

**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, 2009

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**

Common Shares, par value US\$0.01 each

**Name of Each Exchange  
on Which Registered**

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)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2009, 83,971,012 Common Shares, par value US\$0.01 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 “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17. ☐ Item 18. ☒

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:

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

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

## PART I

### Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

### Item 2. Offer Statistics and Expected Timetable

Not applicable.

### Item 3. Key Information

#### Selected Financial Data

The following tables set forth our selected consolidated financial data. The selected consolidated balance sheet data as of December 31, 2008 and 2009 and our consolidated statement of operations and cash flows data for 2007, 2008 and 2009 are derived from our audited consolidated financial statements included herein, and should be read in conjunction with, and are qualified in their entirety by reference to, these audited consolidated financial statements and related notes beginning on page F-1 of this Annual Report on Form 20-F. These audited consolidated financial statements have been audited by Moore Stephens. The selected consolidated balance sheet data as of December 31, 2005, 2006 and 2007 and the consolidated statement of operations and cash flows data for the years ended December 31, 2005 and 2006 are derived from our audited consolidated financial statements not included herein. Our consolidated financial statements have been prepared and presented in accordance with ROC GAAP, which differs in some material respects from US GAAP. Please see Note 26 to our audited consolidated financial statements for a description of the principal differences between ROC GAAP and US GAAP for the periods covered by these financial statements.

	Year ended December 31,					
	2005	2006	2007	2008	2009	2009
	NT\$	NT\$	NT\$	NT\$	NT\$	US\$
(in millions, except per share data)						
Consolidated Statement of Operations Data:						
ROC GAAP:						
Net revenue:						
Related parties <sup>(1)</sup>	\$ 4,603.5	\$ 5,654.4	\$ 6,915.9	\$ 3,122.9	\$ 668.9	\$ 20.9
Others	10,610.5	14,720.8	16,681.7	13,887.3	11,481.4	359.4
Total net revenue	15,214.0	20,375.2	23,597.6	17,010.2	12,150.3	380.3
Cost of revenue	11,262.6	14,253.4	17,444.1	16,969.9	15,661.5	490.2
Gross profit (loss)	3,951.4	6,121.8	6,153.5	40.3	(3,511.2)	(109.9)
Operating expenses:						
Research and development	274.4	274.8	322.3	435.6	375.3	11.7
General and administrative	793.3	813.0	1,070.5	885.6	657.8	20.6
Sales and marketing	232.9	107.4	98.3	2,362.7	561.2	17.6
Total operating expenses	1,300.6	1,195.2	1,491.1	3,683.9	1,594.3	49.9
Income (loss) from operations	2,650.8	4,926.6	4,662.4	(3,643.6)	(5,105.5)	(159.8)
Other income (expenses), net	(506.5)	(223.2)	(669.2)	(3,286.8)	116.7	3.7
Income (loss) before income tax, noncontrolling interests and interest in bonuses paid by subsidiaries <sup>(2) (3)</sup>	2,144.3	4,703.4	3,993.2	(6,930.4)	(4,988.8)	(156.1)
Income tax benefit (expense)	(112.0)	(636.5)	(768.2)	(120.8)	420.7	13.1
Income (loss) before noncontrolling interests and interest in bonuses paid by subsidiaries <sup>(2) (3)</sup>	2,032.3	4,066.9	3,225.0	(7,051.2)	(4,568.1)	(143.0)
Net (income) loss attributable to noncontrolling interests	(977.0)	(1,799.4)	(720.0)	143.3	149.4	4.7
Interest in bonuses paid by subsidiaries <sup>(3)</sup>	(127.1)	(149.5)	(285.8)	(362.4)	—	—
Cumulative effect of changes in accounting principles	—	3.3	—	—	—	—
Net income (loss) attributable to ChipMOS	\$ 928.2	\$ 2,121.3	\$ 2,219.2	\$ (7,270.3)	\$ (4,418.7)	\$ (138.3)
Earnings (loss) per share:						
Basic	\$ 13.74	\$ 30.84	\$ 27.63	\$ (86.66)	\$ (55.84)	\$ (1.75)
Diluted	\$ 11.82	\$ 25.00	\$ 24.24	\$ (86.66)	\$ (57.54)	\$ (1.80)
Weighted-average number of shares outstanding:						
Basic	67.5	68.8	80.3	83.9	79.1	79.1
Diluted	82.6	88.3	108.2	83.9	89.0	89.0

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	Year ended December 31,					
	2005	2006	2007	2008	2009	2009
	NT\$	NT\$	NT\$	NT\$	NT\$	US\$
(in millions, except per share data)						
<b>US GAAP:<sup>(4)</sup></b>						
Net income (loss) attributable to ChipMOS	\$805.4	\$1,253.1	\$2,901.7	\$ (7,177.7)	\$ (4,550.3)	\$ (142.4)
Earnings (loss) per share:						
Basic	\$ 11.92	\$ 18.22	\$ 36.13	\$ (85.56)	\$ (57.50)	\$ (1.80)
Diluted	\$ 11.21	\$ 17.52	\$ 21.07	\$ (85.56)	\$ (59.15)	\$ (1.85)
Weighted-average number of shares outstanding:						
Basic	67.5	68.8	80.3	83.9	79.1	79.1
Diluted	82.6	71.5	108.2	83.9	83.0	83.0

(1) Related parties include Mosel Vitelic Inc., or Mosel, Siliconware Precision Industries Co. Ltd., or Siliconware Precision, ProMOS Technologies Inc., or ProMOS and DenMOS Technology Inc., or DenMOS. See Note 20 of the notes to the consolidated financial statements contained in this Annual Report on Form 20-F. On November 21, 2005, Chantek was merged into ChipMOS Taiwan, with ChipMOS Taiwan as the surviving company. See “Item 4. Information on the Company—Our Structure and History—ChipMOS TECHNOLOGIES INC”.

(2) Under ROC GAAP, minority interests are also renamed noncontrolling interests to align with the guidance in Financial Accounting Standards Board Accounting Standards Codification or FASB ASC 810-10-65-1.

(3) Refers to bonuses to directors, supervisors and employees paid by subