Lenders participating in the Tranche B-2 Facility Amount have reached a written agreement with the Borrower within thirty (30) days after receiving the aforesaid notice, the aforementioned alternative Reference Rate shall be in force retroactively at the relevant Drawdown Date.

(iii) Lenders' Decision on Alternative Reference Rate:

If the Borrower cannot reach mutual agreement on an alternative Reference Rate with all of Lenders participating the Tranche B-2 Facility Amount within 30 days after receiving the aforesaid notice, in terms of the funds disbursed by the Lenders participating in the Tranche B-2 Facility Amount, the Borrower shall calculate the alternative Reference Rate according to the weighted average of the Risk Sharing Percentage for the cost of capital (the cost of capital shall be presented by using the annual interest rate method, and the cost of capital decided by the relevant Lenders shall be binding; the relevant Lenders shall provide the relevant proof documents for the proposed cost of capital) for the funds disbursed by all of the Lenders participating in the Tranche B-2 Facility Amount during the relevant Interest Period, plus the margin and the Additional Capital Costs provided by Item (a) of this Paragraph. The aforementioned alternative Reference Rate shall be in force retroactively at the relevant Drawdown date.

- (iv) If the Borrower disagrees with the substitution rate established by the above Sub-item (iii) hereof, the Borrower shall settle the Outstanding Principal Balance of the Tranche B-2 Facility Amount in advance within thirty (30) days after receiving the notice of alternative Reference Rate from the Facility Agent, pay the cost of capital for the various funds disbursed by the Lenders participating in the Tranche B-2 Facility Amount during the Interest Period (the cost of capital shall be presented using the annual interest rate method, the cost of capital decided by the relevant Lenders shall be binding; the relevant Lenders shall provide the relevant proof documents for the proposed cost of capital), plus the margin and the Additional Capital Costs provided by Item (a) of this Paragraph. However, the Borrower does not need to pay the prepayment fee or other compensations.

2. **Commitment Fee**

(1) Tranche A Facility Amount

If the actual amount drawn by the Borrower for the Tranche A Facility Amount is less than seventy percent (70%) of the actual available Drawdown amount for the Tranche A Facility Amount upon the expiration of the Drawdown Period, the Borrower shall pay a one-time Commitment Fee based on zero point one percent (0.1%) of the difference between the actual amount drawn by the Borrower and the seventy percent (70%) of the actual available Drawdown amount to the Facility Agent within five (5) days after the expiration of the Drawdown Period, which will be transferred by the Facility Agent to the Lenders.

(2) Tranche B Facility Amount

From the day after 6 months from the First Drawdown Date to the expiration of the Loan Period, each 3 months shall be regarded as 1 period. If the average balance of the Borrower's Drawdown for the Tranche B Facility Amount during each said period fails to reach fifty percent (50%) of the actual available Drawdown amount for the Tranche B Facility Amount, the Borrower shall pay the Commitment Fee for the insufficient portion for such period to the Facility Agent to be transferred to the various relevant Lenders, which shall be calculated based on the annual fee rate of zero point one percent (0.1%) in accordance with the actual number of days elapsed on the basis of a year of 365 days. To calculate the Commitment Fee for this Paragraph, the Borrower's Drawdown for the Tranche B Facility Amount shall be converted into NT\$ pursuant to the exchange rate defined in Subparagraph (2) of Paragraph 3 of Article 1.

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3. **Lead Arranger Fee and Facility Agent Fee**

The Borrower shall pay (1) the Lead Arranger Fee for the Lead Arranger's service of organizing the Lenders and (2) the Facility Agent Fee for the Facility Agent's service of administering the Agreement. The amounts and payment method therefore shall be separately agreed on by the Borrower and the Lead Arranger as well as the Facility Agent.

4. **Calculation of Interest Rates and Fee Rates**

Interest rates and fee rates in the Agreement expressed as a percentage (%) shall have four digits after the decimal point with the fifth digit rounded off to the fourth place after the decimal point.

Article 5 Repayment and Prepayment

1. **Repayment**

(1) Tranche A Facility Amount

In terms of the Outstanding Principal Balance of the Tranche A Facility Amount on the expiration of the Drawdown Period, the Borrower shall pay off the amount for the first period which is six (6) months after the First Drawdown Date. Subsequently, each period shall comprise six (6) months, and the amount shall be completely paid off in ten (10) periods. Twelve percent (12%) of the Outstanding Principal Balance shall be repaid for the 1st and 2nd periods, thirteen percent (13%) of the Outstanding Principal Balance shall be repaid for the 3rd to the 6th periods, seven percent (7%) of the Outstanding Principal Balance shall be paid off for the 7th and 8th periods, and five percent (5%) of the Outstanding Principal Balance shall be repaid for the 9th and the 10th periods. Under any circumstances, the Borrower shall pay the Outstanding Balance in full under the Tranche A Facility Amount no later than the Final Maturity Date.

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(2) Tranche B-1 Facility Amount

The Borrower shall pay the Outstanding Principal Balance in full for each Drawdown prior to the Maturity Date for that Drawdown, and the said Outstanding Principal Balance may continue to be utilized on a revolving basis at relevant Maturity Date pursuant to the relevant terms provided by this Agreement. When the Outstanding Principal Balance is utilized on a revolving basis, the proceeds obtained from the Facility Amount during the new Drawdown could be used to directly pay the original Outstanding Principal Balance in full. Thus, in terms of the portion of equivalent amount, the Borrower and the Lenders need not conduct any additional fund transfer actions, and the Borrower is deemed as having received the Drawdown payment for that portion. However, should the Borrower decide not to continue utilizing the Outstanding Principle Balance on a revolving basis, the Borrower shall pay the Outstanding Principle Balance in full at the Maturity Date. The non-revolving Facility Amount shall continue to be available for the subsequent Drawdown by the Borrower. Under any circumstances, the Borrower shall pay the Outstanding Balance in full no later than the Final Maturity Date.

(3) Tranche B-2 Facility Amount

The Borrower shall forthwith settle the Outstanding Principal Balance of the Drawdown for the Tranche B-2 Facility Amount at the Maturity Date for that Drawdown with its own funds. Under any circumstances, the Borrower shall settle all the Outstanding Balance under the Tranche B-2 Facility Amount no later than the Final Maturity Date.

(4) **Currency.**

The Borrower shall be responsible for the foreign exchange approval and other necessary permits required for payment made in the currency stipulated by this Agreement, and the Borrower shall not be exempt from the obligation to repay its debt in the said currency because it cannot obtain such approval or permission. Unless otherwise provided by law, when the Borrower is not able to repay the debt under this Agreement in the currency specified herein, the Facility Agent shall settle the debt by converting the fund into the currency specified by the Agreement based on the spot foreign exchange offer rate posted by its bank or decide the exchange rate based on the market practice, and the Borrower shall not raise any objections regarding the conversion date and rate. Regardless of the governing laws under the Agreement, the Borrower's payment obligations and conditions under this Agreement shall not be affected.

2. **Voluntary Prepayment**

- (1) The Borrower may not prepay in whole or in part the Outstanding Principal Balance, except for the Tranche A Facility Amount where all of the following conditions are satisfied:
- (a) A written notice of prepayment has been delivered to the Facility Agent at least one month prior to the date of prepayment;
 - (b) Any prepayment shall be made in an amount of not less than NT\$ Fifty Million (NT\$50,000,000) and any excess portion must be an integral multiple of NT\$ Ten Million (NT\$10,000,000); or the entire Outstanding Principal Balance;
 - (c) All the prepayments shall be made in reverse order of the repayment dates as provided in Subparagraph (1) of Paragraph 1 of this Article starting from the last repayment installment due (i.e. repay first the installments that are due later); and
 - (d) The prepayment date shall be the interest payment date. The Borrower shall also pay the interest due for that period and all other accrued expenses and payments.

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- (2) When the Borrower fails to make prepayment in accordance with the aforementioned requirements, the Borrower shall pay a compensation equal to zero point one five percent (0.15%) of the prepaid principal, and pay the Lenders for the loss on interest rate spread arising from the prepayment (but individual Lenders shall provide the relevant documents or evidence for the claimed interest rate spread loss). The Facility Agent shall calculate and notify the Borrower of the amounts of loss on the interest rate spread and compensation, and the Borrower shall pay the Lenders those amounts on the prepayment day together with other payments due through the Facility Agent.

3 Agreement on Prepayment

- (1) A prepayment notice sent by the Borrower pursuant to any provision under the Agreement may not be withdrawn once delivered and the Borrower must make the prepayment according to such notice.
- (2) The portion of the Tranche A Facility Amount that has been paid in advance shall no longer be available for Drawdown.

4. Pro Rata Repayment

Unless otherwise provided in this Agreement, when the Borrower repays or prepays Outstanding Principal Balance of one of the Tranches Facility Amount, such Outstanding Principal Balance owed to the respective Lenders shall be reduced according to their respective Risk Sharing Percentage under such Tranche Facility Amount. However, if it is technically impossible to precisely comply with such percentage for the reduction, the Facility Agent has the discretion to decide the allocation based on reasonable judgment, to which neither the Borrower nor the Lenders may raise any objection.

Article 6 Change in Law or Circumstances

1. Legality

- (1) In the event that any change in law or in circumstances, prior to any disbursement of the Facility Amount according to this Agreement, shall make it unlawful for any Lender to maintain or give effect to its obligations hereunder, such Lender shall promptly notify the Facility Agent, and the Facility Agent shall promptly notify the Borrower upon receiving said notice. Then, (a) the said Lender shall be temporarily exempted from maintaining or allocating this loan until the circumstances in violation of law cease to exist (but shall continue to maintain or allocate if the circumstances in violation of law cease to exist before the end of the Drawdown Period); and (b) the Participation Percentage and Commitment Amount of each of the other Lenders shall remain unchanged.

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- (2) In the event that any change in law or in circumstances, after any disbursement of the Facility Amount, shall make it unlawful for any Lender to maintain the loan, such Lender shall promptly notify the Facility Agent, and the Facility Agent shall promptly notify the Borrower upon receiving said notice. The Borrower shall pay in full the Outstanding Principal Balance owed to the said Lender within a period permitted by law as well as interest payment and other payments incurred prior to the repayment date.
- (3) If the aforementioned violation of law can be attributed to such Lender, such Lender shall make alternative loan arrangement for the Borrower and obtain terms that are equivalent to those under this Agreement and reimburse the Borrower for additional costs and expenses incurred as a result of the Borrower's prepayment according to the preceding Subparagraph (2) of this Paragraph (but the Borrower shall present documents or proof for the claim of additional costs and expenses and such Lender may not raise objection to such documents or proof without justification).
- (4) If the aforementioned violation of law cannot be attributed to such Lender, such Lender shall enter into a negotiation with the Borrower in good faith and make a reasonable effort as permitted by law at the time to make alternative loan arrangement or assist the Borrower in obtaining other loans in the form of a feasible alternative available in the market, but such Lender shall not be liable in any way for the availability of this alternative loans.

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- (5) If any Lender fails to provide facility pursuant to this Agreement for any other reason and the failure to provide a loan can be attributed to this Lender, this Lender shall make alternative loan arrangement with terms equivalent to those under this Agreement for the Borrower and reimburse the Borrower for additional costs and expenses incurred by the Borrower as a result of this Lender's failure to provide the facility leading to the Borrower paying a rate above the interest rate specified in this Agreement. However, the Borrower shall present documents or proof for the claim of additional costs and expenses. If the failure to provide a loan cannot be attributed to this Lender, the rules under above Subparagraph (4) of this Subparagraph shall apply.

2. **Increased Costs, Regulatory Changes, Taxes and Other Deductions**

- (1) In case of change of the law, or change of the competent authority's interpretations of laws and regulations, or in order to comply with the competent authority's instruction or order, which results in: (a) any Lender being required to pay other taxes pursuant to this Agreement for transactions under this Agreement or the Borrower being subject to new tax rates or tax bases for any payment payable to any Lender under this Agreement (except for changes in statutory tax rates for the Lenders' net income imposed by the government of the Republic of China or local governments at the Lenders' registered places of business); (b) increase, change or applicability of any reserve, special deposit or similar requirements under this Agreement; or (c) an increase in the cost of issuing or maintaining a facility for a Lender or a decrease in the amount originally receivable by such Lender under this Agreement, and the aforementioned amount of change has been reasonably deemed by such Lender to be major and sufficient to cause the Lender to lose or become unable to receive reasonable benefits, which such Lender has received or expects to receive pursuant to this Agreement, the Borrower shall pay the additional amount to the Facility Agent promptly at the Facility Agent's request and the Facility Agent will pay the Lender. The Lender involved shall voluntarily submit proof of increased cost or decreased income when the Facility Agent makes the aforementioned request.

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- (2) The Borrower may not withhold or deduct any payment from the payments payable pursuant to this Agreement. In addition to the taxes to be paid by the Lenders or the Facility Agent pursuant to this Agreement, if the law requires the Borrower to withhold any payment from the payments payable pursuant to this Agreement, the amount to be paid by the Borrower shall increase so that the amounts received by the Lenders or the Facility Agent after deducting the withheld amount (including the amount to be withheld on the additional amount to be paid under this paragraph) will be the same as the amounts before deduction of the withheld amount.
- (3) All taxes and expenses arising from this Agreement, Security Documents or other related documents that are signed or registered by the parties hereto shall be paid by the Borrower. If the Lead Arranger, the Facility Agent and/or the Lenders advance any tax or expense, the Borrower shall pay the full amount to the Facility Agent within five (5) Business Days of receiving the notice with the receipt, certificate or related proof of the aforementioned tax or expense from the Facility Agent for the payment to be transferred to the Lead Arranger, the Facility Agent and/or the Lenders and shall pay interest in the same currency calculated at the floating Compensatory Interest Rate (adjusted daily as the Compensatory Interest Rate changes) for the period between the advance date and the repayment date. Business tax and stamp duty shall be borne by the Borrower.
- (4) The Borrower shall provide the original of payment receipt for withholding tax or deduction or the copy that has been certified as true copy of originals to the Facility Agent within thirty (30) days after paying any withholding tax or deduction. If the Borrower makes a request regarding the taxes paid by the Lenders or other taxes that have been reimbursed by the Borrower through the Facility Agent, such Lenders shall provide the relevant receipts to the Borrower.

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- (5) If the Facility Agent shall deduct or withhold any tax from any payment to any Lender pursuant to this Agreement or Security Documents according to the law, the Borrower, when being notified by the Facility Agent, shall pay the Facility Agent on the payment date for such payment so that the payments to be transferred to the Lenders, after all necessary deductions and withholdings, are in the same amounts as those without such deductions or withholdings.
- (6) The Borrower's commitment and obligations under this Paragraph 2 of this Article shall survive after expiration of the Duration of this Agreement.

Article 7 Other Expenses and Taxes

1. Expenses

The Borrower shall repay the Lead Arranger and the Facility Agent within five (5) Business Days upon request for all of the reasonable costs, expenses, and fees (including but not limited to attorney's fees and advanced fees, agent's fees, consulting fees for consultants hired for the benefit of the Lenders, appraisal fees, audit fees, communication fees, travel expenses and other necessary advances, legal fees and the signing ceremony expenses associated with this Syndicated Loan before this Agreement is executed) incurred by the Lead Arranger and the Facility Agent as a result of arranging the Facility Amount, arranging the Lenders, negotiating, preparing and signing this Agreement, Security Documents, and other documents required under this Agreement; or for modifying, amending or seeking consent and forfeiture of right for this Agreement, Security Documents and other documents required under this Agreement on behalf of the parties involved. Such expenses (incurred prior to the date of this Agreement or during the Duration of the Agreement) shall be borne by the Borrower.

2. Execution Expenses

All costs, expenses and fees (including but not limited to attorney's fees, hearing fees, expenses for obtaining a writ of execution, enforcement fees, expenses for distribution participation, arbitration fees, and expenses arising from signing agreements in case sustained or out-of-court settlement and other advances) incurred by the Facility Agent and the Lenders as a result of making an appeal or claim for any due debt obligations under this Agreement or any Security Documents or safeguarding or exercising their rights under this Agreement and Security Documents (including but not limited to participation in bankruptcy, liquidation, reorganization or other legal procedures involving the Borrower or any other party or defense for or against requests or claims involving this Agreement or Security Documents made to the Borrower by any party) shall be borne by the Borrower except in cases where a court has ruled against the Facility Agent or the Lenders.

3. **Expense Sharing**

If the Borrower fails to pay the various execution expenses provided by Paragraphs 1 and 2 of this Article (excluding the Lead Arranger Fee and Facility Agent Fee), the Facility Agent may request that the Lenders advance the execution expenses on a pro rata basis according to their Risk Sharing Percentage and shall not take the necessary actions until the payments have actually been received. If the Facility Agent advances such execution expenses, the Lenders shall repay such advances to the Facility Agent promptly when notified by the Facility Agent, or the Facility Agent shall unilaterally deduct such advances from the payments to be transferred to the Lenders.

4. **Taxation**

Unless otherwise agreed by the Lenders regarding income taxes payable on their income and under this Agreement, all existing and future taxes imposed by the Republic of China on payments to be received from the Borrower pursuant to this Agreement or related documents shall be borne by the Borrower. With respect to the business tax to be borne by the Borrower under this Agreement, the business tax rate for enterprises engaged in banking under the Value-added and Non-value-added Business Tax Act shall be 2%, but enterprises engaged in banking shall comply with the applicable tax laws and allocate an amount equal to 3% of their sales to offset overdue loans or provide an allowance for bad debt. Therefore, the business tax rate to be borne by the Borrower under this syndicated loan shall be levied at rate of 5% and in the event of any change in the future, the new regulation shall apply accordingly.

5. **Borrower's Obligation to Repay Advances**

The Lenders and the Facility Agent shall not be obligated to advance any expenses, taxes and fees for the Borrower. However, if any Lender or the Facility Agent advances a payment, the Borrower shall be notified. The Borrower shall repay the full amount to the Facility Agent within five (5) Business Days of receiving the notice from the Lender or Facility Agent for the payment to be transferred to the Facility Agent and/or the Lender and shall pay interest in the same currency calculated at the floating Compensatory Interest Rate (adjusted daily as the Compensatory Interest Rate changes) for the period between the advance date and the repayment date. Business tax and stamp duty shall be borne by the Borrower.

Article 8 Payment and Proof of Debt

1. **Payment by Borrower**

Unless otherwise provided in this Agreement, all payments to be made by the Borrower shall be made to the Facility Agent or be deemed invalid repayments. In addition, the Borrower shall transfer or deposit available funds to the account designated by the Facility Agent in advance (or make the payment with other payment tools agreed by the Facility Agent) by 12:00 PM on the applicable due dates. For payments by transfer, repayment shall be deemed to be effective upon the payment entering the account designated by the Facility Agent; for payments by means other than transfer, repayment shall be deemed to be effective when the Facility Agent actually receives the payments. Unless otherwise provided in this Agreement, the Facility Agent shall, depending on which Tranches Facility Amount the payment was intended to repay, allocate each of such payments received from the Borrower to the accounts designated by the Lenders in advance on a pro rata basis according to the Risk Sharing Percentage as soon as practical.

2. **Prepayment**

If any payment received by the Facility Agent pursuant to this Agreement is below the amount due, the Facility Agent shall proceed to allocate such payment in the following priority order: (1) pay the Facility Agent any outstanding expenses and fees (including Facility Agent fees payable to the Facility Agent) unpaid by the Borrower or the various Lenders that have been incurred by the Facility Agent in exercising its rights under this Agreement and related Agreements; (2) pay any outstanding expenses, penalty charges and interests (including default interests) unpaid by the Borrower to the Facility Agent and the Lenders pursuant to this Agreement; and (3) have the Facility Agent allocate such payment on a pro rata basis according to the Lenders' Risk Sharing Percentage pursuant to this Agreement (to be decided at the Facility Agent's discretion if not explicitly stipulated).

3. **Order of Payment**

Unless otherwise provided in this Agreement, when the Facility Agent receives from the Borrower any payment to the Lenders, the Facility Agent shall transfer such payment to the Lenders as soon as it has received it and the Lenders shall use the payment to repay the Borrower's debt owed to the Lenders in the order of payment pursuant to this Agreement and the applicable laws and regulations. If such payment is insufficient to repay the amount payable to the Lenders under a certain item, the Facility Agent shall allocate such payment on a pro rata basis according to the Lenders' Risk Sharing Percentage under such certain item.

4. **Refunds**

If the Facility Agent distributes to a Lender an amount which the Facility Agent has not (but should have) received from the Borrower, such Lender shall on demand promptly refund such amount to the Facility Agent together with interest (at the rate per annum certified by the Facility Agent to represent the cost to it of funding such amount for such period) thereon for the relevant period. If the Facility Agent distributes to a Lender an amount which is required to be repaid to the Borrower, such Lender shall on demand promptly refund such amount to the Facility Agent together with such interest (if any) (at the rate per annum certified by the Facility Agent to represent the cost to it of funding such amount for such period) thereon as is required to be paid to the Borrower.

5. **Adjustment of Payment Due on Non-Business Days**

Unless otherwise provided in this Agreement, if any payment becomes due and payable on a day other than a Business Day, the due date thereof shall be extended to the next succeeding Business Day and interest payable on any principal amount shall be extended accordingly to the Business Day immediately preceding the extended due date. However, if the extension will cause the due date to be in the next month, the payment shall be made one Business Day prior to the original due date and interest payable on any principal amount shall be adjusted accordingly to the Business Day immediately preceding the adjusted new payment date.

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6. Loan Records

The Facility Agent shall create and keep records of this Syndicated Loan with details of drawdown and payment by the Borrower. All details of payments payable but unpaid by the Borrower, unless the Borrower can prove errors in such records, shall be determined pursuant to such records. If any note or other proof of debt provided by the Borrower to the Facility Agent pursuant to this Agreement is lost, damaged or destroyed, the Borrower shall agree to follow the Facility Agent's records and issue new note or proof of debt in writing to be provided to the Facility Agent. When a note is lost, damaged or destroyed, the Borrower shall assist the Facility Agent in completing a loss report, stop payment order, petition for a judgment of exclusion and other relevant procedures.

7. Conclusive and Binding Proof

When the Facility Agent or a Lender may certify or confirm an amount or interest rate payable by the Borrower pursuant to any provision in this Agreement, the proof of such amount or interest rate issued by the Facility Agent or such Lender, in the absence of manifest error, shall be conclusive and binding on the Borrower to the extent permitted by law.

Article 9 Representations

1. Representations

The Borrower hereby represents to the Lenders, the Facility Agent, and the Lead Arranger as follows:

(1) Legal Existence

The Borrower is a company duly incorporated under the laws of the Republic of China and is a validly existing company limited by shares having the registered address shown above. The Borrower has the corporate capacity, power and authority to possess its property and to operate its business.

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(2) **Corporate Capacity**

The Borrower has full corporate capacity and authority to execute, deliver and perform its obligations pursuant to this Agreement, Security Documents to which the Borrower is a party and other related documents. The Borrower's board of directors has adopted all the necessary resolutions to authorize the execution, delivery and performance of this Agreement, Security Documents to which it is a party and other related documents.

(3) **Binding Force of the Agreement**

This Agreement constitutes the legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with the respective terms; Security Documents to which the Borrower is a party and other related documents, when signed and delivered, will constitute the legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with the respective terms.

(4) **No Non-Compliance with Applicable Laws**

The Borrower's execution and delivery of this Agreement, Security Documents to which the Borrower is a party and other related documents and the Borrower's performance of obligations and exercise of rights under this Agreement, Security Documents to which the Borrower is a party and other related documents do not and will not violate any laws, regulations, orders, authorization, agreements or the obligations therein, result in breach of any other agreement, or violate the Borrower's Articles of Incorporation or related documents, and do not violate any restrictions imposed on the Borrower or exceed the authority of the Borrower's representative.

(5) **No Event of Default**

No Event of Default or Prospective Event of Default listed under this Agreement has occurred or is continuing.

(6) **Governmental Authorizations**

All necessary governmental consents, approvals, authorization, and filings and all necessary approvals or consents of the board of directors or the shareholders meeting of the Borrower have been obtained for the Borrower to execute and deliver this Agreement, Security Documents to which the Borrower is a party and other related documents or perform compliance with the applicable regulations and provisions.

(7) **Exemption from Registration or Filing**

Except for the mortgage rights stipulated in Article 11, in accordance with the laws of the Republic of China, the Borrower shall not be required to file or register this Agreement or any Security Documents with any government authority in the Republic of China, or pay any taxes or other expenses in order to ensure the effectiveness, enforceability, or admissibility of this Agreement or any Security Document and related documents.

(8) **No Litigation**

Unless otherwise disclosed by the Borrower in its latest financial statements, there is no litigation, arbitration, administrative litigation, compulsory enforcement, restructuring, relief, bankruptcy, settlement under the Bankruptcy Act, dissolution, liquidation, suspension of business or other similar proceedings ongoing against any of the Borrower or the Borrower's properties or business which is likely to have a material adverse effect on the Borrower's ability to perform its obligations under this Agreement, Security Documents to which the Borrower is a party and other related documents and to the knowledge of the Borrower, there is no such proceeding threatening or pending.

(9) **No Violation**

Unless otherwise disclosed in writing to the Lenders by the Borrower before this Agreement is executed, the Borrower does not violate any laws, regulations, orders, authorization, agreements or obligations, which are applicable to the Borrower or the Borrower's properties or business and the violation of which is likely to have a material adverse effect on the Borrower's business or financial condition or on the Borrower's ability to perform its obligations under this Agreement, Security Documents to which the Borrower is a party and other related documents.

(10) **Compliance with the Generally Accepted Accounting Standards**

The latest audited financial statements of the Borrower have been prepared in accordance with the applicable regulations of the Republic of China and the accounting standards required by the relevant competent authority and on a consistent basis and are presented fairly to reflect the financial condition and operational performance as of the end of the fiscal year and in the accounting period thereof. Unless otherwise disclosed in writing to the Facility Agent by the Borrower, the Borrower does not have any material liability (regardless of contingent liabilities or other liabilities) or any unrealized or expected loss that has not been disclosed in such financial statements or the notes therein or for which reserves have not been allocated. There has been no material adverse change in the assets, business, or financial condition of the Borrower between the date of such financial statements and the execution date of this Agreement and no event that is likely to cause any of such material adverse changes.

(11) **No False Representations**

With respect to representations made by the Borrower in this Agreement, Security Documents to which the Borrower is a party and other related documents or any document delivered to the Lenders and related to this Agreement, the Borrower has not made any untrue representations or omitted any fact sufficiently material to be misleading if omitted. To the knowledge of the Borrower, there exists no fact sufficiently relevant to have a major adverse effect on the Borrower's ability to operate its business and its financial condition.

(12) **True Information**

All of the information provided by the Borrower to the Lenders with respect to this Syndicated Loan shall be authentic and accurate. All of the forecasts or estimations contained in the said information shall have been prepared by the Borrower on the basis of prudent evaluations after considering all of the relevant factors and the Borrower shall make fair and reasonable forecasts and estimations. To the Borrower's knowledge, any facts that may affect such information, forecasts, or estimates or anything that may affect the Lenders' willingness to make loans to the Borrower pursuant to this Agreement have already been disclosed.

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(13) **Tax**

Except for reviews, appeals, or administrative litigation proceedings initiated by the Borrower in accordance with law, the Borrower has filed all tax returns that are required to be filed and has paid all taxes due and payable.

(14) **The Legitimate Rights on the Collateral**

The Borrower shall have the full and lawful ownership or other legal rights to the Collateral provided to the Facility Agent; shall ensure that except for the rights retained by third parties as disclosed by the Borrower to the Facility Agent in writing prior to the execution of this Agreement, no other third party other than the Facility Agent shall enjoy the Rights and Interests of Security, lease relationship, or any other circumstances that may sufficiently affect the implementation of the mortgage; there is no flaw in the Collateral or the rights; and the Borrower shall create the Security Interest on the Collateral to the Facility Agent pursuant to the terms stipulated by this Agreement.

The Borrower shall further represent that all representations herein are all authentic and accurate at the date hereof.

2. **Continuity**

The Borrower certifies to the Lenders, the Facility Agent and the Lead Arranger that all representations in this Agreement herein will remain authentic and accurate during the Duration of this Agreement.

Article 10 Undertakings

1. **Positive Undertakings**

The Borrower hereby undertakes to the Lenders, the Lead Arranger and the Facility Agent that the Borrower will actively undertake the following actions during the Duration of the Agreement.

(1) **Utilization of Funds**

The funds disbursed under this Syndicated Loan shall be utilized pursuant to the purposes provided in Paragraph 2 of Article 2. The Borrower shall maintain an adequate accounting system and keep the appropriate records and books. In addition, the Borrower shall record the accounts of such funds (including, but not limited to, detailed statements of Drawdown on the Tranches Facility Amount under this Agreement) in accordance with the applicable regulations and the accounting standards required by the relevant competent authority and on a consistent basis.

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(2) **Continuity of Existence and Compliance with Laws**

Maintain continuity of its existence and comply with all applicable laws and orders.

(3) **Financial Information**

Provide to the Facility Agent and each Lender the following documents:

- (a) The Borrower shall provide the annual consolidated and non-consolidated financial statements (the aforementioned financial statements shall include the balance sheets, statements of comprehensive income, statements of changes in equity, and statements of cash flows) audited and certified by Certified Public Accountant within three (3) months after the end of each fiscal year.
- (b) When providing such financial statements pursuant to the preceding paragraph, the Borrower shall provide a statement issued by its financial officer or auditors certifying that there is no violation of any financial covenant (a template provided in Schedule 4). Such statement shall certify the financial ratios and amounts set forth below.
- (c) Provide financial information and other data including, but not limited to, the Borrower's information of financial, business, and operation conditions, major shareholder structure and assets as soon as possible upon written request by the Facility Agent.

(4) **Financial Covenant**

Maintain the following financial ratios and covenants:

- (a) Current ratio (Current assets ÷ Current liabilities): 100% or above.

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- (b) Leverage ratio (Total liabilities ÷ (Net worth - Intangible assets)): Not to exceed 150%.
- (c) Interest coverage ratio [(Net profit before tax + Depreciation + Amortization + Interest expense) ÷ Interest expense]: To be kept at 2.5 times or above.

Such ratios and covenants set forth above shall be reviewed annually based on the annual consolidated financial statements audited and certified by the Borrower's Certified Public Accountant that provided by the Borrower to the Facility Agent in accordance with Subparagraph (3) of Paragraph 1 of this Article.

(5) **Notifications**

Except where the Borrower shall be deemed to have notified the Facility Agent by making a disclosure on the Market Observation Post System on the website in accordance with the applicable regulations, the Borrower shall notify the Facility Agent (but such notification shall not exempt the Borrower from its obligations under the law or this Agreement and shall not prevent the Lenders from exercising their rights under the law or this Agreement) of following matters once aware and the response that the Borrower intends to adopt.

- (a) Any Event of Default or Prospective Event of Default, and any remedial actions relating thereto.
- (b) Any event which is likely to have a major adverse effect on the Borrower's ability to perform this Agreement or any controversy, litigation, arbitration, administrative litigation procedures, enforce, reforming, bailout, bankruptcy, settlement under the Bankruptcy Act, dissolution, liquidation, closure procedures, or other similar proceedings that involve over the amount of NT\$100 million (NT\$100,000,000).
- (c) Any adverse change in the assets, business, or financial condition of the Borrower or any event which is likely to have a major effect on the Borrower's ability to perform its obligations under this Agreement, Security Documents to which the Borrower is a party and other related documents.

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- (d) Any changes in the Borrower's major shareholder structure, directors, or key management level personnel.
- (e) Change of the Chairman of the board of directors.
- (f) Any representation made by the Borrower in this Agreement becomes untrue to the Borrower's knowledge.
- (g) The Borrower has modified or repealed its Procedures for Lending Funds to Other Parties or Procedures for Endorsement and Guarantee.
- (h) The Borrower's board of directors has adopted a resolution for significant investment plan in the amount of NT\$500 million (NT\$500,000,000) or equivalent value in other currencies. This provision shall not apply if the Borrower is required to keep the investment plan confidential pursuant to the relevant laws or provisions provided by this Agreement.

(6) **Promissory Note and Note Authorization**

Deliver the original Promissory Note and the original Note Authorization issued by the Borrower (authorizing the Facility Agent to fill in the Promissory Note due date, the agreed interest rate (calculated based on the Compensatory Interest Rate), and the interest starting date) with the Facility Amount as the face value and the Facility Agent as the payee to the Facility Agent's deposit stub no later than the time of application for the First Drawdown. When necessary, the Facility Agent shall require the Borrower to sign and deliver another Promissory Note and Note Authorization with the face value calculated by the Outstanding Principal Balance of Tranche A Facility Amount at the time plus the sum of the Tranche B Facility Amount and with the issuance date at that time, to be issued by the Borrower in order to replace the original Promissory Note and the original Note Authorization originally delivered under the terms provided by this Paragraph. Said original Promissory Note and original Note Authorization shall comply with the formats specified in Schedules 2 and 3, respectively.

(7) **Rank of Priority for Repayment Not Lower than Unsecured Debts**

Ensure that the repayment rank for the unsecured debt under this Agreement and the Security Documents to which it is a party shall be equivalent to the other unsecured debt or non-subordinated debt (unless the priority ranking is mandatory pursuant to law). Furthermore, after the Borrower has completed the creation of mortgage on the Collateral for the Facility Agent (based on the relationship of joint and several debt for the joint interests of all credit banks), the Facility Agent shall enjoy priority ranking for the Rights and Interests of Security of the Collateral, and the Facility Agent shall share those interests with the Lenders pursuant to the provisions of this Agreement.

(8) **Obtaining Necessary Qualifications**

Obtain, update, and maintain Borrower's business-related approval, license, consent, authorization, etc., as required by law; and deliver a photocopy of the said documents to the Facility Agent within five (5) Business Days after they were obtained or within a longer period as agreed upon by the Facility Agent.

(9) **Shareholder's Advances**

Should shareholder's advances occur, prompt the shareholders to issue consent to subordination of the shareholder advances (in the format shown in Schedule 5) and deliver the consent to the Facility Agent. The said shareholders shall consent that the priority ranking of repayment for the advances shall be secondary to all debts owed to the Lenders under this Agreement, and the interest rate for the advance shall not exceed the minimum loan interest rate calculated under the terms of this Agreement.

(10) **Supervision and Inspection**

After the Facility Agent has provided prior written notification, unless there is reasonable grounds for rejection, the Borrower shall permit the representatives, designated personnel, or appointees to enter the relevant facilities of the Borrower during general business hours under the premise without obstructing the Borrower's business operations; and permit them to inspect, photocopy, or make extracts of related books, records, or documents in connection with performance of the Agreement, Security Documents to which the Borrower is a party, or other related Agreement obligations under the premise without violating the Borrower's confidentiality obligations pursuant to relevant laws or the terms of this Agreement. All of the costs of the inspection shall be borne by the Borrower. The Facility Agent shall deliver the information obtained from the Borrower to the Lenders, and the Facility Agent and the Lenders shall observe the confidentiality obligations for said information pursuant to the Banking Act of the Republic of China.

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(11) **Maintain Good Operations**

The Borrower shall maintain the finances and operations in a good condition, and the Borrower shall purchase insurance for its assets and businesses from an insurance company recognized by the Facility Agent having a good reputation in the general insurance amount range for companies engaging in the same types of businesses.

(12) **Operations and Maintenance**

Provide ongoing good care and maintenance for the buildings and machinery equipment, and ensure they remain in a normal business operating state at all times.

(13) **Insurance**

Insurance which is required in order to maintain this Agreement and the various Security Documents.

(14) **Implement the Environmental Protection Matters**

Ensure that the Borrower has implemented environmental protection, pollution prevention, waste disposal, etc.; comply with relevant laws and regulations; and obtain the various approvals from relevant competent authorities pursuant to relevant laws and regulations.

(15) **Negative Pledge**

Issue the Negative Pledge (in the format shown in Schedule 9) passed by the resolution adopted by the Borrower's board of directors for the Collateral and deliver it to the Facility Agent prior to the First Drawdown pursuant to Article 30 of the Banking Act of the Republic of China.

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(16) **Collection Account**

Open a Collection Account with the Facility Agent prior to the First Drawdown. After the First Drawdown, ensure that the balance in the Collection Account can reach the amount of interest for the subsequent two months that the Borrower has to repay under this Agreement.

(17) **Lease Agreements**

If the building is located on a land leased by the Borrower from the Hsinchu Science Park Administration or the Southern Taiwan Science Park Administration, the Borrower shall ensure that the term of lease set forth in the lease agreement is not shorter than the Loan Period (based on the copy of the lease agreement delivered to the Facility Agent by the Borrower prior to the initial Drawdown).

2. **Negative Undertakings**

The Borrower hereby undertakes to the Lenders, the Lead Arranger, and the Facility Agent that the Borrower shall not adopt the following actions during the Duration of this Agreement unless otherwise consented by the Majority Lenders (provided that, those specifically stipulated in the various Subparagraphs below shall prevail).

(1) **Merger or Spin-off with Any Other Party**

Merge with any party (except where the Borrower will be the surviving company after the merger and the Borrower's ability to perform its obligations under this Agreement, Security Documents to which the Borrower is a party, and other related documents will not be affected) or spin-off in accordance with the Company Act.

(2) **Dividend Distribution**

Declare or pay any cash dividends when an Event of Default or Prospective Event of Default has occurred.

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(3) **Providing Funds or Loans**

Provide funds or loans to any other party, except for those otherwise provided pursuant to the Procedures for Lending Funds to Other Parties of the Borrower.

(4) **Endorsement and Guarantees**

Unless otherwise provided pursuant to the Procedures for Endorsement and Guarantee of the Borrower, the Borrower assumes liabilities or becomes directly, indirectly, or contingently liable for any indebtedness or other obligation of any other party by making guarantee, issuing endorsement, issuing notes, providing note endorsements, or by other methods.

(5) **Amendment to Articles of Incorporation**

Make any amendment to the Borrower's Articles of Incorporation that is likely to have a material adverse effect on the Borrower's ability to perform its obligations under this Agreement, Security Documents to which the Borrower is a party and other related documents.

(6) **Change of Main Business Scopes and Nature of Business**

Change the main business scope or significantly change the nature of business or the type of organization of the Company.

(7) **Collateral Value Reduction Behaviors**

Disposal of all or part of the Collateral through sale, assignment, lease, relocation, demolish, set encumbrance, mortgage, trust, etc., (regardless of whether any buyer has completed the registration of mortgage) or any other behaviors sufficient to reduce the value of the Collateral, except for the actions required by the provisions stipulated in Paragraph 6 of Article 11 to replace the Collateral.

(8) **Entering into Other Agreements**

Enter into any agreement which is likely to have a material adverse effect on the Borrower's ability to perform its obligations under this Agreement, Security Documents to which the Borrower is a party and other related documents.

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(9) **Share Redemption or Capital Reduction**

Buy back or redeem any of its issued shares, except for buyback of shares or treasury stock allocation by the Borrower in accordance with law.

(10) **Disposal of Assets**

Disposal of all or part of the major assets and revenues through sale, lease, loan, trust, transfer, etc., unless necessitated by normal operations.

(11) **Parity Collateral**

Create Security Interest or any encumbrance over its existing or anticipated fixed assets to others. However, the following circumstances are exempt: (a) with prior consent given by the Majority Lenders; (b) creation thereof to financial institutions prior to the execution of the Agreement; (c) financing obtained due to the purchase price paid to procure assets or the related capital expenditures, and the Rights and Interests of Security over the assets acquired have been created to secure such financing; or (d) while creating encumbrance to others, create the same overall Rights and Interests of Security to the Facility Agent under the Agreement for the same assets according to the same ratio or provide the equivalent assets of similar nature to create the same overall Rights and Interests of Security to the Facility Agent of the Agreement.

Article 11 Guarantee

1. **Collateral**

(1) **Land(s) and Building(s)**

The Borrower shall, within ten (10) Business Days after the First Drawdown or within a period agreed upon by the Facility Agent, create the first rank real estate mortgage to the Facility Agent in the sum up to the maximum amount of 120% of the secured loan value set forth in Item (a) of Subparagraph (3) of this Paragraph (formats for the Real Estate Mortgage Agreement are specified in Schedule 6); and the Borrower shall complete the registration-related creation to ensure that the Borrower guarantee its debt against the Lenders pursuant to this Agreement. The Facility Agent shall, in its position as the joint and several creditor, hold and enjoy the Security Interests for the benefit of all of the Lenders. In terms of the aforementioned maximum amount real estate mortgage, the Borrower has agreed to set thirty (30) years after the date of completion of mortgage registration as the determination date for the debt secured by the mortgage, and the Borrower shall agree to waive the rights provided by Article 881-7 of the Civil Code.

(2) **Machinery and Equipment**

- (a) The Borrower shall sign the Chattel Mortgage Agreement (in the format specified in Schedule 7) within ten (10) Business Days after the First Drawdown or within the period agreed upon by the Facility Agent, create the first rank chattel mortgage on the machinery and equipment to the Facility Agent in the sum up to the maximum amount of 140% of the secured loan value set forth in Item (b) of Subparagraph (3) of this Paragraph, and complete the registration-related creation. The Facility Agent shall, in its position as the joint and several creditor, hold and enjoy the Security Interests for the benefit of all of the Lenders. In terms of the aforementioned maximum real estate mortgage limit, the Borrower has agreed to set thirty (30) years after the date of completion of the mortgage registration as the determination date for the debt guaranteed by it, and the Borrower shall agree to waive the rights provided by Article 881-7 of the Civil Code.
- (b) After the creation and registration of chattel mortgage on machinery and equipment have been completed, new labels showing that the Facility Agent is the mortgagee shall be affixed to the various subject matters (machinery and equipment) in the method as requested by the Facility Agent. Upon completion, photos shall be taken as proof and delivered to the Facility Agent within thirty (30) days after the completion of registration of the chattel mortgage for record.

(3) **Secured Loan Value**

- (a) Deduct the land appreciation tax and depreciation of the land(s) and building(s) based on the amounts listed in the appraisal report issued by the professional valuation organizations recognized by the Facility Agent. Calculate the secured loan value with 80% of the value of the land(s) and building(s).

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- (b) Deduct the depreciation for the machinery and equipment based on the appraisal report issued by a professional valuation organization recognized by the Facility Agent or the amount listed in the cost review report issued by accountants. Calculate the secured loan value with 50% of the value for the machinery and equipment with the remaining useful life of 24 months (inclusive) or less. Calculate the secured loan value with 65% of the value for the machinery and equipment with the remaining useful life of between 24 months (non-inclusive) and 48 months (inclusive). Calculate the secured loan value with 70% of the value for the machinery and equipment with the remaining useful life of over 48 months.
- (4) The Lenders agree that the Facility Agent shall cancel the mortgage described in the above Subparagraphs (1) and (2) of this Paragraph after the Borrower has completely paid off its debt under this Agreement.

2. **Registration Fee**

The Borrower shall bear the registration fees and other related taxes or fees (including agent fees) incurred for the various mortgage creation and registrations under this Article.

3. **Assignment of Insurance Rights and Benefits Agreement**

The Borrower shall, within ten (10) Business Days or any other timeframe agreed upon by the Facility Agent, sign the Assignment of Insurance Rights and Benefits Agreement in the format as specified in Schedule 8 hereto, to assign the Borrower's insurance rights and interests under the insurance of building and equipment to the Facility Agent, and obtain and deliver the original letter of commitment (with the content and in the format specified in the attachment to Schedule 8 hereto) to the Facility Agent.

4. **Rights and Interests of Security**

- (1) The Parties to this Agreement agree that: unless otherwise stipulated in the Agreement, the Facility Agent shall be the mortgagee, insurance beneficiary, or the beneficiary of other Rights and Interests of Security obtained from the Assignment of Insurance Rights and Benefits Agreement, Security Agreements, Collateral, and the various Security Documents. The Facility Agent shall retain control and perform duties pursuant to the terms of this Agreement based on its status as a joint creditor, and shall share the interests with the related Lenders based on its respective Risk Sharing Percentage and its role as a joint and several creditor. The Lenders agree that the payments obtained by the Facility Agent from enforcing the mortgage of the Collateral shall first be used to repay the Outstanding Balance of the Tranche A Facility Amount, and the remainder shall be used to repay the Outstanding Balance of the Tranche B Facility Amount.
- (2) The funds obtained by the Facility Agent through exercising the rights and interests pursuant to the Security Agreement, Assignment of Insurance Rights and Benefits Agreement, the Security Documents, and this Agreement shall be allocated in the following priority order: (a) pay the Facility Agent for the fees incurred by implementing the rights and interests under this Agreement, Security Agreement, Security Documents, and other related documents that have not been paid by the Borrower or the relevant Lenders; (b) pay the various fees (including the Facility Agent Fee), penalties, and interests (including default interest) payable to the Lenders or the Facility Agent that have not yet been paid by the Borrower; and (c) the remaining shall be allocated for payment by the Facility Agent based on the nature of the payments pursuant to the relevant terms of this Agreement (decided by the Facility Agent if not expressly specified by this Agreement) and based on the Risk Sharing Percentage of the respective Lenders.

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- (3) Regardless of whether there are other contrary agreements in this Agreement, the Lenders agree that: the Collateral and its various interests enjoyed pursuant to this Agreement, Security Agreement, and the Security Documents shall be exercised by the Facility Agent based on the relative terms stipulated in this Agreement in the best interests of the relevant Lenders and the Facility Agent. Unless otherwise stipulated in this Agreement, the Lenders shall not individually exercise such rights except for exercising the right to offset and confusion. The Facility Agent shall also exercise such rights as instructed by the Majority Lenders unless otherwise specified in this Agreement.

5. Flaw Guarantee, Disposal, and Insurance of the Collateral

- (1) If the Collateral depreciates, is damaged or suffers losses or is at risk of being damaged or suffering losses for reasons not attributable to the Lenders; the Borrower shall immediately notify the Facility Agent and supplement the Collateral within a reasonable period after receiving a notice from the Facility Agent, provide other Collateral as approved by the Facility Agent, or settle the Borrower's debt incurred under the Security Documents or other relevant documents in advance, which shall be exempt from the advance payment restrictions set forth in Paragraph 2 of Article 5 of this Agreement. If the compensation for the Collateral is provided by a third party due to expropriation or other means, the Borrower shall use this Agreement as a basis of authorization and authorize the Facility Agent to directly obtain said compensation payments. The Facility Agent shall use such compensation payments to offset to Borrower's debt to the relevant Lenders pursuant to the terms stipulated in this Agreement. However, if the aforementioned third party compensation payment is insufficient to cover the value of the Collateral, the Borrower shall provide other Collateral approved by the Facility Agent to make up the shortfall or settle the loan repayment relating to the difference between the compensation amount and the value of the Collateral, which shall be exempt from the restrictions set forth in Paragraph 2 of Article 5 of this Agreement.
- (2) Regardless of the sequence of the Collateral provided by the Borrower to the Lenders, the Lenders shall have joint guarantee for the items under this Agreement and use this Agreement as a certificate. The various Lenders shall, based on the Risk Sharing Percentage, enjoy the Rights and Interests of Security in the same priority ranking for the Collateral provided under this Agreement pursuant to the provisions of this Agreement.

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- (3) If the Collateral must be registered, possessed, managed, or transferred, or have a change of registration; undergo other formalities; require relevant procedures due to the modification or increase of the Collateral; or require the relevant procedures to issue claims against third parties or the insurer due to the damage or loss of the Collateral; the Borrower shall immediately follow and bear the costs. If a fine is issued or the Collateral is detained during the process of the abovementioned Collateral matters, the Borrower shall fully assume the responsibility. The Borrower shall bear all of the costs for the management, maintenance, taxes, and other fees of the Collateral. All of the expenses incurred by the Lenders and the Facility Agent during the exercise of the Security Interests shall be borne by the Borrower.
- (4) The Borrower shall purchase sufficient amount of fire and other relevant insurances (including typhoon, flood, fire caused by earthquakes, etc.) at its own cost. The Facility Agent or any other party designated by the Facility Agent shall be named as the only first-priority insurance compensation beneficiary (Loss Payee) for the various insurance items mentioned above (except for the third party liability insurance and public liability insurance), and this beneficiary stipulation shall not be modified without the consent of the Facility Agent. The originals of all of the insurance policies for the Collateral as well as copies of the premium payment receipts shall be submitted to the Facility Agent. If the Borrower has been late to purchase insurance or fails to renew the insurance before the expiration, the Facility agent may purchase the insurance or renew the insurance using this Agreement as the proof of authorization. The Borrower shall immediately repay the premium payment paid by the Facility Agent, and failure to provide repayment shall be handled pursuant to Paragraph 5 of Article 7 of this Agreement. However, the Facility Agent has no obligation to purchase or renew the insurance, or pay the insurance premium for the Borrower. If the Collateral has suffered loss, regardless the reasons given by the insurance company to deny or delay the payable insurance compensation or if the compensation payment is insufficient, the Borrower shall handle the situation pursuant to Subparagraph (1) of this Paragraph. The Facility Agent shall use the insurance compensation to offset all debts owed by the Borrower to the Lenders pursuant to this Agreement. The Facility Agent shall return all of the remaining funds after offsetting the debt owed by the Borrower to the Lenders back to the Borrower without interest.

6. **Replacement of Collateral**

During the duration of this Syndicated Loan, if the Borrower needs to replace the old equipment in order to enhance the technical level or if the subject matter of the chattel mortgage has been damaged beyond repair, the Borrower shall use the newly purchased semiconductor packaging or testing equipment (hereafter "**New Subject Matter**") to replace the outdated or damaged subject matter of the chattel mortgage (hereafter "**Old Subject Matter**"). However, the replacement of the subject matter of the chattel shall comply with the following terms:

- (1) The amount of the cash voucher for the New Subject Matter shall not be lower than that of the cash voucher for the Old Subject Matter.
- (2) If the Borrower needs to change the amount of the subject matter (based on the amount of the cash voucher) with each item less than NT\$100 million (NT\$100,000,000) and if the cumulative amounts of the subject matters that the Borrower requested to change under the terms of this Paragraph are less than NT\$500 million (NT\$500,000,000), the Borrower shall obtain the written consent from the Facility Agent (the Lenders hereby authorize the Facility Agent the right to decide whether to approve the Borrower's replacement request within this range without having to notify the Lenders or obtain approval from the Lenders). However, if the Borrower's replacement request has exceeded the single amount or cumulative amounts mentioned above, a written consent from the Majority Lender is required before the replacement can be executed.

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- (3) In terms of the subject matter of the chattel mortgage approved by the Facility Agent and the Majority Lenders, the Borrower shall process the creation of first rank mortgage of the New Subject Matter identical to that of the Old Subject Matter as well as the insurance and insurance rights and interests transfer procedures pursuant to the relevant terms of this Agreement before requesting the Facility Agent to lift the mortgage creation for the cancellation of the Old Subject Matter (at this time, the Facility Agent shall lift the mortgage setting for the cancellation of the Old Subject Matter based on the item approved for replacement by the Facility Agent or the Majority Lenders).

After the Borrower has completed the replacement of the subject matter of chattel mortgage pursuant to this term, the New Subject Matter after the replacement shall be regarded as part of the "Collateral" as defined by this Agreement.

Article 12 Event of Default

1. **Specific Events**

During the Duration of the Agreement, in cases of the occurrence or existence of any of the following events, the Facility Agent or the Lenders may, at any time, deem such Event of Default in accordance with Paragraph 2 of this Article:

(1) **Non-Payment**

The Borrower fails to pay any amount payable, including the principal, interest, or other fees when due under this Agreement, or the Security Documents to which the Borrower is a party (the Borrower's liability for its default is not exempt even though part of the payable amount has been received by the Facility Agent, Lead Arranger, or Lenders) within three (3) Business Days after receiving a written request from the Facility Agent.

(2) **Failure to Perform Obligations under the Agreement**

In addition to the events described in Subparagraph (1) of Paragraph 1 of this Article, the Borrower fails to perform its obligations or undertakings; breaches the terms hereunder; or fails to perform its obligations in accordance with the terms provided by the related documents; and has failed to correct the condition within fourteen (14) days after its occurrence if such incident can be corrected.

(3) **Defaults in Obligations under Other Agreements**

The Borrower has breached an agreement to which it is a party and the dispute is over the amount of NT\$500 million (NT\$500,000,000) or the equivalent in other currencies, and the Borrower is unable to correct the situation within the deadline stipulated by the relevant agreement or the longer period permitted by the Facility Agent. However, the case shall not apply if there is still a dispute over whether the Borrower has constituted a breach, the Borrower has undergone the necessary legal proceedings or escrow; and the Majority Lenders have confirmed that there is no significant adverse effect on the Borrower's finances, operational capacity, or the Borrower's ability to perform its obligations under this Agreement, the Security Documents to which the Borrower is a party and other relevant documents.

(4) **Untrue Statement**

Any part of the declaration or data, documents, financial statements made or provided by the Borrower under the Agreement; Security Documents to which the Borrower is a party or other relevant documents is untrue, inaccurate, deceiving; or the declaration is materially untrue or misleading regarding the conditions at the time the statement is announced.

(5) **Failure in Obtaining Authorization**

In cases where "government authorization" referred to in Subparagraph (6) of Paragraph 1 of Article 9 is deemed necessary, but the Borrower has not received complete and effective authorization or the complete and effective authorization has been terminated or modified, causing material adverse effect on the Borrower's assets, business or financial condition, or its ability in performing its obligations under this Agreement, Security Documents to which the Borrower is a party, or any relevant documents.

(6) **Other Defaults**

(a) The Collateral (regardless of the registration completion status) has suffered provisional seizure, injunction, other protection action, compulsory enforcement, detention, seizure, auction, administrative sanctions by government agencies, expropriation, requisition, confiscation, or other similar procedures; and the Borrower has not applied to withdraw or exclude the situation within two (2) Business Days after receiving the notice from a court or a government authority; or (b) The Borrower is not able to exclude the provisional seizure or injunction, or other preservation sanction, compulsory enforcement, detention, seizure, auction, administrative sanctions by government agencies, expropriation, requisition, confiscation, freezing, registration restriction, or orders for other similar procedures of its main property that involve over NT\$200 million (NT\$200,000,000) within thirty (30) days after receiving the notice from a court or a government authority; and the Majority Lenders reckon that such matter will significantly affect the Borrower's capacity to implement its obligations under this Agreement, Security Documents to which the Borrower is a party, or any relevant documents.

(7) **Failure to Obtain Approval**

The Borrower fails to obtain, renew, maintain, or comply with any approval, license, or consent from any relevant government department that is necessary for the Borrower's business operations and maintaining the validity of the Collateral; or such approval, license, or consent is canceled, terminated, revoked, invalid or not acquirable; and such event is reasonably believed to have adverse effect on the Borrower's capacity in performing its obligations under this Agreement, Security Documents to which the Borrower is a party, or any related documents.

(8) **Default on Debts to Financial Institutions**

Besides this Syndicated Loan, the Borrower has monetary obligations to other financial institutions and has failed to remit payment on time, breached the agreement (including, but not limited to, cross-default caused by other direct or contingent liabilities), or suffered accelerated maturity. However, the case shall not apply if there is still a dispute over whether the Borrower has an obligation to pay the debt or has breached the agreement, or has underwent the necessary legal proceedings or escrow; and the Majority Lenders have confirmed that there is no significant adverse effect on the Borrower's finances, operational capacity, or the Borrower's ability to perform its obligations under this Agreement, the Security Documents to which the Borrower is a party and other relevant documents.

(9) **Default on Debts to Non-financial Institutions**

The Borrower has a debt of more than NT\$300 million (NT\$300,000,000) or the equivalent in other currencies to non-financial institutions and has failed to remit payment on time, breached the agreement (including, but not limited to, cross-default caused by other direct or contingent liabilities), or suffered accelerated maturity. However, the case shall not apply if there is still a dispute on whether the Borrower has an obligation to pay the debt or has breached the agreement, or has undergone the necessary legal proceedings or escrow; and the Majority Lenders have confirmed that there is no significant adverse effect on the Borrower's finances, operational capacity, or the Borrower's ability to perform its obligations under this Agreement, the Security Documents to which the Borrower is a party and other relevant documents.

(10) **Dividend Distribution against the Agreement**

The Borrower breaches or fails to comply with the Agreement to declare or distribute any cash dividends.

(11) **Bankruptcy, Reorganization or Business Suspension**

The Borrower suspends its business due to operational obstacles encountered for more than thirty (30) successive days, or the Borrower admits in writing its inability to repay the entirety of the debts at maturity, or halts or suspends in entirety its repayment to the Lenders, or is declared bankrupt, resolving to settlement under the Bankruptcy Act or insolvent; or the Borrower violates Subparagraph (6) of Paragraph 2 of Article 10 and significantly changes the company's type of organization, or applies or is applied for company reorganization, bankruptcy, settlement under Bankruptcy Act, liquidation, dissolution, division of the company or any other similar procedure without prior written consent of the Majority Lenders, or acknowledging others' unfavorable statement on the Borrower's proceeding of the above mentioned procedures; or the Borrower violates Subparagraph (1) of Paragraph 2 of Article 10 and merges with another company while the Borrower is not the surviving company.

(12) **Documents without Enforceability**

The Agreement, any Security Document or any other relevant document is invalid, revoked, terminated, or failed for any reason; or the performance of the Borrower's obligations under this Agreement, any Security Document or any other relevant document is impossible or illegal; or the exercise of any right or remedy of the Lenders, the Lead Arranger and the Facility Agent under this Agreement, any Security Document or any other relevant document is incapable or illegal; and such aforementioned events may cause material adverse effect on the Borrower's ability in performing its obligations under this Agreement, and the Borrower has not make corrections within a reasonable period as required by the Facility Agent.

(13) **Judgment**

The Borrower is subject to any final court decision or adjudication involving an amount of NT\$300 million (NT\$300,000,000) or its equivalent in other currencies, while such event may cause material adverse effect on the Borrower's ability in performing its obligations under this Agreement, Security Documents to which the Borrower is a party, or any relevant documents; and the Borrower has failed to discharge, reverse, submit security deposit, or take any other measure to suspend the execution within thirty (30) days.

(14) **Notes**

The Borrower is blacklisted by the clearing house, or the checks issued by the Borrower have been dishonored. However, this does not apply to the case where the Borrower disputes its payment obligation and has proceeded with, in good faith, necessary legal procedures or lodgment.

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(15) **Inconsistent with the Loan Purposes**

The utilization of funds that the Borrower has received pursuant to the Drawdown of the Facility Amount does not comply with the loan purposes set forth herein.

(16) **Adverse Changes**

Any significant adverse changes in the financial condition or business operation that has a major adverse effect on the Borrower's ability to perform its obligations under this Agreement, Security Documents to which the Borrower is a party, or other relevant documents.

(17) **Inconsistent Collateral**

The Borrower has failed to provide the Collateral pursuant to this Agreement or the Collateral provided is inconsistent with the terms of this Agreement.

(18) **Failed to Obtain or Maintain the Adequate Insurance**

The Borrower is unable to obtain the proper insurance pursuant to the provisions of this Agreement.

(19) **Significant Value Impairment of the Collateral**

The value of the Collateral has significantly impaired (unless the Borrower has already implemented in accordance with Subparagraph (1) of Paragraph 5 of Article 11) or the Security Agreements cannot be implemented.

2. **Effect of Event of Default**

(1) **Determination of the Event of Default**

Upon any of the above-mentioned events occurs, unless otherwise agreed in the Agreement, whether an Event of Default has occurred may be determined by the Facility Agent. However, when the Facility Agent deems necessary, it may, in accordance with Paragraph 14 of Article 15, convene a Lenders' meeting and determine whether an Event of Default has occurred based on the resolution adopted by the Majority Lenders, or it may also make requests to the Majority Lenders for their written consent (including fax) on the determination.

(2) **Suspending Use of Facility Amount**

During the period when the Lenders are determining whether an Event of Default has occurred, the Facility Agent shall suspend disbursing the loan to the Borrower and suspend the Borrower's right to draw down the Facility Amount. Once the Facility Amount is suspended and it is concluded that an Event of Default has occurred in accordance with Subparagraph (1) of Paragraph 2 of this Article, the Facility Amount may not be drawn down without the written consent of the Majority Lenders.

(3) **Declaration of Default**

Once the Event of Default is determined, the Facility Agent shall notify the Borrower in writing, and when the Majority Lenders have reached resolution to collect the debt from the Borrower and delivered such instructions in writing to the Facility Agent, the Facility Agent shall immediately take one or all of the following measures based on the written instructions of the Majority Lenders: (a) notify the Borrower in writing that its Facility Amount shall be immediately suspended; (b) notify the Borrower in writing that all Outstanding Principal Balance, interest, and other payments that the Borrower shall pay to each Lender and the Facility Agent under this Agreement accrued thereon but unpaid are immediately due and payable, and the Borrower shall immediately reimburse all such payments; (c) notify the Lenders to offset the Outstanding Balances owed to the Lenders against any form of deposits placed by the Borrower at the Lenders; (d) exercise the various rights of the Collateral to use the relevant Collateral proceeds to compensate for the payable items pursuant to this Agreement that are still unpaid by the Borrower; (e) make payment request to the Borrower based on the Promissory Notes obtained under the Agreement; (f) exercise any rights under the laws, this Agreement, each Security Documents and other related documents without giving presentment, demand, protest, or any notice if permitted by law; or (g) other measures that the Majority Lenders agree on. The Borrower agrees, to the fullest extent permitted by law, to give up its rights of requesting the Lenders and Facility Agent to give the aforementioned presentment, demand, protest, or any notice, unless it is agreed otherwise under the Agreement.

(4) **Interest Payment**

Upon the Event of Default, the Borrower shall pay the interest to the Lenders and/or the Facility Agent based on the applicable interest rates stated in the Agreement for the period starting from the date of the occurrence of the Event of Default to the date the Borrower actually pays the payment (including but not limited to Outstanding Principal Balance, interest, default interest, penalties, expenses, advances, etc.) or the date when the Event of Default ceases to exist.

(5) **Expense Compensation**

Expenses incurred as the Facility Agent exercises the aforementioned rights or takes the relevant measures shall be borne by the Borrower, but the parts of the payments that the Borrower fails to reimburse shall be shared by the Lenders based on the respective Risk Sharing Percentage stated in the Agreement. However, if the Borrower fails to pay such payments, the Facility Agent has no obligation to pay the advance. Instead, before Facility Agent takes relevant measures for its role as Facility Agent, it may request the Lenders to pay the advance of the related payment based on the respective Risk Sharing Percentage.

(6) **Continued Validity**

If the Drawdown is suspended or the unused Facility Amount is terminated pursuant to this Article, this Agreement shall remain in force unless otherwise stipulated.

Article 13 Default Interest and Penalties

If the Borrower fails to pay any amount payable under this Agreement on time, to the extent permitted by law, the Borrower shall pay default interest for the period from the date the amount due to the date of actual payment in the same currency of such amount based on the floating Compensatory Interest Rate on the date the said amount due, while the business tax and stamp duty shall be borne by the Borrower. If the payment is overdue for less than six (6) months, extra amount based on 10% of the mentioned Compensatory Interest Rate shall be charged as the penalty. For the payment overdue for more than six (6) months, extra amount based on 20% of the mentioned Compensatory Interest Rate shall be charged as the penalty, while the business tax and stamp duty shall be borne by the Borrower. When there are changes in the Compensatory Interest Rates, the Interest Rate Adjustment Date shall be the first day of the following month after the changes, and the default interest is calculated monthly based on the floating interest rates. Default interest and penalty shall be calculated cumulatively on a daily and for a 365-day year basis for NT\$ as well as a 360-day year basis for US\$ based on the duration of delays. When the Borrower fails to pay the default interest for one year (or a shorter period as permitted by law) and still fails to pay after demand notification, the Lenders may add the default interest to the principal to be eligible for interest. When the Borrower fails to pay the Lead Arranger Fee, the Facility Agent Fee or the advances paid by the Lenders, Lead Arranger and Facility Agent, they may add the amount of all the outstanding payments and advances to the principal under the Agreement, and the Borrower is required to pay the default interest and penalty based on the aforementioned terms. The Borrower shall immediately pay the interest and penalty upon being requested.

Article 14 Compensation, Offset and Pro Rata Sharing

1. General Compensation

The Borrower shall compensate each Lender, the Lead Arranger, and the Facility Agent for the losses, liabilities, damages, costs and expenses (including any loss or expenses of dismissing or reusing the fund that the Lenders bear to maintain its Facility Participation Amount) caused by any Event of Default, the Borrower's failure to make early settlement as notified in accordance with Paragraph 2 of Article 5, any other behavior of the Borrower violating its obligations under this Agreement, or any matters related to the Agreement, and any interest or expenses incurred due to non-payment of payables. The Borrower shall ensure that the Lenders, the Lead Arranger, and the Facility Agent are free from any damage. However, if the losses, liabilities, damages, costs or expenses are caused by intentional or gross negligent acts of any of the Lenders, the Lead Arranger, and the Facility Agent, the Borrower would assume no responsibility for the compensation as a result.

2. **Offset**

When the Borrower fails to perform or breach its obligation under the Agreement, Security Documents to which the Borrower is a party, or any documents related, besides exercising its rights as a creditor in accordance with the laws, each Lender is entitled (but not obligated) to take each of the Borrower's deposits at, and creditor's rights against, each Lender and the Facility Agent (including the head office and branches) to offset the debt the Borrower owes to the Lenders and the Facility Agent (the Borrower agrees that such deposits or other creditor's rights shall be deemed due when the Lenders and the Facility Agent exercise the right of offset), and immediately notify the Borrower. If the Borrower's deposit is a fixed deposit, even if the deposit is not due, each Lender and the Facility Agent may terminate the deposit agreement in advance and take the deposit to offset the debt under the Agreement. If the Borrower has other rights over the aforementioned deposits (including fixed deposits) and the creditor's rights eligible for claims against each Lender and the Facility Agent, such rights are not affected by the aforementioned offset.

Notwithstanding the preceding Paragraph, when the other creditors of the Borrower applies for compulsory enforcement or other similar legal proceedings against the Borrower's any deposit at any of the Lenders or the Facility Agent, and such proceedings are executed by the relevant enforcement court or the Administrative Enforcement Agency, Ministry of Justice with orders of garnishment, seizure, transfer or payment to the Lenders or the Facility Agent, the Lenders or the Facility Agent should have the right to promptly claim early maturity of such deposit and exercise the right of offset, based on the orders specifying the amount subject to enforcement or the amount enforceable (whichever is higher) equivalent to the Outstanding Balance under the Agreement. Unless otherwise provided in this Agreement, the aforesaid early maturity is not an Event of Default as mentioned in Paragraph 1 of Article 12 of this Agreement.

When the aforementioned deposit is a check deposit, the Borrower understands and agrees that the general agreements for check deposit entered into with each Lender and the Facility Agent will be terminated when all the Facility Amount under this Syndicated Loan is deemed due by the Lenders and the Facility Agent; if this is the case, the general agreement for check deposit shall become invalid, and the Lenders and the Facility Agent shall immediately return the amount of balance under the check account and may claim to use such amount to offset the debts owed by the Borrower to the Lenders and the Facility Agent, respectively.

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After the Lenders and/or the Facility Agent issues notification of such offset or when such notification is deemed received by the Borrower, the offset shall be retroactively deemed effective since the Lenders and the Facility Agent use the amount to offset the debt owed by the Borrower. At the same time, the certificates of deposit, passbooks, checks, or other certificates of entitlement issued by the Lenders and the Facility Agent shall become invalid within the coverage of such offset. Other properties the Borrower owns and has kept at the Lenders and the Facility Agent or other payment collected by the Lenders and the Facility Agent on the Borrower's behalf in the future may be kept for a lien or used for offset by the Lenders and the Facility Agent as their rights.

3. **Pro Rata Sharing**

If at any time any Lenders or the Facility Agent receives any payment under the Agreement from the Borrower (except for those received from the Facility Agent in accordance with Paragraph 1 of Article 8), whether voluntary or involuntary payment or offset or otherwise, the Lender shall transfer to the Facility Agent the amount so received within three (3) Business Days after the receipt, for the purpose of further distribution to each Lender based on their respective Risk Sharing Percentage. The Facility Agent shall deem such amount as the Borrower's direct payment for the amount due under the Agreement; therefore, such amount shall be considered unpaid between the Borrower and the respective Lender originally receiving the payment, and such Lender still has the claim against the Borrower and other relevant rights to such payment (excluding those amount of the payment received by way of distribution from the Facility Agent). Notwithstanding the foregoing, if any Lender is required to repay the Borrower any part of an amount originally received by it from the Borrower and shared pursuant to this Article, the other Lenders shall make funds available to enable the Facility Agent to reimburse such Lender for the amount required to be repaid to the Borrower (excluding any sum which such Lender has received by way of distribution of such amount from the Facility Agent). Each Lender understands that their creditors' rights against the Borrower under this Agreement are joint and several; yet, among the Lenders, their creditors' rights and the Rights and Interests of Security enjoyed shall be shared based on their respective Risk Sharing Percentage. All the loan related losses and risks incurred under this Agreement shall be assumed by all Lenders based on their respective Risk Sharing Percentage.

Article 15 Lead Arranger, Lenders and Facility Agent

1. **Severability of the Lenders' Obligations**

Obligations of the Lead Arranger, Lenders and Facility Agent under the Agreement are several. Therefore, the obligations of each of the other Lenders, the Lead Arranger and the Facility Agent to the Borrower should sustain even when one of the Lenders fails to perform its obligations. Moreover, any Lenders, Lead Arranger and Facility Agent shall not be held liable for any other Lender's obligation.

2. **Lenders' Joint and Several Rights**

The rights and claims of the Lead Arranger, Facility Agent and Lenders hereunder are joint and several. Therefore, the Facility Agent may request, on behalf of all the Lenders, the Borrower to repay the full amount owed by the Borrower to the Lenders under the Agreement and apply for the enforcement of the debt amount; provided, however, that the Lead Arranger, Facility Agent and Lenders all agree that the exercise of their rights arising from this Agreement shall be conducted in accordance with the terms set forth in the Agreement. At the same time, the Lead Arranger, Facility Agent and Lenders shall among themselves, based on their Risk Sharing Percentage, assume and share any risks and interests accruing under this Agreement and Security Documents related hereto. Each Lender agrees that, other than the Facility Agent, any of the Lenders is not permitted to exercise the claim to request the Borrower to repay its debt obligation, to individually take action on matters related to the Agreement, or to take actions inconsistent with the resolution reached among the Majority Lenders, unless otherwise agreed by the resolution adopted by Majority Lenders. However, exercise of rights of offset, collation, and retention are exempt from this provision.

3. **Appointment of the Facility Agent**

Each Lender hereby irrevocably appoints the Facility Agent as their agent for the purposes set forth in this Agreement and Security Documents related hereto, and each Lenders hereby irrevocably authorizes the Facility Agent to take relevant actions on its behalf to exercise such rights, authority, and discretionary power as that are expressly or inexplicitly delegated to the Facility Agent (with the reasoning attached) by the terms of this Agreement and Security Documents related hereto, together with such other powers reasonably incidental thereto.

4. **Scope of Obligations**

With regard to the obligations and functions of the Facility Agent described in the Agreement, Facility Agent may merely be considered as a role to conduct administrative management among the Lenders. The Facility Agent is not a representative of any Lender, nor does it have any fiduciary relationship with any Lender. The Facility Agent shall not be viewed as an agent or a fiduciary of the Borrower and shall not have any duties or responsibilities unless otherwise provided in the Agreement.

5. **Specific Duties and Obligations**

The Facility Agent shall perform the following duties and obligations:

- (1) To pay, in accordance with the terms in the Agreement, each Lender, based on the respective Risk Sharing Percentage, the amount received by the Facility Agent from the Borrower and other payments in connection with the Syndicated Loan on the day or next Business Day after receiving such payment.
- (2) To immediately inform each Lender of the following incidents:
 - (a) The contents of any document which the Facility Agent receives in respect of the Facility Amount (but limited to events which the Facility Agent considers to be material).
 - (b) Any Event of Default identified by the Facility Agent's staff while performing the duties designated under this Agreement.
- (3) Unless otherwise prohibited in this Agreement, the Facility Agent shall take or refrain from taking any action in accordance with any lawful and proper instructions given to it by the Majority Lenders, and any such action taken or refrained from taking shall be binding on all the Lenders.
- (4) Prior to any notice or declaration of default in accordance with Paragraph 2 of Article 12, the Facility Agent shall, to the extent practically possible, endeavor to consult the opinions of the Lenders in advance.

6. **Rights and Authority**

The Facility Agent may:

- (1) Perform its duties and obligations defined in this Agreement through its directors, officers, staff or agents.
- (2) When it deems necessary, hire lawyers, accountants, or other experts/professionals to provide advices and consultation needed and pay for the service. Meanwhile, the Facility Agent may trust and take actions following the aforementioned professional advice.
- (3) Unless and until the Facility Agent has received directions from the Majority Lenders, the Facility Agent may not exercise any rights or authority or make any decisions. Prior to obtaining compensation to the Facility Agent's satisfaction or any security assuring that the costs and expenses (including but not limited to attorneys' fees and disbursements) incurred can be repaid, the Facility Agent bears no responsibility or obligation to take any legal proceedings as instructed by the Majority Lenders. However, the Facility Agent may take procedures to secure the legitimacy of compulsory enforcement in a manner as it does when dealing with its own affairs of similar nature.
- (4) The Facility Agent bears no responsibility or obligation in taking actions which it considers may violate relevant laws or are likely to have the Facility Agent be liable for compensation to a third party. However, the Facility Agent may take any actions which it considers necessary according to laws.
- (5) The Facility Agent may presume that there is no occurrence of any Event of Default unless it has received notice from the Lenders or the Borrower. The Facility Agent may further presume that none of the Parties to the Agreement breaches the obligations under this Agreement or any Security Documents. The Facility Agent bears no obligation to verify if the Borrower has any Event of Default.

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- (6) The Facility Agent may consider the Lenders which originally offer the Facility Amount as entitled to receive the repayment, unless the Facility Agent has received written instructions from the relevant Lenders.
- (7) The Facility Agent may accept the documents required under the Agreement from the Lenders and the Borrower without verifying the content or any other relevant matters. The Facility Agent, when performing the duties designated under this Agreement, may trust the signatures and the contents of the received documents as valid and accurate. Meanwhile, the Facility Agent may trust the contact information and account details provided by the Lenders before the execution of the Agreement (and the subsequent revisions informed in written notices) as accurate for communication with and remittances to the Lenders.
- (8) The Facility Agent may deal with matters relevant to the Facility Amount of the Syndicated Loan on a pro rata basis in accordance with the relevant percentage stated in the Agreement. In cases where the actual calculation does not completely fit the percentage defined herein, the Facility Agent may make reasonable judgment on the allocation, and such decision shall be accepted by each Lender without any objection.
- (9) The Facility Agent may communicate the relevant matters under the Agreement via fax or e-mail and may trust the contents of the fax or e-mail received as authentic and accurate, unless otherwise provided in the Agreement. The Facility Agent bears no responsibility for consequences caused by interruptions or delays of and the flaws or mistakes incurred during transmission or reception of the communication (by phone, fax, email or courier), excluding circumstances where the consequences are caused due to the intentional or gross negligent acts of the Facility Agent. With regard to the matters communicated, upon the Borrower's request as it deemed necessary, the Facility Agent shall provide the originals of the relevant documents related to the communication for the Borrower's reference.

7. **Disclaimers to the Lenders**

The Facility Agent bears no responsibilities or obligations to the Lenders on the following matters:

- (1) Liability incurred due to the failure or delay of the Borrower or any other party to perform the obligations under this Agreement or any Security Documents.
- (2) The Authorization, signature, legitimacy, legal validity, enforceability, genuineness, or sufficiency of the Agreement, any Security Document and any document related to the Syndicated Loan; the accuracy of any representation, guarantee or statement made in association with the Agreement or any Security Documents; the accuracy or completeness of any information provided by any person, whether or not such information is delivered by the Facility Agent.
- (3) Taking any action to verify the existence of an Event of Default, or any failure of the Borrower or any other party to perform its obligations under the Agreement or any Security Documents.
- (4) The accuracy and reliability of the Borrower's credit, financial condition, revenue forecasts, statements, and reports; or the sufficiency of the Agreement ensuring the claims; or providing information on the financial, other credit conditions or other matters of the Borrower or any other party to the Security Documents. Nevertheless, the Facility Agent shall not have any obligation to actively supervise or inspect the business performance of the Borrower.
- (5) The payment or advances relating to the Agreement that the Facility Agent receives for itself, or any benefits that the Facility Agent receives from the current or future transactions or other relations (irrelevant to the Agreement) with the Borrower or any other party to the Security Documents, excluding the benefits received by the Facility Agent for the benefit of the Lenders under the Agreement.
- (6) Whether any amount due and payable under this Agreement or Security Documents has been settled.

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The term "Facility Agent" in this Article shall refer to (without limiting the meaning of the term used in other provisions of the Agreement) any Facility Agent and its successor agent appointed according to Paragraph 11 of this Article and its affiliates, staff, directors, employees and agents (hereinafter collectively referred to as "**the Related Persons of the Facility Agent**").

8. **Obligations to the Borrower**

The Related Persons of the Facility Agent bear no responsibility or obligation to the Borrower for any failure or delay of any Lender or any other party in performing the obligations under this Agreement and any Security Documents.

9. **Liability and Compensation**

The Related Persons of the Facility Agent bear no liability for taking or refraining from taking any action related to the Agreement, unless such action is taken intentionally or gross negligently. For the compensation not repaid by the Borrower, the Lenders shall compensate the Facility Agent based on its respective Risk Sharing Percentage (if there is no remaining Outstanding Principal Balance, the percentage shall be the Participation Percentage) for taking or refraining from taking actions to secure or fulfill the rights of the Lenders or rights related to the Facility Amount under this Agreement or any Security Documents and for all the claims, reimbursements, damages, fines, losses, costs and other expenses (including but not limited to attorneys' fees and disbursements incurred) arising from the aforementioned circumstances, unless the aforementioned circumstances can be attributed to the Facility Agent's intention or gross negligence.

10. **Acknowledgement of Lenders**

Each Lender hereby acknowledges to the Facility Agent and agrees on the following:

- (1) The Lenders have never relied on any of the Related Persons of the Facility Agent, but, since the beginning (and will continue in the future), have independently, as its own separate responsibility, made its own assessment and analysis of the current status, credit, outlook, business, operations, property and financial condition of the Borrower and other related persons, taken its own responsibility for the current or future value or ownership of any of the underlying Rights and Interests of Security, been liable for its compliance with the laws and regulations applicable to financial institutions related to the transactions under the Agreement, made its own decisions as to whether or not to proceed or in taking or not taking actions under this Syndicated Loan.

(2) The Lenders have never relied on any representation or statement of the Facility Agent to make decision to execute the Agreement.

11. **Resignation of the Facility Agent**

Should the Facility Agent decide to resign its duties as the Facility Agent at any time, it shall provide written notices at least sixty (60) days in advance to the Lenders and the Borrower. The Majority Lenders shall be entitled to designate a successor Facility Agent. If the Lenders have not designated a Facility Agent within sixty (60) days after receiving the notice or the designated Facility Agent has not agreed to accept the appointment, the resigned Facility Agent shall designate a successor Facility Agent on behalf of the Lenders. The Facility Agent's resignation shall take effect after the successor Facility Agent has been appointed and agreed to take on the position. The successor Facility Agent shall inherit the original rights, privileges, decision making rights, and duties of the resigned Facility Agent; and the resigned Facility Agent shall be absolved of any continued responsibilities and obligations as the Facility Agent under the terms of this Agreement. The resigned Facility Agent shall remit the unearned Facility Agent Fee that it has already received based on the ratio calculated according to the effective date of its resignation to the successor Facility Agent. The parties to the Agreement agree to sign any documents required for the replacement of Facility Agent. After the resignation of the original Facility Agent, the terms provided by Paragraphs 7, 8, and 9 of this Article shall serve to protect the interests of the resigned Facility Agent, and the resigned Facility Agent's actions or inactions within its terms of office shall remain valid.

12. **Lender as the Facility Agent**

The Facility Agent and its affiliates are not required to inform or obtain approval from the Lenders when providing loans to the Borrower and its subsidiaries and the affiliates, issuing letters of credit under the commission of the Borrower, accepting deposits, obtaining the equity, and operating the business of general banking, trust, financial advisory, underwriting or other business dealings, and such business is not affected by the role as the Facility Agent of this case. The Lenders hereby acknowledge that, due to the aforementioned business dealings, the Facility Agent and its affiliates may obtain relevant information about the Borrower and its subsidiaries (including information that requires duty of confidentiality to the Borrower or its subsidiaries), which the Lenders acknowledge that the Facility Agent bears no obligation to provide to the Lenders. The Facility Agent is entitled to and may exercise the same rights and authority as the other Lenders based on its Facility Participation Amount, and shall not be affected by its role as the Facility Agent of this Syndicated Loan.

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13. **Lead Arranger**

The Lead Arranger does not bear the responsibilities or obligations of the other Lenders for its role as the Lead Arranger. However, the Paragraphs 7, 8, and 10 of this Article shall be applied when it concerns the benefit of the Lead Arranger, and in doing so, the term “Facility Agent” shall be replaced with “Lead Arranger” where it is deemed applicable.

14. **Lenders’ Meeting**

The Majority Lenders may make written requests to the Facility Agent to convene a Lenders’ meeting to discuss defaults of the Borrower or other matters related to this Agreement. The Facility Agent shall, within fifteen (15) Business Days after receipt of such notice, issue a meeting notice and hold the meeting according to the date stated. When it deems necessary, the Facility Agent may also convene the Lenders’ meeting.

15. **Holding of the Security Rights**

The Facility Agent hereby acknowledges that it holds all of the Rights and Interests of Security and has the control of the Collateral based on the benefits of the relevant Lenders, and unless (1) it has received written consent by all of the Lenders or (2) all debts under this Agreement have been repaid; the Facility Agent shall not use the funds obtained from the implementation of any Rights and Interests of Security to repay current or future debts arisen from other financial relationships between the Facility Agent and the Borrower.

Article 16 Amendment

1. **Majority Consent and Entire Consent**

The amendment to or exemption from any provision of this Agreement and the exemption from the breach of this Agreement shall be made in writing, and will be effective only after the execution of the parties relating to the amendment or exemption. Without affecting the generality of the aforementioned provisions, if any amendment or exemption affects the rights and interests of the Lead Arranger or the Facility Agent, the amendment or exemption shall be consented to and executed in writing by the Lead Arranger or the Facility Agent. After the Facility Agent obtains the consent of all or the Majority Lenders according to this Agreement, the Lead Arranger and the Lenders will authorize the Facility Agent and the Borrower to make relevant amendment or exemption in writing (the consent of all or the majority of the Lenders is deemed as the authorization granted by the Lenders) and the amendment or exemption made by the Facility Agent under such mandate shall have the binding effect on all Lenders; provided, however, that the amendment or exemption relating to the following matters shall be consented to in writing by all of the Lenders:

(1) **Facility Amount, Term, Amount and Currency**

Any increase in any of the Tranches Facility Amount or extension of the loan period, or amendment to the paying amount, currency or maturity date under this Agreement.

(2) **Interest Rate and Fee Rate**

Reduction in or exemption from the interest rate, Commitment Fee, or other fees or payments payable to the Lenders under this Agreement.

(3) **Repayment**

Any voluntary or compulsory prepayment or datio in solutum, unless otherwise stipulated in this Agreement.

(4) **Majority Lenders**

Any amendment relating to the definition of the "Majority Lenders", this Article or Paragraph 3 of Article 14.

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(5) **Settlement and Conciliation**

Reaching settlement or conciliation with the Borrower, or abandoning claims, admitting claims, dismissing actions or reaching compromise in the proceedings for the debts in relation to this Agreement.

(6) **Collateral**

Return or release of the Collateral specified in Article 11 or change of the contents of the Collateral unless otherwise stipulated in this Agreement.

Notwithstanding the above, for any of the amendment or change in relation to the agreements between the Facility Agent and the Lenders which does not affect the rights and obligations of the Borrower, only the written consent of the Facility Agent and the Majority Lenders are required, while the consent of the Borrower is not required, provided that the Facility Agent shall still notify the Borrower of the amendment in writing.

With respect to the matters to which the consent of all Lenders is required according to this Agreement, if the consent of the Majority Lenders is acquired, the Borrower may, within three (3) months after receiving the notification of the result of the voting from the Facility Agent, repay all the Outstanding Balance payable to the dissenting Lenders in advance, or find another financial institution (including a Lender under this Syndicated Loan) to assume the Commitment Amount granted by the dissenting Lenders and/or the Outstanding Principal Balance of the dissenting Lenders to become a Lender under this Syndicated Loan, and if the financial institution thereafter consents to such issue in writing, all Lenders will be deemed to have consented to the issue.

2. **Administrative Fees**

Unless the change of loan conditions or modification for the contents of this Agreement is required by the relevant competent authority, the Borrower shall pay NT\$50 thousand (NT\$50,000) to the Facility Agent and NT\$20 thousand (NT\$20,000) to each Lender of each application for modification or waiver of this Agreement regardless of whether the Lenders have approved such modification or waiver.

Article 17 Non-waiver and Severability

1. **Non-waiver**

Unless otherwise provided by law, the failure or delay of the exercise of the rights, power or remedies under this Agreement by the Facility Agent, Lead Arranger or any Lender shall not affect the rights, power or remedies, and shall not be deemed the waiver of the rights, power or remedies by the Facility Agent, Lead Arranger or the Lenders; any single or partial exercise of the aforementioned rights, power or remedies shall not affect the further exercise thereof in the future, and shall not affect the exercise of other rights, power or remedies. The waiver of any rights under this Agreement by the Facility Agent, Lead Arranger or the Lenders shall be made in writing, and shall be effective only upon the execution of the Facility Agent, Lead Arranger or all Lenders (or the Majority Lenders, depending on the applicable provision). The effect of the exemption from Event of Default shall be specified in the document granting exemption, and subject to the terms and conditions provided therein. The rights, power and remedies specified in this Agreement shall not preclude other rights, power and remedies attainable in accordance with law.

2. **Severability**

Should any provision of this Agreement become illegal, invalid, or unenforceable at any time due to violation of the laws of the Republic of China, the legality, effectiveness, and enforceability of the remaining provisions of this Agreement shall not be affected.

Article 18 Assignment

1. **Borrower**

The Borrower shall not assign any rights or obligations under this Agreement.

2. **Lenders**

The Lenders (hereinafter referred to as "Assignor Banks") may assign all or part of their rights, interests, and obligations under this Agreement, Security Documents or those arising from this Agreement, or Security Documents to any other person (hereinafter referred to as "Assignee") in the format and contents specified in Schedule 10 without the consent of the Borrower; and the Assignor Banks shall notify the Borrower and the Facility Agent of the assignment (in the format specified in Schedule 10). The other parties shall not be affected by the assignment. In addition, the assignment of the aforementioned rights and/or obligations shall not increase the obligations of the Borrower under this Agreement or affect the rights and interests of the Borrower under this Agreement, and the Assignee shall agree to accept the provisions of this Agreement in writing. For each assignment, the Lenders assigning rights and/or obligations shall pay the Facility Agent NT\$100 thousand (NT\$100,000) as administrative fee.

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3. **Sub-Participation Agreement**

The Lenders may execute a Sub-Participation Agreement with any other person to assign the aforementioned rights, interests and obligations to the Assignee without notifying the Borrower. The Assignor Banks shall still act as the nominal parties of this Agreement or Security Documents within the scope of the risks assumed by the Assignee to which the Assignor Banks consent. The Assignee shall exercise the rights or perform the obligations under this Agreement and/or Security Documents through the Assignor Banks and in the names of the Assignor Banks, and the Assignee does not have voting right. The Assignee shall not claim rights against the Borrower according to the Sub-Participation Agreement or this Agreement. The expenses arising from the Sub-Participation Agreement shall be borne by the Assignor Banks.

4. **Effect of Assignment**

The Agreement shall have binding effect on the Assignee or successor of the Lenders, or the person who assumes or succeeds to the rights or obligations of the party hereto according to other laws and regulations.

5. **Disclosure of Information**

When the Lenders deem appropriate, the Lenders may inform the Assignee or the Assignee-to-be of the information relating to the Borrower in confidence.

Article 19 Notice and Delivery of Payments by Facility Agent

1. **Service**

Any notice, requirement, or other communications made under this Agreement shall be made in writing, and shall be served or delivered to relevant parties according to the following addresses, facsimile numbers or e-mail addresses (or the changed addresses, facsimile numbers or e-mail addresses, provided that the said changes must be notified in writing by the other party five (5) Business Days in advance to the other parties). The payments that the Facility Agent shall transfer to the Lenders according to this Agreement shall be remitted through the inter-bank remittance system to the accounts notified of in writing prior to the execution of this Agreement by the Lenders to the Facility Agent. The contact information of the Borrower and the Facility Agent is as follows:

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Borrower: ChipMOS TECHNOLOGIES INC.

Address: No. 1, Yanfa 1st Rd., Hsinchu Science Park, Taiwan

TEL: (03)577-0055

FAX: (03)566-8981

E-mail: Denise_lin@chipmos.com

Receiver: Xin-Pei Lin

Facility Agent: Bank of Taiwan Co., Ltd.

Address: 1F, No.15, Nanke 3rd Rd., Xinshi Dist., Tainan City, Taiwan

TEL: (06)505-1701 ext. 306

FAX: (06)505-1709

E-mail: 187184@mail.bot.com.tw

Receiver: Yi-Bin Wang

When either party changes the address, facsimile number, e-mail address, or the receiver; the party shall notify the other parties immediately. If the notice fails to be made according to this Agreement, the change shall not constitute a defense against the other parties.

2. **Deemed Served**

The notice, requirement and other communications provided to other parties according to the aforementioned provisions shall be deemed served at the following time: (1) if sent by mail, at the time after ordinary postal delivery period since the mail is sent to relevant address; (2) if sent by facsimile, at the time the facsimile is sent and the record of the facsimile transmission is received; (3) if delivered in person, at the time of the delivery; (4) if sent by e-mail, at the time the e-mail is sent while no extraordinary notice is received.

3. **Facility Agent**

All the communications relating to this Agreement between the Borrower and the Lenders shall be made through the Facility Agent.

4. **Language**

Any notice, requirement and other communications specified in this Agreement and other documents required by this Agreement to be delivered shall be made in Chinese or made in English with a Chinese translation attached thereto (the translation attached thereto by the Borrower may be an abridged translation as the case may be; provided that when the Facility Agent deems necessary, the Facility Agent may ask for the translation consistent with the original). If there is any discrepancy between the Chinese version and the English version, the Chinese version shall prevail.

Article 20 Document Destruction and Seal Handling Process

1. **Document Destruction Process**

If the notes and documents provided by the Borrower to the Facility Agent as agreed in this Agreement and any certificates of the debts borne by the Borrower under this Agreement are counterfeited or altered, or if they are destroyed, lost or delayed due to an incident, disaster, or accident during transportation, in the event not attributable to the Facility Agent or other force majeure events, unless the Borrower proves that there are indeed mistakes in the records specified in the Facility Agent's book of account, summons, the receipts produced by computer, certificates of claims, and the copies and reduced size copies of correspondences, the Borrower shall admit all the monies in the amount specified in the aforementioned books and certificates, and shall repay the principals and interests of all debts and all other expenses forthwith on the due date; or the Borrower shall issue a certificate of claim and provide it to the Facility Agent before the debt is due according to the notice from the Facility Agent, and shall cooperate with the Facility Agent to carry out the procedures required by relevant laws and regulations for the report of loss and the suspension of payments.

2. **Notice of Change**

When changing the name, institution or seal, the Borrower shall forthwith notify the Facility Agent in writing of the change and apply for the change or cancellation of the original seal. Before the procedures for the change are completed, the Borrower shall not claim rights against the Facility Agent and the Lenders for the change of the aforementioned matters. Without the consent of relevant Lenders or the Facility Agent and before the procedures for the change or cancellation of seal are completed, the original seal of the Borrower as preserved by relevant Lenders or the Facility Agent shall be still effective, and the Borrower shall be responsible for all the transactions made with relevant Lenders or the Facility Agent by using the original seal.

Article 21 Consent to Use and Transmission of Information

1. **Rights to Collect and Use Information**

The Borrower and its responsible person agree that the Lenders may collect, process, and use (including international transmission) the information of the Borrower and its responsible person as well as the transaction information between the Borrower, its responsible person, and the institutions (including basic identification information, credit investigation report, loan information (including the records of overdue debt, debt collection and bad debt), savings information, financial information and other information regarding properties or real estates, credit information regarding notes, personal credit information, credit information regarding credit cards (including IC cards and magnetic stripe cards), credit information in the contracted merchant of credit card companies, and other personal information regarding loan and credit transactions) according to the Personal Data Protection Act and/or the relevant laws and regulations amended and promulgated thereafter. However, with regard to the aforementioned information and the information acquired from this Syndicated Loan, the Lenders shall bear the duty of confidentiality according to the Banking Act and the Personal Data Protection Act. The responsible person of the Borrower may request to query or read its personal data and request to add, correct, make copies of the personal data, or request the data to be deleted, stop being collected and used. However, during the Duration of the Agreement or after its expiration, if the responsible person of the Borrower has requested that the data be deleted or stop being collected and used, and such data is required by the data user to implement matters relevant to this Agreement or required for its operations, the Facility Agent and the various Lenders may reject the request.

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2. **Provision of Information**

The Lenders may provide the aforementioned information to the Joint Credit Information Center, the Small and Medium Enterprise Credit Guarantee Fund of Taiwan, the National Credit Card Center of the R.O.C., the Financial Information Service Co., Ltd. and other relevant institutions having transactions with the Lenders, and the aforementioned institutions may process and use (including international transmission) the information.

3. **Use of Information**

The institutions listed in the preceding paragraph may collect, process and use (including international transmission) the information of the Borrower and its responsible person specified in Paragraph 1 of this Article for certain purposes such as for the needs of the registered businesses items or business stipulated in the Articles of Incorporation, and may provide the information to the Lenders, and the Lenders may collect, process and use (including international transmission) the information. When the Lenders process and use (including international transmission) the personal information of the responsible person of the Borrower acquired from the aforementioned institutions, because the responsible person of the Borrower has already known the contents that the Lenders shall notify, the Facility Agent and the Lenders do not have to conduct such notification again.

4. **Use of Information by Third Party**

When the Lenders intend to sell, assign, or entrust their claims under this Syndicated Loan to a third party, or intend to engage a third party to carry out a lawsuit, compulsory enforcement or other legal proceedings due to a breach of agreement, the Borrower and its responsible person agree that the Lenders may provide the aforementioned third party and its assignee with the contents of the transaction, the status of the repayment and debt collection under this Agreement, the credit information, loan information and personal information of the Borrower and its responsible person, and agree that the aforementioned third party, its assignee and the professional consultant may collect, process, and use (including international transmission) the said information.

5. **Consent of the Responsible Person**

The Borrower shall urge its responsible person (and the new responsible person changed thereafter as well) to consent to the aforementioned regulations regarding the collection, processing and use (including international transmission) of information and to execute the written consent as required by the Facility Agent.

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6. **Continuous Effectiveness of Written Consent**

The written consent previously given by the Borrower and its responsible person specifying that the receiver of the information may use the personal information of the Borrower and its responsible person shall continue to be effective within the scope not violating this Agreement.

7. **Outsourcing**

The Borrower agrees that the Lenders and the Facility Agent may outsource relevant banking operation such as the collection of the account receivables under this Syndicated Loan according to the Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation promulgated by the competent authority of the Republic of China, Guidelines for the Outsourcing of Collection of Account Receivables by Financial Institutions adopted by the Bankers Association of the Republic of China and other relevant laws and regulations.

8. **Asset Securitization**

The Borrower agrees that the Lender may, for the certain purpose of the assignment of claim, provide information relating to the debts borne by the Borrower to the assignee to whom the claim is assigned (including the assignee who intends to assume the claim) and the appraisal auditor who carries out the assignment of the claim. If the Lender entrusts assets or assigns claims for the purpose of financial asset securitization, the Borrower agrees that the Lender may make a publication instead of making a notice, that is, the Lender does not have to notify the Borrower or send a certificate of publication to the Borrower, provided that the said Lender shall still notify the Facility Agent.

Article 22 Miscellaneous

1. **Integrity of the Agreement**

This Agreement and the documents referred to herein (including but not limited to the appendixes and schedules attached to this Agreement) constitute all the obligations that the Lender, Facility Agent, Lead Arranger and the Borrower shall bear, and supersede any prior intentions, expression or understandings with respect to this Syndicated Loan.

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2. **Duty of Confidentiality**

Unless otherwise permitted by law or agreed in this Agreement, the matters in relation to this Agreement or the Facility Amount shall not be publicly announced or disclosed without the consent of the Borrower and the arrangement made by the Facility Agent.

3. **Copies of the Agreement**

This Agreement may be made in any number of copies, and different parties may sign on respective copies, provided that all copies shall constitute one and the same agreement.

4. **Place of Performance under the Agreement**

The place at which the Facility Agent is located shall be the place of exercise of the rights and performance of the obligations of the parties hereunder.

Article 23 Governing Law and Jurisdiction

1. **Governing Law**

The Agreement and the rights and obligations of the respective parties hereto shall be governed by, and construed according to, the laws of the Republic of China.

2. **Court of Jurisdiction**

The parties agree that any and all legal actions and proceedings arising from or relating to this Agreement shall be submitted to Taiwan Hsinchu District Court as the court of first instance, unless otherwise required to be submitted to the exclusive jurisdiction as provided by law.

3. **No Restriction on the Rights to Take Legal Proceedings**

The matters specified in this Agreement do not affect the rights of the Lenders and the Facility Agent to take legal actions against the Borrower and/or its properties before the courts of other jurisdictions or to make delivery in the manner permitted by law. The legal proceeding carried out before the court of any jurisdiction does not affect other legal proceedings carried out before the courts of other jurisdictions, regardless of whether those legal proceedings are carried out simultaneously.

4. **Counterparts**

This Agreement is made in thirteen (13) originals. The Borrower, Facility Agent and the Lenders shall each hold one original as evidence.

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Borrower

ChipMOS TECHNOLOGIES INC.

Representative: Chairman Shih-Jye Cheng

Lead Arranger, Facility Agent, and Lender

Bank of Taiwan Co., Ltd.

Authorized Signatory: _____

Joint Lead Arranger, Document Management Banks, and Lender

Taiwan Cooperative Bank Co., Ltd.

Authorized Signatory: _____

Land Bank of Taiwan Co., Ltd.

Authorized Signatory: _____

Yuanta Commercial Bank Co., Ltd.

Authorized Signatory: _____

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Joint Lead Arranger and Lender

Taishin International Bank Co., Ltd.

Authorized Signatory: _____

Lenders

Chang Hwa Commercial Bank, Ltd.

Authorized Signatory: _____

Hua Nan Commercial Bank, Ltd.

Authorized Signatory: _____

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Ta Chong Bank, Ltd.

Authorized Signatory: _____

First Commercial Bank, Ltd.

Authorized Signatory: _____

Taiwan Shin Kong Commercial Bank Co., Ltd.

Authorized Signatory: _____

Bank of Panhsin Co., Ltd.

Authorized Signatory: _____

Appendix 1

The Commitment Amount of Each Lender

		Unit: NT\$ 100 million / US\$ 1 million			
		Commitment Amount			
Lenders		Tranche A Facility Amount (NT\$)	Tranche B-1 Facility Amount (NT\$)	Tranche B-2 Facility Amount (US\$)	Total (NT\$)
1	Bank of Taiwan	12.6	8.4	21.0	21.0
2	Taiwan Cooperative Bank	8.4	5.6	14.0	14.0
3	Land Bank of Taiwan	8.4	5.6	14.0	14.0
4	Yuanta Commercial Bank	8.4	5.6	14.0	14.0
5	Taishin International Bank	8.4	5.6	14.0	14.0
6	Chang Hwa Commercial Bank	4.2	2.8	7.0	7.0
7	Hua Nan Commercial Bank	2.4	1.6	4.0	4.0
8	Ta Chong Bank	2.4	1.6	4.0	4.0
9	First Commercial Bank	2.1	1.4	3.5	3.5
10	Taiwan Shin Kong Commercial Bank	1.5	1.0	2.5	2.5
11	Bank of Panshin	1.2	0.8	2.0	2.0
	Total	60.0	40.0	100.0	100.0

Appendix 2

Land and Building Details

Hsinchu Science Park Plant - Buildings	Construction No.	Construction Nos. 13, 29, and 36, Keguan Section, Paoshan Township Hsinchu County
	Address	Address: No. 1, Yanfa 1st Rd, Paoshan Township, Hsinchu County
Southern Taiwan Science Park Plant - Buildings	Construction No.	Construction No. 1, Xinke Section, Xinshi Dist., Tainan City
		Construction Nos. 2, 3, 4, 612, and 613, Xinke Section, Xinshi Dist., Tainan City
	Address	Address: No. 5, Nanke 7th Road, Xinshi Dist., Tainan City
	Construction No.	Construction Nos. 130, 145, and 146, Xinke Section, Sinshih Dist., Tainan City
	Address	Address: No. 3, Nanke 7th Road, Xinshi Dist., Tainan City
Zhubei Plant - Land	Land No.	Land Nos. 1072, 1073, 1074, and 1077, Taihe Section, Zhubei City, Hsinchu County
Zhubei Plant - Buildings	Construction No.	Construction Nos. 251-1, 251-2, and 251-3, Taihe Section, Zhubei City, Hsinchu County
	Address	No. 37, Xintai Rd, Zhubei City, Hsinchu County

Appendix 3**Machinery and Equipment Details**

Item	Equipment Name	Unit	Quantity
1	12 inch up and down wafer machine	SET	1
2	12 inch copper plating machine	SET	1
3	12 inch nickel and gold plating machine	SET	1
4	8 inch vertical-slot spin dryer	SET	1
5	COG TRAY disc ultrasonic cleaning machine	SET	1
6	WAFER RING automatic washing machine	SET	1
7	Loading machine	SET	35
8	Sorting machine	SET	21
9	FT HANDLER	SET	1
10	Cutting machine	SET	41
11	Semi-automatic chemical immersion stripping machine	SET	1
12	Semi-automatic ball/pin detection machine	SET	1
13	Semi-automatic placement machine	SET	2
14	Visual inspection machine	SET	2
15	Photoresist coating machine	SET	2
16	Optical contour measuring instrument	SET	2
17	Reflow oven	SET	1
18	Reflow oven	SET	1
19	Automatic loading and unloading machine	SET	29
20	Automatic heat sink laminating machine	SET	1
21	Automatic visual inspection machine	SET	3
22	Automatic placement machine	SET	1
23	Flux cleaning machine	SET	1
24	Stepper machine	SET	2
25	Gold plated automatic machine	SET	4
26	Pick machine	SET	11

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Item	Equipment Name	Unit	Quantity
27	Oven	SET	3
28	Energy-dispersive fluorescence X-ray analyzer	SET	1
29	Probe machine	SET	117
30	Rotary developing machine	SET	1
31	Wire bonding machine	SET	25
32	Mobile copper plating machine	SET	1
33	Chip packaging machine	SET	1
34	Wafer surface dust detection machine	SET	1
35	Wafer defect inspection machine	SET	5
36	Crystal boat washing machine	SET	1
37	Grain separator	SET	6
38	Wafer cleaning machine	SET	3
39	Wafer grinding machine	SET	3
40	Wafer defect inspection machine	SET	1
41	MV3200-300 3D WAFER INSPE	SET	3
42	Crystal edge mask system	SET	1
43	Crystal edge exposure machine	SET	2
44	Ball planting machine	SET	1
45	Test sorting machine	SET	13
46	Testing machine	SET	59
47	IC test machine	SET	1
48	Hardness testing machine	SET	1
49	Vision inspection system & flow channel dispensing machine	SET	1
50	Chip mounting machine	SET	2
51	Titanium copper etching machine	SET	2
52	Laser marking machine	SET	1
53	Laser marking machine	SET	5
54	Plasma cleaning machine	SET	2
55	Electroplated layer film thickness measuring instrument	SET	1
56	Polyimide coating machine/developers	SET	1
57	Copper-nickel gold plating machine	SET	1

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<u>Item</u>	<u>Equipment Name</u>	<u>Unit</u>	<u>Quantity</u>
58	Wet photoresist removal machine	SET	1
59	Wet gold etching machine	SET	1
60	Film thickness measuring instrument	SET	2
61	Sputtering machine	SET	4
62	Flip chip bonding machine	SET	15
	Total		457

Schedule 1

Drawdown Request

To whom it may concern:

1. On July 2, 2014, the Company has entered into the Syndicated Loan Agreement (hereafter "Loan Agreement") for the Maximum Facility Amount of NT\$10 billion (NT\$10,000,000,000) with the Lenders having the Bank of Taiwan Co., Ltd. as the Facility Agent. Unless otherwise specified in this Drawdown Request, all terms used herein shall have the same meaning and definition as provided in the Loan Agreement.
2. Pursuant to the provisions in the Loan Agreement, please disburse on _____(date)
 - the Tranche A Facility Amount in the amount of NT\$ _____ (NT\$ _____) into
 - The Company's bank account maintained at _____ Bank _____ Branch (Account Number: _____). The Company shall be deemed to have collected the Drawdown amount upon the Bank's transfer of such amount to the aforesaid bank account.
 - _____ Bank, (Repayment Account Number: _____). The Company shall be deemed to have collected the disbursed amount upon the Bank's transfer of such amount to the aforesaid bank account. Furthermore, this Drawdown Request shall constitute proof of the Company's acceptance of the disbursed loan.
 - Disburse the Tranche B-1 Facility Amount in the amount of NT\$ _____ (NT\$ _____) with the Term of Facility of _____ days, the Maturity Date of _____; and;
 - This shall be a new Drawdown of the Tranche B-1 Facility Amount. Please disburse the Drawdown fund into the _____ Bank _____ Branch account (Account No.: _____) as designated by the Company.

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This shall be a revolving drawdown of the Tranche B-1 Facility Amount. Please use the drawdown amount as repayment for the Outstanding Principal Balance due on _____ (date), as the drawdown amount already received by the Company, and regard this Drawdown Request as proof that the Company has already received the disbursed loan.

Disburse Tranche B-2 Facility Amount in the amount of US\$ _____ (US\$ _____), with the Term of Facility of __ days, the Maturity Date of _____, and please disburse the drawdown fund into the _____ Bank _____ Branch account (Account No.: _____) as designated by the Company.

3. The Company hereby declares and confirms that from the date the Loan Agreement is executed to the Drawdown application date: (1) no Event of Default or Prospective Event of Default has occurred or continues to exist; (2) no representation under the Loan Agreement has been violated by the Company; (3) the Company has fulfilled its undertakings under the Loan Agreement; (4) no material adverse changes have occurred to the financial condition of the Company since the date the Loan Agreement is executed; (5) documents provided by the Company pursuant to Paragraph 1 of Article 3 of this Loan Agreement remain effective/applicable and unchanged; (6) no litigation, arbitration, compulsory execution, or other administrative litigation procedures having material adverse effect on the ability of the Company to perform its obligations in connection with the Loan Agreement or Security Documents to which the Company is a party, and (7) loan proceeds disbursed from previous Drawdowns of Facility Amount have been used pursuant to purposes as agreed herein.
4. The Company understands and agrees that the Drawdown Request is irrevocable and binding upon its acceptance by the Facility Agent. The Company shall not be entitled to withdraw, change, cancel or terminate this application.
5. The relevant documents as required under the Loan Agreement are attached herewith for your reference.

Sincerely,

Lenders

Facility Agent: Bank of Taiwan Co., Ltd.

Applicant: ChipMOS TECHNOLOGIES INC.
Representative: Chairman Shih-Jye Cheng
Address: No. 1, Yanfa 1st Rd., Hsinchu Science Park,
Paoshan Township, Hsinchu County

Date: _____

Schedule 2

Promissory Note

Note issuance date: _____

Place of payment:

Upon presentation of this Promissory Note, please pay the sum of NT\$ _____ unconditionally to Bank of Taiwan Co., Ltd. or other party designated by Bank of Taiwan Co., Ltd. on _____ (date).

Interest on this Promissory Note at the rate of ___% per annum (such interest rate being the Compensatory Interest Rate plus 10%) from the date of presentation (or maturity date) to _____ shall be payable. In addition, interest on this Promissory Note at the rate of ___% per annum (such interest rate being the Compensatory Interest Rate plus 20%) from _____ to the date of full repayment shall be payable.

Waiver of protest shall be applicable to this Promissory Note. No demand or notice is required under this Promissory Note.

Issuer: ChipMOS TECHNOLOGIES INC.

Representative: Chairman Shih-Jye Cheng

Address: No. 1, Yanfa 1st Rd., Hsinchu Science Park, Paoshan Township, Hsinchu County

Schedule 3

Note Authorization

To whom it may concern:

In relation to the Syndicated Loan Agreement with the Maximum Facility Amount of NT\$10 billion (NT\$10,000,000,000) entered into by the Company (the "Undersigned") on July 2, 2014 with the Lenders having the Bank of Taiwan Co., Ltd., as the Facility Agent (hereafter the "Loan Agreement"); the Undersigned hereby deposits a Promissory Note (hereafter "Promissory Note") pursuant to the Loan Agreement for the sum of NT\$ _____ (NT\$ _____) to the Facility Agent for its retainment as proof of the Undersigned's debts to the Lenders under the Loan Agreement.

The Undersigned hereby agrees that: The Facility Agent shall have the right to exercise, pursuant to the manner provided in the Loan Agreement (including, but not limited to, issuance of demands for repayment) and in its capacity as a joint and several creditor for the benefit of the Lenders, the various rights with respect to the Promissory Note deposited by the Undersigned in accordance with the Loan Agreement and all subsequent replacement or substitute Promissory Note ("Substitute Promissory Note").

The Undersigned hereby expressly and irrevocably authorizes the Facility Agent and/or its agents or employees pursuant to the terms of the Loan Agreement to fill in the maturity date of the Promissory Note and Substitute Promissory Note at any time, the interest rate (this being the Compensatory Interest Rate stipulated in the Loan Agreement), and the interest accrual commencement date, and to exercise all rights under the Promissory Note upon the Undersigned's delay or failure to perform the Loan Agreement or repay the principal sum, interest, default interest, commitment fees, all other charges or compensation for damages, pursuant to the Loan Agreement.

The Undersigned understands and agrees that the Facility Agent's acts pursuant to this Note Authorization have the absolutely binding effect on the Undersigned.

The Undersigned's authorization hereby is irrevocable and without any limitations. In addition, the Undersigned is not entitled to withdraw, change, cancel or terminate such authorization. Except that a resolution adopted by all the Lenders or notice by the Facility Agent confirming that all the aforesaid payables under the Loan Agreement have been fully repaid, the Undersigned's authorization hereunder shall continue to be in effect.

Unless otherwise defined in this Note Authorization, all terms used herein shall have the same meanings as those given in the Loan Agreement.

This Note Authorization shall be governed by the laws of the Republic of China.

Sincerely,

Lenders

Facility Agent: Bank of Taiwan Co., Ltd.

Undersigned: ChipMOS TECHNOLOGIES INC.

Representative: Chairman Shih-Jye Cheng

Date: _____

Schedule 4

Statement of Non-violation of Financial Covenants

To whom it may concern:

With respect to the Syndicated Loan Agreement entered into by and between ChipMOS TECHNOLOGIES INC., (“Borrower”) and the Lenders on July 2, 2014 for the Maximum Facility Amount of NT\$10 billion (NT\$10,000,000,000) with the Bank as the Facility Agent (hereafter the “Loan Agreement”), the Borrower hereby issues this Statement in accordance with Subparagraph (3) of Paragraph 1 of Article 10 of the Loan Agreement to certify the following matters as of the date of this Statement:

1. There has been no Event of Default or Prospective Event of Default of the Borrower whether in the past or at present;
2. The Borrower’s financial condition is in conformity with Subparagraph (4) of Paragraph 1 of Article 10 of the Loan Agreement, being:
 - (1) Current ratio: _____;
 - (2) Leverage ratio: _____; and
 - (3) Interest Cover Ratio: _____.
3. The Borrower’s representations made in the Loan Agreement shall remain authentic and accurate, and shall continue to be in force.

All terms in this Statement shall have the same meanings and definitions as those given in the Loan Agreement.

Sincerely,

Lenders

Facility Agent: Bank of Taiwan Co., Ltd.

[ChipMOS TECHNOLOGIES INC.

Financial Supervisor]

[Certified Public Accountant]

Date: _____

Schedule 5

Subordination Undertaking

1. The Undersigned _____ (hereafter "I/The Company") shall be a shareholder of ChipMOS TECHNOLOGIES INC. ("the Borrower") and shall hereby agree that all present and future debts of the Borrower owed to the Lenders pursuant to the Loan Agreement (as defined below) shall take priority over all debts owed by the Borrower to me/the Company. In addition, the interest rate for all loans extended by me/the Company to the Borrower shall not exceed the minimum loan interest rate calculated pursuant to the Loan Agreement.
2. I/The Company hereby agrees that with regard to all debts owed by the Borrower to me/the Company whether at present or in the future, I/the Company shall neither accept full repayment, gift, or transfer or pledge of my/the Company's claim concerning said debts to a third party nor demand the Borrower to make full repayment for the debts, provide any surety, pledge, retention of the Borrower's assets before the Borrower has fully repaid all of the debts owed to the Lenders pursuant to the Loan Agreement.
3. In the event that I/the Company violates the agreements set forth in the preceding paragraphs and cause the Lenders to become unable to recover all the debts owed by the Borrower or to suffer any loss or damage as a result, I/the Company shall be liable for such loss and damage.
4. All of the terms used in this Subordination Undertaking shall have the same meanings and definitions as those in the Loan Agreement entered into by and between the Borrower and the Syndicated Loan Bank Group ("Lenders") with the Bank as the Facility Agent on July 2, 2014 for the Maximum Loan Amount of NT\$10 billion (NT\$10,000,000,000) (the "Loan Agreement").
5. This Subordination Undertaking shall be governed by the laws of the Republic of China, and the parties agree that all legal actions or proceedings arising from or relating to this Subordination Undertaking shall be subjected to the jurisdiction of Taiwan Hsinchu District Court as the court of first instance unless other exclusive jurisdiction applies pursuant to the law.
- [6. The Undersigned (if a legal entity) hereby certifies that the issuance and implementation of this Subordination Undertaking shall have been approved by the internal process of the Undersigned, and the proof of such internal process approval shall be attached to the Bank for review and record.]*

Sincerely,

Facility Agent: Bank of Taiwan Co., Ltd.

Undersigned:

[Representative:]

Address:

Date: _____

[Attachments: Proof of internal process approval]*

* *Applicable to legal entities*

Schedule 6

Real Estate Mortgage Agreement

This Real Estate Mortgage Agreement (hereafter “the Agreement”) shall be signed and entered into by and between ChipMOS TECHNOLOGIES INC. (hereafter “Mortgagor”) and Bank of Taiwan Co., Ltd. (in its position as a joint and several creditor pursuant to the provisions provided by Article 283 of the Civil Code of the Republic of China to hold the security rights for the interests of the joint and several creditors, as the Lenders, pursuant to the Syndicated Loan Agreement described below, hereafter “Mortgagee”) on _____ (date).

The Mortgagor and the Syndicated Loan Bank Group (“Lenders”) with the Facility Agent as the Mortgagee have signed a Syndicated Loan Agreement (hereafter the “Loan Agreement”) on July 2, 2014 for the Maximum Facility Amount up to NT\$10 billion (NT\$10,000,000,000). Pursuant to the Loan Agreement, the Mortgagor shall provide the land and building improvement items under its possession and create the maximum amount mortgage for the Mortgagee.

Both parties hereby agree to abide by the provisions as follows:

1. The scope of credit security for the collateral provided by the Mortgagor shall be able to cover the various current and future debts (including past debts that have not yet been settled) owed to the Mortgagee under the Loan Agreement that include, but not limited to, outstanding principal balance, interest, default interest, penalties, costs, advances, costs needed for the Mortgagee to obtain the writ of execution pursuant to law for various debt according to the terms stipulated in this Agreement, costs for mandatory enforcement, costs for participation allocation, other fees (including, but not limited to, Lead Arranger Fee, Facility Agent Fee, commitment fees, insurance costs on collateral advanced by the Mortgagee, warehouse rental, transportation costs, etc.), compensation for all of the damages incurred due to the non-performance of the debt, and all other debts incurred by the Mortgagor pursuant to the Loan Agreement.
2. The determination date for the debts secured by the maximum amount mortgage is _____ (date). The Mortgagor hereby agrees to waive its rights provided by Article 881-7 of the Civil Code.
3. The Mortgagor has a full understanding of the credit scope secured by this mortgage rights and agrees to be bound by it.

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4. Unless otherwise defined in the Agreement, all terms used herein shall have the same meanings as those given in the Loan Agreement.
5. The Mortgagee shall establish the respective settlement dates pursuant to the Loan Agreement for the debts secured pursuant to the matters agreed in this Agreement. If the Loan Agreement or other loan documents require the loan to be suspended, or require to withdraw part of the loan already disbursed, to decrease the line of credit or shorten the loan period, or to deem the loan as expired, the Mortgagor shall comply with these requirements without any objections.
6. The Mortgagor hereby declares that the Mortgagor has the complete and legal rights to the collateral, and the collateral is not rented (unless otherwise provided by the Loan Agreement) or borrowed and has no third party interests or other burdens. This collateral is not prohibited by law or under seizure, not prohibited from ownership or transfer, not a pledge item, and has not been seized or detained. Should disputes arise because any of the statements above is false or there are flaws in the quality or rights of the collateral, such disputes shall be handled pursuant to the terms stipulated in the Loan Agreement.
7. If the collateral is damaged, diminished, or depreciated, the Mortgagor shall notify the Mortgagee pursuant to the terms provided by the Loan Agreement. Without the written consent from the Mortgagee, the Mortgagor shall not demolish, alter, or enlarge the collateral in part or in full; or conduct any other act that is sufficient to reduce the value of the collateral unless otherwise provided by the terms of this Loan Agreement. The tax, maintenance, and other related costs of the collateral shall be borne by the Mortgagor.
8. Without the written consent of the Mortgagee, the Mortgagor shall not sell, transfer, lease (unless otherwise provided by the Loan Agreement), lend the collateral, create any burdens, or unilaterally allow a third party to construct buildings on the mortgaged land (if the collateral is an open space), unless otherwise provided by the Loan Agreement. Breach of this provision shall be handled pursuant to the terms provided by this Loan Agreement.
9. If the mortgage for the collateral should be created or registered, the Mortgagor shall handle such creation or registration and bear all of the relevant costs, unless otherwise provided in this Loan Agreement.
10. The Mortgagor shall purchase the various insurances for the collateral pursuant to the terms stipulated in the Loan Agreement.

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11. If the Mortgagor is required to receive compensation from a third party because all or part of the collateral has been expropriated or due to other reasons, the Mortgagee has the right to represent the Mortgagor to directly request and receive the compensation, and handle the received compensation pursuant to the terms stipulated in the Loan Agreement.
12. The remainder after the proceeds from the disposal of the collateral has been used to settle all of the Mortgagor's debts and costs shall be returned to the Mortgagor.
13. For mortgage created on the housed, the mortgage shall cover the chattel attached to said houses or buildings without independency and all equipment attached to said houses (including tap water, gas, electricity, air conditioners or heaters, sanitary equipment, etc.), and other rights, objects, and attachments.
14. The place of performance for matters stipulated herein shall be the business place of the Mortgagee. Should there be any legal proceedings, the Mortgagee and the Mortgagor agree that the Taiwan Hsinchu District Court shall be the court of first instance, unless other exclusive jurisdiction applies pursuant to the law.
15. The Mortgagor referred to herein shall include its successors, assignees, legal representatives, or insolvency administrators. If the Mortgagee's representative has changed, the new person accepting this duty shall be the representative of the legal entity assuming rights and obligations hereunder and registration need not to be amended.
16. Unless otherwise waived by the Mortgagee in writing, the Mortgagee's non-implementation, or delay of implementation, of the rights or interests under this Agreement or under any documents signed by the Mortgagee and Mortgagor, shall not be interpreted that the Mortgagee waives such rights or interests. If said rights were exercised only once or partially exercised, there should be no indication that said rights cannot be exercised again or other parts of the rights cannot be exercised again.
17. This Agreement shall be governed by the laws of the Republic of China.
18. The Mortgagor hereby certifies that it has reviewed all of the aforementioned terms for a reasonable period of time and has a full understanding of their meanings before signing the Agreement.

Parties to the Agreement

Mortgagor: ChipMOS TECHNOLOGIES INC.

Representative: Chairman Shih-Jye Cheng

Address: No. 1, Yanfa 1st Rd., Hsinchu Science Park, Paoshan Township, Hsinchu County

Mortgagee: Bank of Taiwan Co., Ltd.

Representative:

Address:

Date: _____

Schedule 7

Chattel Mortgage Agreement

This Chattel Mortgage Agreement (hereafter “this Agreement”) shall be signed and entered into by and between ChipMOS TECHNOLOGIES INC. (hereafter “Mortgagor”) and Bank of Taiwan Co., Ltd. (in its position as a joint and several creditor pursuant to Article 283 of the Civil Code of the Republic of China to hold the security rights for the interests of the joint and several creditors, as the Lenders, pursuant to the Syndicated Loan Agreement described below, hereafter “Mortgagee”) on _____ (date).

The Mortgagor and the Syndicated Loan Bank Group (“Lenders”) with the Facility Agent as the Mortgagee have signed a Syndicated Loan Agreement (hereafter “Loan Agreement”) on July 2, 2014 for the Maximum Facility Amount up to NT\$10 billion (NT\$10,000,000,000).

To provide security for the implementation of the various debts under the Loan Agreement, the Mortgagor shall provide chattel under its ownership pursuant to the Loan Agreement and create the first rank maximum amount chattel mortgage to the Mortgagee.

Both parties hereby agree to comply with the terms as follows:

Article 1 To provide guarantee for the various debts under the Loan Agreement that include, but not limited to, outstanding principal balance, interest, default interest, penalties, costs (include, but not limited to, pledge fees, Lead Arranger Fee, Facility Agent Fee, insurance fee advancements from the Mortgagee, warehouse rental, moving fees, and other fees), advances, costs needed for the Mortgagee to obtain the writ of execution pursuant to law for various debt securities according to the terms stipulated in this Agreement, costs for mandatory enforcement, costs for participation allocation, and other mortgage implementation costs. The Mortgagor shall create the first rank chattel mortgage to the Mortgagee in the maximum amount of NT\$ _____ based on the chattel details listed in the appendix (hereafter collectively referred to as “Subject of Mortgage”) for all of the damage compensation caused by non-performance of the debt and all other debt payments (hereafter collectively referred to as “Secured Debt”) pursuant to the Loan Agreement.

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- Article 2 The determination date for the debts secured by the maximum amount mortgage described in this Agreement is _____ (date). The Mortgagor hereby agrees to waive its rights provided by Article 881-7 of the Civil Code.
- Article 3 Unless otherwise specified by this Agreement, all terms used herein shall have the same meanings as those given in the Loan Agreement.
- Article 4 The Mortgagor has understood and agreed that the security provided by this mortgage is for the debt secured as set forth in Article 1 hereof. The various values of the Subject of Mortgage listed in the mortgage registration documents are for registration calculation reference only, the purpose of the various Subject of Mortgage is to provide security for the Secured Debt as a whole, and the Mortgagee shall be entitled to dispose of any Subject of Mortgage and use the proceeds to settle the Secured Debt.
- Article 5 The Mortgagee shall establish the respective settlement dates pursuant to the Loan Agreement for the debts secured in accordance with this Agreement. If the Loan Agreement requires the loan to be suspended, to withdraw part of the loan already disbursed, to decrease the line of credit or shorten the loan period, or to deem the loan as expired, the Mortgagor shall comply with these requirements without any objections.
- Article 6 After the registration of creation of mortgage for the Subject of Mortgage is completed, the Mortgagor shall assist the Mortgagee and/or the registration agency in making marks or affixing labels at prominent areas of the Subject of Mortgage for identification. All of the costs incurred as a result shall be borne by the Mortgagor.
- Article 7 The Mortgagor shall declare that the Subject of Mortgage it provided shall be fully and legally owned by the Mortgagor; shall have no third party interests or other burdens thereon; shall not be banned due to seizure, transfer, hold, or pledged as decreed by the government; and shall not be seized or detained. Any false declaration shall be handled pursuant to the terms provided in the Loan Agreement.
- Article 8 If the current status of the Subject of Mortgage is changed, the Mortgagor shall immediately notify the Mortgagee in writing. All of the Subject of Mortgage related tax, repair, storage, and other costs shall be borne by the Mortgagor. The Mortgagor shall obtain the written consent from the Mortgagee before it can sell the Subject of Mortgage, reset the priority of rights to the mortgage or any other rights that may affect the Mortgagee's rights of the mortgage, or change the status quo of the Subject of Mortgage.

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- Article 9 The Mortgagor shall make conscientious efforts as a good administrator when retaining or using the Subject of Mortgage.
- Article 10 The storage site of the Subject of Mortgage shall be the designated location as agreed by the Mortgagor and Mortgagee. The Mortgagor shall not move the storage site without prior written consent by the Mortgagee unless the location is within the Mortgagor's plant region.
- Article 11 The insurance matters related to the Subject of Mortgage shall be performed pursuant to the terms stipulated by the Loan Agreement.
- Article 12 If the Subject of Mortgage is required to receive compensation from a third party due to expropriation or other reasons, the Mortgagee has the right to represent the Mortgagor to directly receive the compensation, and handle the received compensation pursuant to the terms stipulated in the Loan Agreement.
- Article 13 If the Mortgagor is under any of the following conditions, the Mortgagee shall dispatch its personnel to take possession of the Subject of Mortgage:
1. Declared Event of Default under the Loan Agreement.
 2. The Subject of Mortgage was migrated, sold, pledged, transferred, leased, or subjected to other disposal without the written consent of the Mortgagee and thereby causing harm to the Mortgagee.
 3. The marks or labels on the Subject of Mortgage were arbitrarily destroyed.
 4. Mortgagor has committed actions that are sufficient to reduce the value of the Subject of Mortgage.

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Any harm or costs as a result of the Mortgagee taking possession of the Subject of Mortgage shall be borne by the Mortgagor. If the Mortgagor or any third party refused to deliver the Subject of Mortgage, the Mortgagee shall petition a court to issue a compulsory execution order pursuant to this Agreement. If the Mortgagor can implement its obligations under the relevant agreement and settle all of the costs within ten (10) days (or a longer period permitted by the other loan agreement) after the Mortgagee has taken possession of the Subject of Mortgage, the Mortgagor shall redeem the Subject of Mortgage unless otherwise specified by the Loan Agreement. However, if the Subject of Mortgage has a risk of dilapidation or its value has significantly decreased to the point of impairing the Mortgagee's interests, the Mortgagee is entitled to immediately sell the Subject of Mortgage after taking possession of it and the Mortgagor shall not raise any objection to the selling price or terms and conditions. If the Mortgagor still fails to implement its obligation under relevant agreement within ten (10) days (or a longer period permitted by the other loan contracts) after the Mortgagee has taken possession of the Subject of Mortgage, the Mortgagee shall sell the Subject of Mortgage and the Mortgagor shall not raise any objection to the sales amount or conditions. After selling, the Mortgagor shall not request for redemption. The proceeds of the sale of the Subject of Mortgage shall be used to repay the debt principal and interests, default interests, penalties, and other fees. If the proceeds are insufficient to cover the debts, the Mortgagor shall make up the shortfall, and the priority of debt repayment shall comply with the terms stipulated in the Loan Agreement.

Article 14 Any natural or civil profits or other benefits produced by the Subject of Mortgage after the Mortgagee has taken possession shall be received by the Mortgagee and used to offset the debt owed by the Mortgagor pursuant to the terms stipulated by the Loan Agreement.

Article 15 Unless expressly waived by the Mortgagee in writing, the fact that the Mortgagee did not exercise, or failed to timely exercise, the rights arisen from this Agreement or any signed documents between the Mortgagee and Mortgagor, shall not mean that the Mortgagee has waived those rights. If said rights were exercised once or partially exercised, there should be no indication that said rights cannot be exercised again or other parts of the rights cannot be exercised again.

Article 16 The place of performance for all of the obligations stipulated by this Agreement shall be the business place of the Mortgagee. Should there be any legal proceedings, the Mortgagee and the Mortgagor agrees that the Taiwan Hsinchu District Court shall be the court of first instance unless other exclusive jurisdiction applies pursuant to the law.

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- Article 17 The Mortgagor referred to herein shall include its successors, assignees, legal representatives, or insolvency administrators.
- Article 18 This Agreement shall be governed by the laws of the Republic of China.
- Article 19 The Mortgagor hereby certifies that it has reviewed all of the aforementioned terms for a reasonable period of time and has a full understanding of their meanings before signing the Agreement.

Parties to the Agreement

Mortgagor: ChipMOS TECHNOLOGIES INC.

Representative: Chairman Shih-Jye Cheng

Address: No. 1, Yanfa 1st Rd., Hsinchu Science Park, Paoshan
Township, Hsinchu County

Mortgagee: Bank of Taiwan Co., Ltd.

Representative:

Address:

Schedule 8

Assignment of Insurance Rights and Benefits Agreement

This Assignment of Insurance Rights and Benefits Agreement (hereafter “this Agreement”) shall be signed and entered into between ChipMOS TECHNOLOGIES INC. (hereafter “Assignor”) and Bank of Taiwan Co., Ltd. (with its position as a joint and several creditor pursuant to Article 283 of the Civil Code of the Republic of China to hold the security rights for the interests of the joint and several creditors, as the Lenders, pursuant to the Syndicated Loan Agreement described below, hereafter “Assignee”) on _____ (date).

The Assignor and the Syndicated Loan Bank Group (hereafter “Lenders”) with the Facility Agent as the Assignee have signed a Syndicated Loan Agreement (hereafter “Loan Agreement”) on July 2, 2014 whereby the Lenders shall provide the Maximum Facility Amount up to NT\$10 billion (NT\$10,000,000,000) to the Assignor.

The Lenders’ obligation to provide the Commitment Amount under the Loan Agreement shall be one of the conditions for the Assignor to sign this Agreement. Pursuant to the terms stipulated by the Loan Agreement, the Assignor shall assign the various insurance rights and interests (excluding third party liability insurance, public liability insurance, etc.) of security for its performance of obligations to the Assignee, to serve as the Assignor’s debt implementation guarantee for the Lenders pursuant to the terms provided by the Loan Agreement.

The parties hereby stipulates the terms of this Agreement as follows:

Article 1: Unless otherwise specified by this Agreement, all terms used herein shall have the same meanings as those given in the Loan Agreement.

Article 2: In order for the Assignor to provide security for the various debts payable pursuant to the terms of the Loan Agreement, the Assignor shall irrevocably and unconditionally agree to the assignment listed below; and the Assignor shall agree that such assignment shall not be revoked, relieved, terminated, or changed; and the Assignor undertakes as follows:

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- (1) The Assignor shall assign the various insurance rights and interests (excluding third party liability insurance, public liability insurance, etc.) of the insurance purchased for the collateral to the Assignee.
- (2) The Assignor shall ensure that the relevant insurance policies or contracts shall have the insurance payment terms in the contents and formats that comply with the Assignee's demands, which include, but not limited to: "without a 14-day prior written notification to the Assignee, the insurer shall not terminate, cancel the insurance policy or contract, or make any revisions or modifications that disadvantages the Assignee, and all of the insurance compensations shall be paid to the Assignee."
- (3) Pursuant to this Loan Agreement, the Assignor shall notify the insurer of the assignment of the insurance interests for this Agreement, obtain the written undertaking in the content and format set forth in the attachment to this Agreement, and deliver the said written undertaking to the Assignee. After the insurance policy or contract (excluding third party liability insurance, public liability insurance, etc.) for the collateral has subsequently enter into force, the Assignor shall notify the relevant insurer regarding matters in connection with the assignment of insurance pursuant to this Agreement, obtain the written undertaking from the insurer in the content and format that comply with the attachment to this Agreement, and deliver the said written undertaking to the Assignee for safekeeping.
- (4) The Assignor shall take all necessary measures to ensure that all of the relevant insurances are in full force, and protect the rights and interests enjoyed by the Assignee and the Lenders from the assigned subject. The Assignor shall also comply with the Assignee's reasonable demands to collaborate in various other actions (or permit the Assignee to take various actions) so that the Assignee may fully enjoy the interests from the assignment pursuant to this Agreement.

Article 3: Representations

- (1) The Assignor hereby declares and confirms as follows:

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- (a) The Assignor has completed the required resolution procedures for its company; has signed this Agreement and delivered the relevant documents; and after this Agreement is signed by a representative legally authorized by the Assignor, this Agreement constitutes a legal, valid, and binding obligation to the Assignor and enforceable against the Assignor.
 - (b) The assigned subject shall be legally obtained based on the various relevant insurance policies or contracts of the insurances purchased by the Assignor for the collateral, and then legally and effectively assigned to the Assignee pursuant to the terms of this Agreement. Unless otherwise created by this Agreement, the Assignor had not created any encumbrances on the aforementioned rights and interests or committed any acts that are sufficient to diminish the content of the rights and interests.
 - (c) The Assignor's obligations under the aforementioned insurance purchased for the collateral by the Assignor are not assigned, the Assignor shall remain solely responsible for the performance of these obligations to the relevant parties, and the Assignee need not implement any related obligations or debts incurred by the Assignor under relevant insurance contracts because of this Agreement. Therefore, even if the Assignor has failed to implement its obligations under said contracts, the Assignee shall have no obligation or responsibility to perform on behalf of the Assignor.
 - (d) The insurances purchased by the Assignor for the collateral shall be valid and enforceable, shall not be invalid for any reason, and to the Assignor's knowledge, the insurer has no reason to revoke or rescind any such insurances.
 - (e) The Assignor has paid all of the relevant insurance premiums and other payments, and has observed and performed those requirements as provided by the various insurance policies or insurance stipulations.
- (2) The Assignor also declares to the Assignee that at any time during the term of this Agreement and Loan Agreement, the contents of the declaration statements above shall remain true and correct.

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Article 4: The Assignor hereby undertakes as follows:

- (1) The Assignor shall pay the insurance premiums and other payments on time; and submit the original insurance policy, original temporary insurance policy, original insurance contract, copies of the insurance premium payment receipt, and copies of other relevant documents to the Assignee.
- (2) Without prior written consent by the Assignee, the Assignor shall not request the insurer to modify or revise the contents of the relevant insurance contracts in a manner that disadvantages the Assignee, and shall not agree for the insurer to modify or revise the contents of the relevant insurance contracts in a manner that disadvantages the Assignee.
- (3) The Assignor shall complete the insurance renewals at least 14 days prior to the expiry of relevant insurance policies or contracts, and pay the premiums to ensure that insurance period remain uninterrupted.
- (4) The Assignor shall not re-assign, pledge, create security to other parties, or make any disposal of any rights or interests under the various relevant insurance contracts or of other rights already assigned to the Assignee pursuant to this Agreement.
- (5) The Assignor shall compensate the Assignee or any Syndicated Loan Banks for any advanced premium or other payments to the insurer plus the accrued interests pursuant to the terms stipulated by this Loan Agreement.
- (6) Should an insurance incident under the relevant insurance policy or contract occur, during the subsequent insurance benefit claim process, the Assignor shall handle and notify the Assignee of matters regarding the claim pursuant to the terms stipulated in the Loan Agreement.
- (7) Without prior written consent by the Assignee, the Assignor shall not abandon, lift, reconcile, compromise, or waive any insurance benefit claims; or take any actions or omit any actions that will impede the requests for insurance payment claim.

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- Article 5: The Assignee shall not be obligated to check whether the nature or amount of the payments received under the terms stipulated by this Agreement are correct; and the Assignee shall be entitled (but not obligated) to receive any such interest or payment transfers, and directly pursue recovery or take legal recovery procedures.
- Article 6: Notwithstanding the assignment provisions provided by the Agreement, under the premise that the Assignor has fully complied with the Loan Agreement and the terms stipulated by this Agreement, the Assignee shall authorize the Assignor to directly negotiate with the various other insurance related parties as if the Assignor is the sole holder of all of the rights and interests of the insurance. However, unless otherwise stipulated by this Agreement, the Assignor shall not receive any insurance benefits. Said authorization shall immediately become null and void if the Majority Lenders or the Assignee confirms that an Event of Default has occurred and the Assignee has notified the Assignor of the breach in writing.
- Article 7: This Agreement shall provide guarantee in a continuing nature; shall remain in full force before the Assignor has fully settled all of the secured debt; shall not be affected because the Assignor or any third parties have declared bankruptcy, become insolvent, or changed its organization or current status; and shall not be affected by temporary partial debt settlements or any other matters. This Agreement shall be independent of the various security interests, guarantees, or any rights or remedies that may be enjoyed or obtained by the Assignee or the Lenders at present or in the future.
- Article 8: Notwithstanding the assignment under this Agreement, the Assignor shall still comply with and fulfill its obligations pursuant to the relevant insurance policies or contracts, and the Assignee or any Lenders shall not be responsible for any obligations under the relevant insurance policies or contracts. The Assignee has no obligation to check the nature of the received payments or whether said payment has fully been paid, and has no obligation to propose any claims or take any actions in order to receive any payment or to implement the assigned subject.
- Article 9: After the occurrence of an incident stipulated in the relevant insurance policy or contract, regardless of whether an Event of Default has occurred pursuant to the Loan Agreement, the Assignee shall receive the policy proceeds pursuant to the terms stipulated by the Loan Agreement and use the proceeds to offset any of the debts or payable items of the Assignor.

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- Article 10: The Assignor hereby irrevocably authorizes the Assignee as its agent (with the right to re-appointment) to sign, seal, execute, deliver, complete, and implement the Assignor's obligations under this Agreement on behalf of the Assignor; exercise the Assignor's interests under this Agreement; or take any actions required by the Assignee (or deemed appropriate or expedient by the Assignee) to obtain the full benefits of this security. The authorization under this Article shall be regarded as the Assignor authorizing the Assignee to perform all of the actions that shall be engaged by an agent.
- Article 11: The Assignor shall compensate the Assignee or the Lenders for all losses, debts, damages, costs, and expenses caused by exercising or performing the terms of this Agreement pursuant to the terms stipulated by the Loan Agreement; and for any lawsuits, proceedings, claims, demands, costs, and expenses incurred because the Assignor has not perform or observe any pledges or agreements stipulated in this Agreement, or caused by any of the Assignor's actions or inactions related to the performance of obligations related to the insurance.
- Article 12: Any of the rights, privileges, or remedies stipulated by this Agreement that have not been exercised or have not been timely exercise by the Assignee or any Lender shall not affect such rights, privileges, or remedies and shall not be regarded as a waiver of such rights, privileges, or remedies. Any independent or partial implementation of the aforementioned rights, privileges, or remedies shall not impact the future implementation or any other rights, privileges, or remedies. The rights, privileges, or remedies provided by this Agreement shall be cumulative and shall not exclude any other rights, privileges, or remedies enjoyed by the Assignee pursuant to law. Should any provisions of this Agreement become illegal, invalid, or unenforceable at any time due to violation of the laws of any jurisdiction, the applicability, legality, and enforceability of such terms under other legal jurisdictions shall not be affected.
- Article 13: If the Assignee is required to assign or transfer the rights under this Agreement to third parties pursuant to the terms stipulated by this Agreement, said third parties shall, with the consent of the Assignee, continue to enjoy the various rights enjoyed by the Assignee under this contract without exceeding the scope of rights enjoyed by the Assignee under this Agreement.

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- Article 14: The obligations and responsibilities of the Assignor shall remain in force pursuant to this Agreement before all of the indebtedness are settled, which shall not be affected by any acts, omissions, or events.
- Article 15: After the term of the Loan Agreement has expired, the Assignee shall re-assign the various insurance interests back to the Assignor and return all insurance forms, certificates, and documents submitted by the Assignor to the Assignee pursuant to the terms of this Agreement to the Assignor.
- Article 16: This Agreement shall be governed by the laws of the Republic of China, and shall not be modified without the written consents from both the Assignor and the Assignee.
- Article 17: The parties hereby agree that the Taiwan Hsinchu District Court shall be the court of first instance to settle any disputes arising from this Agreement.

Parties to the Agreement

Assignor: ChipMOS TECHNOLOGIES INC.

Representative: Chairman Shih-Jye Cheng

Address: No. 1, Yanfa 1st Rd., Hsinchu Science Park, Paoshan Township, Hsinchu County

Assignee: Bank of Taiwan Co., Ltd.

Representative:

Address:

Date: _____

Form of Undertaking

The undersigned, _____ Insurance Co., Ltd. (hereafter “the Company”), hereby makes the undertakings with regards to the Company’s insurance (excluding third party liability insurance or public liability insurance) for the relevant collateral of ChipMOS TECHNOLOGIES INC. (hereafter “ChipMOS TECHNOLOGIES”) as follows:

1. ChipMOS TECHNOLOGIES has purchased the insurances from the Company for the assets of ChipMOS TECHNOLOGIES pursuant to the Loan Agreement signed on July 2, 2014 and the relevant documents as follows:

<u>Insurance Type</u>	<u>Insured Amount</u>	<u>Insurance Number</u>	<u>Insurance Period</u>

2. The Company is well aware of the provisions provided by the Assignment of Insurance Rights and Interests Agreement entered into by and between ChipMOS TECHNOLOGIES and your bank on _____ (date) to assign the various insurance rights and interests mentioned above to your bank (held for the benefit of all of the lenders based on your bank’s status as a joint and several creditor). The Company hereby confirms that it has indeed received the notice relating to the assignment and agreed thereto.
3. The Company has listed your bank as the only first priority insurance beneficiary (Loss Payee) in the aforementioned insurance policy and relevant documents, and added the insurance payment terms approved by your bank to stipulate that the aforesaid insurance claim payments shall be made to your bank.
4. If the Company does not receive the premium for the aforementioned insurance, your bank shall be notified immediately. Unless the Company has given your bank a written notice for 14 days in advance and a reasonable opportunity to settle the unpaid premium, the Company hereby agrees that it shall not cancel or terminate this insurance policy.

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5. If the aforementioned insurance policy is subsequently extended or updated, the Company shall submit the extended or updated insurance policy as well as the relevant documents directly to your bank based on the instructions provided by your bank.
6. The Company shall notify your bank in writing at least 14 days prior to the expiry of the aforementioned insurance policy, inform your bank whether the Company has received instructions on the extension or renewal, and immediately inform your bank in writing upon receiving the instructions for the aforementioned extension or renewal.
7. The Company shall immediately notify your bank in writing if ChipMOS TECHNOLOGIES has requested to modify the insurance terms in a manner that is disadvantageous to your bank; terminate the aforementioned insurance; or nullify, revoke, or make the insurance unenforceable. The Company shall not reduce the insured amount of the insurance or change the insurance type, scope of coverage, beneficiary, or terms of insurance payment; perform any changes that will adversely affects your bank's rights; or terminate, rescind, revoke, or make the insurance unenforceable without the prior written consent from your bank.

Sincerely,

Bank of Taiwan Co., Ltd.

The Undersigned:

_____ Insurance Co., Ltd.

Representative:

Date: _____

Schedule 9

Negative Pledge

To whom it may concern:

The Undersigned, ChipMOS TECHNOLOGIES INC. (hereafter “the Borrower”), has entered into a Syndicated Loan Agreement (hereafter “Loan Agreement”) on July 2, 2014 in the total facility amount of NT\$10 billion (NT\$10,000,000,000) with the Syndicated Loan Bank Group (hereafter the “Lenders”) having the Bank of Taiwan Co., Ltd., as the Facility Agent. All of the terms used in this Negative Pledge shall have the same meanings and definitions as those given in the Loan Agreement.

The Borrower has, after its Board of Directors resolution (please see Attachment 1 for the meeting minutes of the Board of Directors) convened on _____ (date), agreed to create the first rank mortgage on the lands, plants and ancillary facilities, as well as machinery, equipment and their ancillary equipment (please see Attachment 2 for a list of the security properties to be provided, hereinafter collectively the “Collateral”) owned by the Borrower to the Facility Agent to serve as the Borrower’s security for the various debts owed to the Facility Agent and the Lenders pursuant to the terms provided by the Loan Agreement.

The Borrower hereby undertakes and agrees to the following pursuant to the Loan Agreement and Article 30 of the Banking Act of the Republic of China.

1. Starting from the date this Negative Pledge is executed, the Borrower shall not provide any part of the Collateral or its related interests to any third parties to serve as mortgage or other security interests; shall not transfer, migrate, demolish all or parts of the Collateral, or conduct any acts that are sufficient to reduce the value of the Collateral; shall not allow any Collateral to be seized or detained; and shall not make any undertakings that will repeat or contravene this Negative Pledge without prior written consent of the Facility Agent. The undersigned shall handle the related procedures for creation of security interest in accordance with the terms stipulated by the Loan Agreement when the Collateral is in the condition available for the registration of creation of mortgagor available to be transferred to the Facility Agent. When deemed necessary by the Facility Agent, the Facility Agent shall notify the Undersigned of the deadlines to complete the registration of mortgage or transfer the possession of Collateral to the Facility Agent.

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2. The Borrower shall create the first rank mortgage to the Facility Agent pursuant to the time, method, and amount specified by the Loan Agreement. The Facility Agent shall hold these rights as the mortgagee under its status as a joint and several creditor for the benefit of the Lenders.
3. The Undersigned hereby undertakes that when it has the insurance benefits or ownership rights for aforementioned assets to be used as Collateral, it shall handle the insurance related matters pursuant to the Loan Agreement.
4. If the Borrower violated this Negative Pledge or conducted any acts that may impede this Negative Pledge, the directors who participated in the decision or the behavior of said acts shall be held jointly and severally liable in accordance with Article 126 of the Banking Act of the Republic of China.
5. This Negative Pledge is irrevocable, and shall not be revoked, withdrawn, or terminated without the written consent of the Facility Agent. If mortgage has been created on part of the Collateral, for the part of the Collateral that has not been created for mortgage this Negative Pledge shall remain valid.

Sincerely,

The Lenders

Facility Agent: Bank of Taiwan Co., Ltd.

The Undersigned: ChipMOS TECHNOLOGIES INC.

Representative: Chairman Shih-Jye Cheng

Address: No. 1, Yanfa 1st Rd., Hsinchu Science Park,
Paoshan Township, Hsinchu County

Date: _____

Attachment 1: Meeting Minutes of the Board of Directors

Attachment 2: Detailed List of the Collateral

Schedule 10

Assignment of [Commitment Amount] [Outstanding Principal Balance] Agreement

This Assignment Agreement is jointly entered into by and between _____ (hereafter “Assignor Bank”) and _____ (hereafter “Assignee”) on _____ (date).

On July 2, 2014, the Assignor Bank has entered into the Syndicated Loan Agreement (hereafter “Loan Agreement”) with ChipMOS TECHNOLOGIES INC. (hereafter “the Borrower”) and other Syndicated Loan Banks (the “Lenders”) in the Maximum Facility Amount of NT\$10 billion (NT\$10,000,000,000).

WHEREAS, the Assignee is desirous of assuming all rights and obligations of the Assignor Bank under the Loan Agreement, and the Assignor Bank agrees to assign all its rights and obligations under the said Agreement.

NOW, THEREFORE, the parties hereby agree as follows:

1. Definitions

Unless otherwise defined in this Agreement, all terms herein shall have the same meanings and definitions as those given in the Loan Agreement.

2. Assignment

The Assignor Bank hereby agrees to assign the [rights and obligations of the Commitment Amount] [Outstanding Principal Balance] under the [Tranche A] [Tranche B-1] [Tranche B-2] Facility Amount in the amount of [NT\$] [US\$] _____ to the Assignee pursuant to the Loan Agreement, and the Assignee agrees to undertake the relevant rights and obligations relating to the [Commitment Amount] [Outstand Principle Balance] under the [Tranche A] [Tranche B-1] [Tranche B-2] Facility Amount in the amount of [NT\$] [US\$] _____.

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3. Assignment Fee

The Assignee hereby agrees to pay to the Assignor Bank the assignment fee for the [Commitment Amount] [Outstanding Principal Balance] under the Loan Agreement, at the rate of __% of the [Commitment Amount] [Outstanding Principal Balance] assigned to it, and such payment shall be made on the execution date of this Agreement.

4. Effective Date

The assignment of [Commitment Amount] [Outstanding Principal Balance] under the Loan Agreement and the relevant rights and obligations shall take effect on the date of execution of this Agreement.

5. Declarations and Confirmation

With respect to the assignment of [Commitment Amount] [Outstanding Principal Balance] under the Loan Agreement and relevant rights and obligations pursuant to this Agreement, the Assignee hereby declares and confirms as follows:

- (1) Commencing on the execution date of this Agreement, the Assignee shall perform the obligations and exercise the rights under the Loan Agreement with respect to the [Commitment Amount] [Outstanding Principal Balance] assigned by the Assignor Bank to the Assignee.
- (2) With regard to the Borrower's credit, financial status, ability to make repayment and the risks involved in the Loan Agreement, the Assignee has conducted independent investigation and assessment in accordance with normal credit authorization procedures, has decided to provide the loan under the aforesaid Tranches Facility Amount and has been assigned the [Commitment Amount] [Outstanding Principal Balance] from the Assignor Bank.
- (3) The Assignee should independently assume the relevant credit authorization risk with regard to the [Commitment Amount] [Outstanding Principal Balance] assumed under the Loan Agreement. With respect to any matters relating to Facility Amount extended to the Borrower, the Assignor Bank has not made and does not make any declaration to the Assignee; with regard to whether the Borrower will perform its contractual obligations or any matters relating to its financial ability, business status and ability to repay etc., the Assignor Bank shall not bear any obligation of guarantee.

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(4) The respective parties hereto have obtained all necessary internal authorization of their companies with respect to the execution of this Agreement, and this Agreement shall be binding on the parties hereto.

6. Notice

Upon the execution of this Agreement, the respective parties shall jointly sign the notices to the Borrower, joint and several guarantor, and the Facility Agent regarding the assignment of rights and obligations under the Loan Agreement in accordance with the format of notices attached to the Agreement.

7. Confidentiality

Unless otherwise notified in accordance with the Loan Agreement and this Agreement, the parties hereto shall maintain confidentiality with regard to the contents of this Agreement.

8. Applicable Law

For all matters not covered herein, the laws of the Republic of China shall apply.

9. Court of Jurisdiction

The parties hereto agree that, all legal actions or proceedings arising from or relating to this Agreement shall be submitted to the jurisdiction of Taiwan Hsinchu District Court as the court of first instance unless other exclusive jurisdiction applies pursuant to the law.

10. Counterparts

This Agreement shall be executed in __ originals, with each party holding one original.

The Undersigned:

Assignor Bank:

Representative:

Assignee:

Representative:

Attachment

Notice

To: ChipMOS TECHNOLOGIES INC.

Bank of Taiwan Co., Ltd. (hereinafter, the "Facility Agent")

Subject: Syndicated Loan Agreement (hereafter "Loan Agreement") signed by ChipMOS TECHNOLOGIES INC. with the Syndicated Loan Bank Group (the "Lenders") having the Bank of Taiwan, Co., Ltd. as its Facility Agent on July 2, 2014.

Explanation:

1. The _____ Bank shall be the Syndicated Loan Bank (hereafter "Assignor Bank") of the Loan Agreement.
2. Pursuant to the Assignment of [Commitment Amount] [Outstanding Principal Balance] Agreement between the Assignor Bank and _____ (hereafter "Assignee") executed on _____ (date), the Assignor Bank hereby agrees to transfer the [Commitment Amount] [Outstanding Principal Balance] under the [Tranche A] [Tranche B-1] [Tranche B-2] Facility Amount in the amount of [NT\$] [US\$] _____ to the Assignee, and the Assignee hereby agrees to assume the relevant rights and obligations. Said assignment shall become effective on _____ (date).
3. All notices relating to the aforesaid Loan Agreement to the Assignee shall be delivered in accordance with the provisions in the Loan Agreement and to the following address or fax number of the Assignee:

Assignee:

Address:

TEL:

FAX:

E-mail:

Contact:

Bank:

Account No.:

Account Name:

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4. This Notice is issued pursuant to the Loan Agreement for your reference; please be advised.

Assignor Bank: _____ Bank

Authorized Signatory:

Assignee: _____

Authorized Signatory:

Date: _____

We hereby confirm our receipt of notice of assignment of the [Commitment Amount] [Outstanding Principal Balance].

Borrower: ChipMOS TECHNOLOGIES INC.

Authorized Signatory:

Facility Agent: Bank of Taiwan Co., Ltd.

Authorized Signatory:

Date: _____

SHARE PURCHASE AGREEMENT

between

Siliconware Precision Industries Co., Ltd.,

and

ChipMOS TECHNOLOGIES (Bermuda) LTD.

Dated as of August 14, 2014

SHARE PURCHASE AGREEMENT

THIS SHARE PURCHASE AGREEMENT (this "Agreement") is made as of August 14, 2014, by and between Siliconware Precision Industries Co., Ltd., a company organized under the laws of Taiwan, Republic of China, with its principle address of business at No. 123, Sec. 3, Da Fong Rd., Tantz, Taichung, 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.

"Closing" shall have the meaning set forth in Section 2.2.

"Closing Date" 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.

“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.

“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 1,000,000 shares of Common Stock (the “Shares”) at the Closing as set forth in Section 2.2. The purchase price of the Shares at the Closing 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 trading day (to avoid any doubt, excluding the Closing Date) of the Closing Date times zero point ninety-three (0.93) for seven percent (7%) discount (the “Share Purchase Price”).

Section 2.2. Closing.

(a) The sale and repurchase of the Shares shall be consummated at the closing (the “Closing”) at the offices of the Buyer at No. 1 R&D Rd. 1, Hsinchu Science Park, Hsinchu, Taiwan, R. O. C on the closing date to be agreed upon by the Parties, which shall be determined on or earlier than the sixth business day prior to the Closing in advance and shall not be later than September 30, 2014 (the “Closing Date”).

(b) At the Closing, (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 Closing 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 Closing 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 the Closing as follows:

Section 3.1. Organization and Standing; Authorization; Enforceability.

(a) The Seller is duly organized and validly existing 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, 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 the Closing 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 the 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:

Siliconware Precision Industries Co., Ltd.
Telecopy: +886-3-579-5798
Attention: Byron Chiang

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. 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 7.11. 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 7.12. 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 7.13. 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 7.14. 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 Closing 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 7.15. 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.

Siliconware Precision Industries Co., Ltd..

By: _____
Name: Bough Lin
Title: Chairman

ChipMOS TECHNOLOGIES (Bermuda) LTD.

By: _____
Name: Shih-Jye Cheng
Title: Chairman

(Translation)**Merger Agreement**

THIS MERGER AGREEMENT (“**Agreement**”) is made and entered into on November 12, 2014, by and between:

ChipMOS TECHNOLOGIES INC., a company organized under the laws of the Republic of China (“ROC”), with its registered office at No.1 R&D Rd. 1, Hsinchu Science Park, Baoshan Township, Hsinchu County (“Party A”); and

ThaiLin Semiconductor Corp., a company organized under the laws of the ROC, with its registered office at No.4, Rende Rd., Fongshan Vil., Hukou Township, Hsinchu County (“Party B,” collectively with Party A, the “Parties”).

NOW, the Parties intend to conduct consolidation by merger in accordance with the Business Mergers and Acquisitions Act and relevant laws and regulations and agree to the following terms and conditions:

Article 1 Method of Merger

The Parties agree to conduct consolidation by merger in accordance with the Business Mergers and Acquisitions Act and relevant laws and regulations. Party A will pay cash and issue common shares to the shareholders of Party B, pursuant to Article 3 of the Agreement, as the consideration for the merger. Party A shall be the surviving company, while Party B shall be dissolved after the merger. The name of the surviving company after the merger shall be “ChipMOS TECHNOLOGIES INC.,” and its authorized capital will be New Taiwan Dollar (NT\$) 9,700,000,000.

Article 2 Capital, Number and Type of the Issued Shares before Merger

- (I) As of the date of execution hereof, Party A has an authorized capital of NT\$9,700,000,000, divided into 970,000,000 shares, which have with a par value of NT\$10 per share and which may be issued in tranches. The paid-in capital is NT\$8,646,193,580, divided into 864,619,358 shares with a par value of NT\$10 per share. Party A has neither outstanding equity securities nor treasury stocks as of the date of execution hereof. The board of directors of Party A at the November 12, 2014 meeting, approved that, after being approved by the shareholders at the shareholders’ meeting, Party A may issue not more than 18,000,000 shares of restricted stocks to its employees.

- (II) As of the date of execution hereof, Party B has an authorized capital of NT\$4,500,000,000, divided into 450,000,000 shares, which have a par value of NT\$10 per share and which may be issued in tranches. The paid-in capital is NT\$2,202,334,500, divided into 220,233,450 shares with a par value of \$10 per share. Party B has neither outstanding equity securities nor treasury stocks as of the date of execution hereof.

Article 3 Merger Consideration; Share Exchange Ratio and New Shares to be Issued in Exchange

- (I) Except for the shares of one Party held by the other Party, which shall be cancelled as of the merger effective date, the Parties agree to use their respective financial reports as of September 30, 2014 reviewed by each of their respective certified public accountants (“Base Financial Report”) as the calculation basis, considering the factors of operating results, financial status, market price of the stock, company prospect, and the fairness opinion issued by independent experts, and agree that the merger consideration shall be 1 common share in Party B in exchange for cash NT\$12.5 plus 0.311 of 1 common share in Party A; however, in the event of any of the situations specified in Article 4 of the Agreement, the adjustment shall be made in accordance therewith.
- (II) The number of the common shares that Party A expects to issue in execution of the share exchange for Party B is 35,932,285 shares with a par value of NT\$10 per share. The total par value of the shares to be newly issued is NT\$359,322,850. The shareholders’ rights and obligations of the new shares to be issued by Party A shall rank pari passu in all aspects with the issued and outstanding listed common shares.
- (III) For the fractional share in Party A exchanged in accordance with the preceding Paragraph, Party A will pay in cash, pro rata with the par value of the stock, rounded down to NT\$1. The Chairman of the board of directors is authorized by Party A to allot such fractional share for subscription by designated person.

Article 4 Adjustment of Merger Consideration

- (I) The Parties agree to authorize their board of directors to, after the execution of the Agreement and before the merger effective date, on the occurrence of any of the following events, jointly negotiate and decide the adjustment of the merger consideration and execute an amendment agreement thereto, for which neither party is required to hold a shareholders' meeting:
- (1) Party B conducts capital increase by earnings, capital increase by capital surplus, capital reduction, issuance of cash dividends, capital increase by employee bonuses, capital increase by cash, issuance of convertible bonds, gratuitous stock distribution, issuance of warrant bonds, preferred stock with warrants or any other equity securities;
 - (2) Party A conducts capital increase by earnings, capital increase by capital surplus, capital reduction, issuance of cash dividends, capital increase by employee bonuses, capital increase by cash, issuance of convertible bonds, gratuitous stock distribution, issuance of warrant bonds, preferred stock with warrants or any other equity securities; *provided, however*, that if Party A issues employee stock options or restricted stocks in the aggregate number of not more than 18,000,000 shares, the merger consideration will not be adjusted;
 - (3) Any actions with a material impact on the finance and business of the company, including the disposal of Party A's or Party B's major assets;
 - (4) Any events with a material impact on the rights and interests of the shareholders or the price of the securities in Party A or Party B, including but not limited to, any major disaster, any major development related to technology, and/or any other major adverse change;
 - (5) Party A's or Party B's buy-back of its treasury stocks pursuant to laws (for the avoidance of doubt, the following situations are not included herein: Party A's or Party B's buying back their stock from dissenting shareholders pursuant to the law; or Party A's buying back its treasury stocks for the issuance of employee stock options or restricted stocks up to the limit set forth in Item (2) of this Paragraph);

- (6) Change of the party or number of the parties participating in the merger;
 - (7) Any force or prohibition provision of laws or regulations, any amendment to laws or regulations, or any order from the competent authorities, whereby an adjustment of the share exchange ratio becomes necessary.
- (II) The terms “major” and “material” specified in preceding Items (3) and (4) in the previous Paragraph mean any matter or condition which may have a negative or positive impact on the respective financial report of the Parties causing in aggregate 5% or more decrease or increase in their net value provided in their Base Financial Report (from the execution date of the Agreement to the merger effective date).

Article 5 Determination of Merger Effective Date

Subject to resolutions adopted by the respective shareholders of the Parties at its shareholders meeting and the permission or approval of the competent authorities, the merger effective date shall be jointly set by the respective boards of directors of each of the Parties. The merger effective date shall be tentatively set on June 17, 2015 (“Tentative Merger Effective Date”). Upon any failure to obtain the permission or approval of the competent authorities (including but not limited to: the combination approval of the Fair Trade Commission, Executive Yuan; approval of the Taiwan Stock Exchange for Party A’s application for listing of the new securities issued for capital increase due to the merger of a Taipei Exchange-listed company; approval of the Financial Supervisory Commission, Executive Yuan, for capital increase by issuing new shares due to merger; approval of the Taipei Exchange for Party B’s delisting; and such other approvals granted by relevant competent authorities) before the Tentative Merger Effective Date, or the determination by either party that changing the Tentative Merger Effective Date is necessary, the board of directors of both Parties shall mutually negotiate and decide to make the change.

Article 6 Merger Progress and Schedule

The Parties shall implement the merger progress pursuant to the projected schedule set forth in the Agreement. If either of the Parties fails to hold a shareholders' meeting and approve the merger in accordance with the law on or before March 31, 2015 and thus leads to the failure of the consummation of the merger as of the Tentative Merger Effective Date, the board of directors of each of the Parties shall negotiate and change the schedule.

Article 7 Representations and Warranties of Party A

Party A represents and warrants to Party B, as of the date of execution hereof, the truth and correctness of the following matters:

- (I) Legal establishment and existence of the company: Party A is a corporation limited by shares duly organized and validly existing under the Company Act of the ROC, and has obtained any and all licenses, approvals, permits and other certifications required for operating its business activities. Party A does not effectively resolve to dissolve, liquidate, voluntarily apply for bankruptcy, settlement or reconstruction, nor has a court ordered in accordance with relevant laws that it dissolve, settle, reconstruct or bankrupt, nor have competent authorities ordered in accordance with relevant laws the cessation of its business, its dissolution, the revocation of its permit for establishment or the cancellation of its business license.
- (II) The authorized capital and paid-in capital: The authorized capital and paid-in capital of Party A are set forth in Article 2 hereof. As of the date of execution hereof, the issued shares of Party A have all been duly authorized and issued, and the capital has been fully paid. Except for those set forth in Article 2 hereof, Party A does not issue any equity securities, nor does it issue, release, or enter into any other options, warrants, convertible or exchangeable securities, pre-emptive rights, rights of first refusal, legally-binding commitments for the acquisition of Party A's shares, nor does it promise or provide any interest of participation or similar rights to let any party acquire the rights and interests as Party A's common stock shareholders. Party A has no obligation to acquire its shares by redemption, buy-back or any other method.
- (III) Resolutions of and authorization from the board of directors: As of the date of execution hereof, the board of directors of Party A has approved the Agreement and authorized the Chairman of the board of directors or its designated person to execute the Agreement on behalf of the company.

- (IV) Validity of the Agreement: The execution and performance of the Agreement by Party A are not in violation of:
- (1) any applicable law or regulation;
 - (2) any judgment, ruling, or order rendered by the court or relevant competent authorities;
 - (3) the Articles of Incorporation of Party A;
 - (4) any contract, agreement, representation, undertaking, warranty, binding arrangement, convention, or any other obligation by which Party A is legally bound.
- (V) Financial statements and financial information: The Base Financial Report of Party A or other financial statements provided to Party B have been prepared in accordance with the Business Entity Accounting Act and accounting principles generally accepted in the ROC, and fairly presents the financial position and results of operations of Party A for the periods indicated therein, without any misrepresentation, omission or misleading.
- (VI) Litigation and non-litigation matters: Unless otherwise disclosed to Party B before the date of execution hereof, as of the date of execution hereof, there are no litigation, arbitration, non-contentious or administrative litigation cases, or criminal investigation process which would have a material adverse effect on Party A or its businesses, finance, properties, operations or shareholders' rights and interests, nor, as to Party A's knowledge, any written claim or petition which may materially affect its financial status and businesses or related rights and interests. To Party A's knowledge, except for those that have been disclosed to Party B before the date of execution, as of the date hereof, no litigation, arbitration, non-contentious or administrative litigation cases, criminal investigation process or written claim against its directors or managers in relation to their performance of duties have been raised by any third party. As of the date of execution hereof, Party A is not subject to any order, judgment or ruling which under reasonable circumstances may affect Party A or its goodwill.

- (VII) Assets and liabilities: Party A's assets and liabilities have been expressly provided in Party A's Base Financial Report or have been disclosed to Party B. Party A has legal ownership rights, rights to use or other legitimate rights and interests on all the assets set forth therein. Unless otherwise disclosed in Party A's Base Financial Report or its footnotes or disclosed to Party B before, the use of, gains from, and disposal of such assets will not be bound or restricted; provided that such binding or restriction has no material adverse effect on Party A's business, operations or financial status.
- (VIII) Contingent liability: Unless set forth in Party A's Base Financial Report or otherwise disclosed to Party B, there is no contingent liability which would cause material adverse effects on Party A's business or finances.
- (IX) Other matters: To date, Party A is not involved in any material matters regarding violation of laws and regulations, loss of debt credit, or unpaid tax, which would impact the existing operations of the company.
- (X) To Party A and its subsidiaries' reasonable knowledge of the relevant facts, unless otherwise disclosed to Party B during the due diligence process, as of the date hereof, there are no material matters which would impact the existence and operation of Party A, including but not limited to any third party petition against Party A filed with competent authorities and/or any courts, which challenges the validity and/or enforceability of Party A's patents. Unless otherwise disclosed in the Base Financial Report or disclosed to Party B during the due diligence process, no material matters, including but not limited to any third party patent infringement claim against Party A and its subsidiaries, would impact the existence and operation of the company.
- (XI) Disclosure of subsequent events: Where Party A discovers that the representations and warranties made pursuant to Article 7 while executing the Agreement or the matters disclosed when Party B conducted due diligence are misrepresented, omitted, untrue or incorrect, and such misrepresentation, untruth, or incorrectness may cause material adverse effects on the operations of the company, and may further affect the evaluation of Party A by Party B in the merger, Party A shall immediately notify Party B in writing and correct or update the matters in question. However, the correction or update of the disclosed matters by Party A shall not affect Party B's right to claim or request any remedy available by law or pursuant to the Agreement. Where any event occurring before the merger effective date leads to misrepresentation, untruth, incorrectness of the representations and warranties made pursuant to Article 7 hereof, Party A shall immediately provide Party B with supplements in writing or update the previously-provided documents and disclosed matters.

Article 8 Representations and Warranties of Party B

Party B represents and warrants to Party A, as of the date of execution hereof, the truth and correctness of the following matters:

- (I) Legal establishment and existence of the company: Party B is a corporation limited by shares duly organized and validly existing under the Company Act of the ROC, and has obtained any and all licenses, approvals, permits and other certifications required for operating its business activities. Party B does not effectively resolve to dissolve, liquidate, voluntarily apply for bankruptcy, settlement or reconstruction, nor has a court ordered in accordance with relevant laws that it dissolve, settle, reconstruct or bankrupt, nor have competent authorities ordered in accordance with relevant laws the cessation of its business, its dissolution, the revocation of its permit for establishment or the cancellation of its business license.
- (II) The authorized capital and paid-in capital: The authorized capital and paid-in capital of Party B are set forth in Article 2 hereof. As of the date of execution hereof, the issued shares of Party B have all been duly authorized and issued, and the capital has been fully paid. Except for those set forth in Article 2 hereof, Party B does not issue any equity securities, nor does it issue, release, or enter into any other options, warrants, convertible or exchangeable securities, pre-emptive rights, rights of first refusal, legally-binding commitments for the acquisition of Party B's shares, nor does it commit or provide any interests of participation or similar rights to let any party acquire the rights and interests as Party B's common stock shareholders. Party B has no obligation to acquire its shares by redemption, buy-back or any other method.

- (III) Resolutions of and authorization from the board of directors: As of the date of execution hereof, the board of directors of Party B has approved the Agreement and authorized the Chairman of the board of directors or its designated person to execute the Agreement on behalf of the company.
- (IV) Validity of the Agreement: The execution and performance of the Agreement by Party B are not in violation of:
- (1) any applicable law or regulation;
 - (2) any judgment, ruling or order rendered by the court or relevant competent authorities;
 - (3) the Articles of Incorporation of Party B;
 - (4) any contract, agreement, representation, undertaking, warranty, binding arrangement, covenant or any other obligation by which Party B is legally bound.
- (V) Financial statements and financial information: The Base Financial Report of Party B or other financial statements provided to Party A have been prepared in accordance with Business Entity Accounting Act and accounting principles generally accepted in the ROC, and fairly present the financial position and results of the operations of Party B for the periods indicated therein, without any misrepresentation, omission or misleading.
- (VI) Litigation and non-litigation matters: Unless otherwise disclosed to Party A before the date of execution hereof, as of the date of execution hereof, there is no litigation, arbitration, non-contentious or administrative litigation cases, or criminal investigation process which would have a material adverse effect on Party B or its businesses, finance, properties, operations or shareholders' rights and interests, nor, as to Party B's knowledge, any written claim or petition which may materially affect its financial status and businesses or related rights and interests. To Party B's knowledge, except for those that have been disclosed to Party A before the date of execution, as of the date hereof, no litigation, arbitration, non-contentious or administrative litigation cases, criminal investigation process or written claim against its directors or managers in relation to their performance of duties have been raised by any third party. As of the date of execution hereof, Party B is not subject to any order, judgment or ruling which under reasonable circumstances may affect Party B or its goodwill.

- (VII) Assets and liabilities: Party B's assets and liabilities have been expressly provided in Party B's Base Financial Report or have been disclosed to Party A. Party B has legal ownership rights, rights to use or other legitimate rights and interests on all the assets set forth therein. Unless otherwise disclosed in Party B's Base Financial Report or its footnotes or disclosed to Party A before, the use of, gains from, and disposal of such assets will not be bound or restricted; provided that such binding or restriction has no material adverse effect on Party B's businesses, operations or financial status.
- (VIII) Contingent liability: Unless set forth in Party B's Base Financial Report or otherwise disclosed to Party A, there is no contingent liability which would cause material adverse effects on the business or finances of the company.
- (IX) Contracts and covenants: The material contracts, agreements, representations, undertakings, warranties, binding arrangements, covenants or other obligations executed, agreed or committed to by Party B in any formality to date have been provided in writing or verbally to Party A, without any misrepresentation, omission or untruth. As of the date of execution hereof, to Party B's knowledge, there is no default made by Party B of any and all valid material contracts of Party B. As of the date of execution hereof, the execution of any contracts, the conduct of any arrangement or transactions (including but not limited to purchase, sale, leasing, investment, service or operating and other transactions) by and between Party B and its affiliates, directors, managers, shareholders or other related parties or any party who owns or has financial interests in such related parties has been in compliance with relevant laws and regulations and with the arms-length principle. As of the date of execution hereof, unless otherwise disclosed in Party B's Base Financial Report or its footnotes or disclosed to Party A before, Party B has not breached any mandate agreement, mortgage agreement, trust agreement, loan agreement or other agreement to which Party B is a party or by which it is bound or of which its property is the object; provided that the breach will not have any material adverse effect on the operations, businesses or financial status of Party B.

- (X) Employer and labor relations: As of the date of execution hereof, (1) Party B's policies, plans, projects or protocols of salaries and benefits relating to employee recruitment or retirement have all complied with ROC laws and regulations. Party B has recognized in accordance with relevant laws and regulations of the ROC or set aside in accordance with relevant laws and regulations the incurred but unpaid pension and employee benefits in the financial statements; (2) unless otherwise provided in Party B's Base Financial Report or its footnotes or disclosed to Party A before, Party B is not involved in labor relations disputes, nor has it violated any relevant labor laws and regulations or been punished by competent labor authorities; further, there has been no strike or shutdown against Party B; and (3) Party B is not a party of any collective agreements or any labor agreements entered into with labor unions or labor organizations.
- (XI) Environmental protection events: Where the operating business of the company, pursuant to relevant environmental protection laws and regulations, shall apply for a permit to establish pollution producing facilities, a permit for discharging pollution, pay the pollution prevention fee and set up an environmental protection unit and personnel, so as to comply with the relevant rules. Except for the matters which have been disclosed to Party A, there are no other environmental pollution disputes or punishments for environmental pollution by environmental protection authority which may cause material adverse effects on the business or finances of the company.
- (XII) Other matters: To date, Party B is not involved in any material matters regarding violation of laws and regulations, loss of debt credit, or unpaid tax, which would impact the existing operations of the company.
- (XIII) The documents provided to Party A by Party B, including but not limited to the Agreement, the attachments hereto, disclosed matters, relevant transaction documents, financial statements or any information contained in the certificates issued by Party B, have disclosed all agreements or other documents which could have material adverse effects or restrict the rights and interests of Party B, and in all aspects are true, correct and without untruth, misrepresentation or omission.

- (XIV) The information regarding intellectual property rights (including but not limited to patents, trademarks, copyrights and/or trade secrets and including the intellectual property rights owned by Party B and its subsidiaries, including those registered and pending) is true and correct, without deliberate omission or concealment. Party B and its subsidiaries are indeed the legal owners of such intellectual property rights. Such intellectual property rights are not subject to any mortgage, pledge, security or other claim. Unless otherwise disclosed to Party A or in current authorization contracts, Party B has not assigned, authorized, placed in trust or otherwise disposed of its intellectual property rights.
- (XV) To Party B and its subsidiaries' reasonable knowledge of the relevant facts, unless otherwise disclosed to Party A during the due diligence process, there are no third party petitions against Party B filed with competent authorities and/or any court, which challenge or question the validity and/or enforceability of Party B's intellectual property rights (including but not limited to patents, trademarks, copyrights and/or trade secrets). Unless otherwise disclosed to Party A, there are no claims of infringement against or objections to the intellectual property rights (including but not limited to patents, trademarks, copyrights and/or trade secrets) of Party B and its subsidiaries. The computer software that Party B and its subsidiaries currently use is legally used and does not infringe the rights and interests of any third party.
- (XVI) Tax: As of the date of execution hereof:
- (1) Party B has filed all taxes, and such filings, according to the ROC tax laws and regulations, are complete and correct. Party B has paid all taxes due before the merger effective date.
 - (2) Party B has withheld all taxes in accordance with all tax laws and regulations.
 - (3) There are currently no tax disputes between Party B and the competent authorities. The results of investigation and review conducted by the competent authorities indicate that Party B has no tax deficiency. The competent authorities have not claimed any failure to file taxes or any tax evasion by Party B.
 - (4) Party B is not subject to any tax-related contracts or arrangements entered into between itself and the competent authorities.

- (5) Any claim against Party B's unpaid tax has been settled or solved.
 - (6) Party B is not a party to, or otherwise bound by, any tax sharing contract, compensation contract or similar contract.
 - (7) Party B or any person acting on behalf of Party B has not requested the extension of any deadline for tax filing, the extension of any deadline for tax payment, or any exemption from any statute of limitation.
 - (8) Unless otherwise required by law, Party B has changed neither its accounting nor tax principles, nor does it agree to settle any tax disputes which would have material adverse effect on Party B's future tax treatment.
- (XVII) Insurance: As of the date of execution hereof, (1) the policies and temporary policies that Party B currently has are valid without any rescission, termination, withdrawal or restriction notice; nor has Party B received anything regarding the invalidity of such policies; (2) no insurance company has rejected Party B's claims for compensation under such policies. To Party B's knowledge, there is no possibility that any insurance companies would refuse its claim for compensation; and (3) with respect to such policies and temporary policies, Party B has not submitted any expired claims for compensation.
- (XVIII) Networks and systems: As of the date of execution hereof, the networks and systems currently used by Party B are not involved in any disputes.
- (IX) Legal compliance: As of the date of execution hereof, except for that which has already been disclosed in Party B's Base Financial Report or its footnotes or otherwise been disclosed to Party A, the business and operations of Party B have been in compliance with the relevant ROC laws, and regulations and rulings promulgated by the competent authorities, and there have been no instances of the following:
- (1) any current ROC laws, regulations, orders or rulings promulgated by the competent authorities which may lead to Party B's being in violation of the law.

- (2) receipt of claims that Party B has failed to comply with relevant laws and regulations or requirements of the competent authorities, or awareness of any substantial or current investigation conducted by any government agency on the business and operations of Party B.
 - (3) within the most recent three years, awareness of punishment more severe than a warning rendered by any government agencies regarding the businesses and operations of Party B.
 - (4) any order, acknowledgement, arrangement or direction entered into or accepted by Party B, which would cause material adverse effects on its operations.
- (XX) Mandatory filing or reporting documents: As of the date of execution hereof, Party B has duly filed any reports, registrations or other documents in accordance with relevant regulations of the ROC government, and has duly paid all fees. All mandatory filings or reporting documents of Party B have been in compliance with the requirements of relevant laws and regulations, and without misrepresentation or deliberate omission.
- (XXI) Disclosure of subsequent events: Where Party B discovers that the representations and warranties made pursuant to Article 8 in the execution of this Agreement or other matters it has disclosed are misrepresented, omitted, untrue, or incorrect, Party B shall immediately notify Party A in writing and correct or update the disclosed matters. However, the correction or updating of such disclosed matters by Party B shall not affect the rights Party A may claim or remedies to which it is entitled by law or pursuant to the Agreement. After the execution of the Agreement, where any events occur before the merger effective date leading to misrepresentation, untruth, or incorrectness of the representations and warranties made in Article 8 hereof, Party B shall immediately notify Party A in writing and update the provided documents and disclosed matters.

Article 9 Covenants of Party A

Unless otherwise agreed herein, from the date of execution hereof to the merger effective date, Party A makes the following covenants to Party B:

- (I) Party A shall obtain prior written consent from Party B before releasing any information relevant to the Agreement or the merger, excluding the information that should be released as required by laws and regulations, according to the opinion of its legal advisors. The Parties shall use their best efforts to confirm the content of relevant information with each other before disclosing said information.
- (II) Party A shall perform every legal procedure of the merger as soon as practicable, including but not limited to:
 - (1) with the necessary assistance of Party B, make a combination filing for the merger with the Fair Trade Commission (if applicable);
 - (2) hold a shareholders' meeting in accordance with the law to approve the merger and recognize the Agreement and all relevant documents thereto.
- (III) Party A shall, according to relevant laws and regulations and acting in good faith, take all necessary actions which are adequate and appropriate to complete the conditions precedent set forth in Article 15 hereof and to consummate the merger pursuant to the Agreement. Unless otherwise set forth in the Agreement or consented to in writing by Party B, Party A shall not perform any act or omission that would cause or could reasonably be expected to cause the following: (1) as of the merger effective date, the representations and warranties of Party A provided in Paragraphs (I), (II), (IV), (V), (IX) and (XI) of Article 7 hereof becoming misrepresentations or false warranties; or any material breach of the covenants or obligations of Party A set forth herein; or (2) failure to meet or complete the conditions precedent provided in Article 15 hereof. Prior to the merger effective date, if there are any facts, changes, conditions, circumstances or other events that cause failure to meet or complete the conditions precedent agreed to herein by Party A, Party A shall promptly notify Party B in writing. However, such notice will not affect the rights and obligations of Party B under the Agreement.
- (IV) Pursuant to the agreements between Party A and any third party, where the merger requires notification to, or consent of, such the third party, and without such notification or consent the merger cannot be consummated, Party A shall notify the third party of the merger pursuant to the provisions of such agreements and obtain consent from the third party to the merger.

- (V) On the occurrence of any events provided herein triggering the adjustment of the merger consideration, Party B shall be notified immediately and provided with necessary information.
- (VI) From the date of execution hereof to the merger effective date, Party A shall not do any of the following without obtaining prior written consent from Party B:
 - (1) enter into, commit, initiate the arrangement of, or negotiate agreements regarding lease of the entire business, or entrust the entire businesses to others;
 - (2) assign the business or properties in whole or in major part to others;
 - (3) except for information which, for the performance of the Agreement, must be disclosed to the directors, consultants (including but not limited to accounting, financing, or legal consultants), major shareholders and employees of Party A, directly or indirectly disclose to a third party unpublished information known as a result of the merger.

Article 10 Covenants of Party B

Unless otherwise agreed herein, from the date of execution hereof to the merger effective date, Party B makes the following covenants to Party A:

- (I) Party B shall obtain prior written consent from Party A before releasing any information relevant to the Agreement or the merger, excluding information the release of which is required by laws and regulations, according to the opinion of its legal advisors. The Parties shall use their best efforts to confirm the content of relevant information with each other prior to the disclosure of said information.
- (II) Party B shall perform every legal procedure of the merger as soon as practicable, including but not limited to:
 - (1) giving necessary assistance to Party A so that Party A can make a combination filing for the merger with the Fair Trade Commission (if applicable);

- (2) hold a shareholders' meeting in accordance with the law to approve the merger and recognize the Agreement and all relevant documents thereto.
- (III) Party B shall, according to relevant laws and regulations and acting in good faith, take all necessary actions which are adequate and appropriate to complete the conditions precedent set forth in Article 15 hereof and to consummate the merger pursuant to the Agreement. Unless otherwise set forth in the Agreement or consented to in writing by Party A, Party B shall not perform any act or omission which would cause or could be reasonably anticipated to cause the following: (1) as of the merger effective date, the representations and warranties of Party B provided in Article 8 becoming misrepresentation, false warranties; or a material breach of the covenants or obligations of Party B set forth herein, or (2) failure to meet or complete the conditions precedent provided in Article 15 herein. Prior to the merger effective date, if there are any facts, changes, conditions, circumstances or any events that cause a failure to meet or complete the conditions precedent agreed to herein by Party B, Party B shall promptly notify Party A in writing. However, such notice will not affect the rights and obligations of Party A under the Agreement.
- (IV) Pursuant to the agreements between Party B and any third party, where the merger requires notification to a third party or consent from a third party, Party B shall notify the third party of the merger pursuant to the provisions of such agreements and obtain consent from the third party for the merger.
- (V) On the occurrence of any events provided herein triggering the adjustment of the merger consideration, Party A shall be notified immediately and provided with necessary information.
- (VI) The properties (including any tangible and intangible assets) owned or used by Party B shall be maintained, managed, improved and their original value and function shall be preserved, by all appropriate and necessary methods. No destruction, damage, loss or other events which may diminish the value of the property will occur due to gross negligence or willful acts.

- (VII) Party B shall, according to relevant laws and regulations and based on good faith, gather and keep documents relevant to the accounting, financing, transaction, litigation, assets, and operations of the company.
- (VIII) Party B shall, operate and manage its business as usual, complying with normal and reasonable business practices and according to the relevant laws and regulations, its Articles of Incorporation and business rules, while acting in good faith and exercising the due care of a good administrator. Party B shall comply with ROC laws and regulations and rulings of the government agencies, use its reasonable commercial efforts and maintain its relationships with all of its customers and employees. In the event that the condition (operation, finance or other aspects), assets, obligations or income of Party B suffer material adverse effects or actions that are in breach of this section, or if Party B becomes aware of any litigation, arbitration, non-contentious cases, administrative remedies, written petitions or investigations in which Party B and/or Party B's directors, managers and/or employees are the object due to the execution of their duties, and which may cause material adverse impact on Party B, Party B shall promptly notify Party A in writing.
- (IX) The licenses, approvals and permits that Party B has obtained prior to the execution of the Agreement shall be maintained and managed as is necessary for their use after the merger.
- (X) In order for Party A to carry out with the operation and management of Party B's business after the merger effective date, Party B agrees to act in good faith to assist Party A in understanding Party B's operations and to provide Party A with necessary information.
- (XI) From the date of execution hereof to the merger effective date, Party B and/or its subsidiaries (affiliates defined in the Chapter of Affiliates of the Company Act) shall not engage in any of the following conduct without obtaining prior written consent from Party A:
 - (1) Except as is necessary for the performance of the Agreement, arrange, negotiate, enter into or commit to any the agreements or major covenants with a third party which may have material effect on the interests of Party B and/or its subsidiaries, including but not limited to:
 - (A) strategic alliances, mandates, joint ventures or investments and so on;

- (B) conclusion, amendment, or termination of agreements regarding the lease of the entire businesses, mandate or regularly cooperation with others;
 - (C) assignment of the businesses or its properties, in whole or in major part, to others;
 - (D) acquisition of entire businesses or properties from others;
 - (E) other agreements beyond the daily business of Party B which may have material effect on the financial status or business of Party B.
- (2) carry out major organizational adjustments, including but not limited to: appointment, discharge or transfer of any managers; amendment of employees' work rules; changes to agreements executed with employees, managers and directors, or to employment conditions, including but not limited to raising employees', managers' and directors' wages, salaries, remuneration, rewards, payments, bonuses, incentives, employee stock options, employee insurance, pensions, severance plans, and other employee benefits; adding, increasing or committing to increase any employee benefits; or recruitment of employees not essential to the human resources needs of the company.
 - (3) amend the Articles of Incorporation, excluding the amendments required for the merger or bylaws and regulations.
 - (4) initiate legal actions, administrative disputes or remedy processes against any third party, excluding responding to legal actions, administrative disputes or remedy processes brought by any third party.
 - (5) surrender, abandon, or waive any valid and existing rights or interests, or settle with any third party for any arguments, disputes, or litigation or act in an unfavorable way to the company.
 - (6) license, transfer, place a security on, market, dispose, or sell any intangible assets (such as intellectual property rights) or take similar actions, or for the purpose of entering into such kind of agreements do any of the aforesaid.

- (7) except for the implementation of employee stock options in accordance with the issued Rules of Stock Options, engage in capital increase by cash, issuance of new shares or issuance or distribution of dividends and bonuses in any kind (whether they are cash dividends, stock dividends, employee bonuses or remuneration to directors and supervisors, provided for those set forth in the announcement of the executed contracts), issuance of corporate bonds, gratuitous stock distribution, issuance of convertible bonds, warrant bonds, preferred stock with warrants, depository receipt, stock options, call (put) options and any other equity securities or rights.
- (8) implement matters beyond the power of a general manager provided in the current authorization list of Party B. However, for the following matters, prior written consent from Party A shall be obtained:
- (A) loans to any shareholders or third parties;
 - (B) discussions, negotiations, covenants or entering into agreements relative to management power;
 - (C) agreements which restrict the major operations of Party B;
 - (D) agreements with any third party for settlement or disputes resolution with an amount in a single agreement exceeding NT\$3,000,000, or with an aggregate amount in several agreements exceeding NT\$10,000,000;
 - (E) agreements which authorize a third party to use the intellectual property rights (including but not limited to patents, trademarks, copyrights and/or trade secrets) of Party B;
 - (F) unless otherwise agreed herein, agreements with its affiliates with an amount in a single agreement exceeding NT\$10,000,000, or with an aggregate amount in several agreements exceeding NT\$100,000,000;
 - (G) other joint ventures or long term equity investments with an amount in a single transaction exceeding \$10,000,000, or with an aggregate amount of several transactions exceeding NT\$100,000,000;
 - (H) new loans or the increase of loan amount, creating pledge or securities on any tangible or intangible assets for the benefit of any third party, guarantees or endorsements to a third party.

- (9) change in accounting method or accounting policy, excluding such changes made because of the changes of laws and regulations, rulings of competent authorities or accounting principles generally accepted in the ROC.
- (10) termination or cessation of any agencies or other businesses, or mass termination of redundant employees, or implementation of any early retirement or excellent retirement plans.
- (11) except for buying back shares from dissenting shareholders for the merger, directly or indirectly, by itself or through any third party, purchase its issued and outstanding shares or equity securities, conduct capital decrease, or resolve to dismiss, liquidate, apply for reorganization, settlement or bankruptcy or any action which may cause material adverse impact on the cash flow, shareholders' rights and interests or the company's financial structure.
- (12) directly or indirectly, through its directors, managers or employees, engage in arranging, negotiating, discussing, selling, or accepting any proposals from other parties regarding Party B's stock rights or management power, or merging with Party B, or selling or becoming a joint venture or partner in relation to Party B's major businesses or assets.
- (13) except for what the performance of the Agreement requires to be disclosed to the directors, consultants (including but not limited to accounting, financing, or legal consultants), major shareholders and employees of Party B, directly or indirectly disclose to a third party unpublished information known from the merger.

Article 11 Notices and Announcement to Creditors; Handling of Dissenting Shareholders

- (I) After the adoption of a resolution on the merger at the respective shareholders' meeting of the Parties, each of the Parties shall prepare balance sheets and property lists, and promptly issue a notification and make a public announcement to each of their creditors stating a 30-day period within which the creditors may register their objections. In the event that any creditors object within the said period, the respective party, as applicable, shall settle any and all payable claims or deposit a security.

- (II) If any shareholders of either Party has raised objections to the merger in accordance with the law and request the buy-back of their shares, the respective party, as applicable, shall purchase the shares held by the dissenting shareholders in accordance with laws and regulations. In the event that Party A, Party B and the dissenting shareholders of the respective company are unable to reach an agreement on the purchase price, it shall be decided by a court. The buy-back shares herein shall be cancelled in accordance with relevant laws and regulations.

Article 12 Rights and Obligations after Merger

From the merger effective date, unless otherwise provided in the laws and regulations or agreed in the Agreement, all the valid rights and obligations and credits and debts of Party B as of the merger effective date shall be generally assumed by Party A. From the merger effective date, all assets, liabilities and all rights and obligations (including but not limited to trademarks, patents, other intellectual property rights and employee stock options) as stated on its books shall be generally assumed by Party A.

Article 13 Employees of Party B

- (I) The Parties agree to handle Party B's employee transfer and retention matters in compliance with the Business Mergers and Acquisitions Act and relevant ROC labor laws and regulations and methods agreed by the Parties in writing.
- (II) When Party A recruits the retained employees, it shall recognize their seniority accrued at Party B and refer to their original terms and conditions of employment and Party A's current rules of employment, and respect their work rights. Subject to law, Party B shall, to its knowledge, fully inform Party A of its terms and conditions of employment and provide Party A with best assistance in the retention process. Party A and the retained employees will enter into employment agreements separately. For those employees who are not retained, Party B shall issue prior notice of termination or pay the wages for the notice period in accordance with Article 16 of the Labor Standards Act, and pay the pension or severance.

- (III) From the merger effective date, Party A assumes Party B's employees who agree to be retained and their employment relationships with Party B. The employees of Party B become the employees of Party A immediately. The aforesaid notices and retention matters relative to employees of Party B will be handled pursuant to the Business Mergers and Acquisitions Act, the Labor Standards Act and relevant laws and regulations.
- (IV) When Party A plans and enforces the retention scheme on Party B's personnel, Party B shall provide all necessary assistance.

Article 14 Taxes and Expenses

Unless otherwise set forth herein, the Parties shall separately assume their own taxes and expenses arising from or in connection with the execution and performance of the Agreement.

Article 15 Conditions Precedent of the Merger

The Parties agree that the conditions precedent of the fulfillment of the merger include:

- (I) The board of directors and the shareholders of both Parties have approved the Agreement and the merger in accordance with the law.
- (II) The Parties have obtained the permits and approvals from relative competent authorities for the merger, including but not limited to: the combination approval of the Fair Trade Commission, Executive Yuan; the approval of the Taiwan Stock Exchange for the application for the listing of new securities issued for capital increase due to Party A's merger of a Taiwan Stock Exchange-listed (Taipei Exchange-listed) company; the approval for merger and capital increase by issuing new shares from Financial Supervisory Commission, Executive Yuan; the approval of the Taipei Exchange for Party B's delisting and other approvals granted by the competent authorities.
- (III) As of the merger effective date, the Parties have complied with and performed the covenants, obligations, agreements herein, and the representations and warranties are all correct and true. For the avoidance of doubt, any Party shall not refuse to consummate the merger with the excuse of failing to comply with the Agreement.

Article 16 Agreement Cancellation

Prior to the merger effective date, the Agreement may be canceled on the occurrence of any of the following events:

- (I) The Parties mutually agree to rescind the Agreement in writing.
- (II) In the event that the shareholders of either party at the shareholders' meeting rejects the proposal of the merger, such party may rescind the Agreement by giving a written notice.
- (III) In the event of material breach of contract, the failure to rectify such breach within 60 days from the date on which the non-breaching party gives notification, the non-breaching party may rescind the Agreement by giving a written notice to the breaching party.
- (IV) In the event that the relevant competent authorities require the amendment of the content of the Agreement, but the Parties, with their best commercial efforts, fail to agree on an amendment, either party may rescind the Agreement by giving a written notice to the other party.
- (V) On the occurrence of the matters set forth in Paragraph (X) of Article 18 and the consequences which lead to the failure of the performance of the Agreement by either party up to 90 days, the other party may rescind the Agreement by giving a written notice.

Article 17 Breach of Contract

- (I) If the Agreement is rescinded pursuant to Paragraph (III) of Article 16 hereof, or if any party fails to perform the obligation hereunder and cannot consummate the merger, the non-breaching party may claim for compensation against the breaching party.
- (II) After the rescission of the Agreement, the Parties shall immediately take the necessary actions to cease the proceedings of the merger. Either party may request that the other party return, within 15 days from the date of rescission, all documents, information, files, articles, plans, trade secrets, and other data obtained pursuant to the Agreement without copies or retained documents; provided that the documents, information, files, articles, plans, trade secrets, and other data obtained pursuant to the Agreement may be kept by each of their legal advisors mandated for the merger.

Article 18 Miscellaneous

- (I) The Agreement shall be governed by, construed and performed in accordance with the laws of the ROC. Any matters not prescribed herein shall be subject to relative laws and regulations.
- (II) If any provision of the Agreement is inconsistent with relevant laws and regulations and is held invalid, only the inconsistent part shall be invalid, and the remainder of the Agreement shall continue in full force and effect. If any provision of the Agreement must be changed to comply with the relevant competent authorities' order, the board of directors of the Parties shall jointly amend the Agreement according to relevant competent authorities' order.
- (III) The Parties agree that any disputes arising from the Agreement shall be brought to the jurisdiction of the Taiwan Hsinchu District Court.
- (IV) Any amendment, deletion or change to the Agreement shall be made by the Parties in writing.
- (V) Any arrangement, agreement, or commitment made by the Parties prior to the execution of the Agreement for the merger shall be replaced by the Agreement.
- (VI) The headings of the Agreement are provided for convenience and reference only, and shall not affect the interpretation hereof.
- (VII) Without prior written consent by the other party, neither party shall assign its rights and obligations hereunder to a third party.
- (VIII) The assignee or transferee of Party A or Party B, as applicable, shall be bound by the Agreement.
- (IX) Any notice given under the Agreement shall be sent by registered mail or delivered in person to the following addresses which will have the effect of notice:

Party A: ChipMOS TECHNOLOGIES INC.

Contact: Vice President S. K. Chen

Address: No.1 R&D Rd. 1, Hsinchu Science Park, Baoshan Township, Hsinchu County

Party B: ThaiLin Semiconductor Corp.

Contact: Director Silvia Su

Address: No.4, Rende Rd., Fongshan Vil., Hukou Township, Hsinchu County

In case of change of the said contact information, the changing party shall notify the other in writing, otherwise the change is not effective against the other party.

- (X) In the event that Party A or Party B fails to or delays the performance of the Agreement due to a judgement or court order, ruling or order of competent authorities, or other force majeure, it need not take responsibility; provided, however, that on the occurrence of force majeure, the affected party shall notify the other party within 5 days of its awareness of such event, and resume performing the obligation hereunder as soon as possible after the force majeure stops.
- (XI) Unless otherwise provided for under any law, regulation, or the Agreement, the Parties agree that, for the purpose of the merger, any confidential documents, information, files, articles, plans, trade secrets, and other tangible or intangible data given by the other Party before the merger effective date shall be kept in strict confidence. The foregoing confidentiality obligation shall survive even there is cancellation, rescission, termination, or any other event which causes the loss of effectiveness of the Agreement.
- (XII) After a resolution of merger is adopted by the board of directors of each of the Parties and the merger is disclosed to the public in accordance with the law, in the event of further proposals to merge, segment, acquire or transfer shares with other companies, unless the companies involved decrease, a shareholders' meeting is not required if the shareholders have resolved to authorize the board of directors to make the change. The processes completed in the original merger, segmentation, acquisition or share transfer shall be gone through again by all participating companies.
- (XIII) The Agreement is made in two original copies, with one copy being held by each of the Parties in witness thereof.

[The remaining is left blank intentionally]

IN WITNESS WHEREOF, the Parties have executed the Agreement as of the date written above.

Party A: ChipMOS TECHNOLOGIES INC.

Party B: ThaiLin Semiconductor Corp.

Representative: Independent Director Chin-Shyh Ou
Address: No.1 R&D Rd. 1, Hsinchu Science Park, Baoshan
Township, Hsinchu County

Representative: Independent Director Chang-Bo Wu
Address: No.4, Rende Rd., Fongshan Vil., Hukou Township,
Hsinchu County

Date: November 12, 2014

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 24, 2015

/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 24, 2015

/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, 2014 (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 24, 2015

/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, 2014 (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 24, 2015

/s/ Shou-Kang Chen

Name: Shou-Kang Chen

Title: Chief Financial Officer

905 Silvercord, Tower 2
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

Tel: (852) 2375 3180
Fax: (852) 2375 3828

www.ms.com.hk

大華馬施雲
會計師事務所有限公司

April 24, 2015

The Board of Directors
ChipMOS TECHNOLOGIES (Bermuda) LTD.
No. 1, R & D Road 1
Hsinchu Science Park
Hsinchu City, 30076
Republic of China

Attention: 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 12, 2015, 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, 2014 (the "Annual Report"). We also consent to the inclusion of our report in the Annual Report.

Yours faithfully,

/s/ Moore Stephens CPA Limited
Certified Public Accountants

Hong Kong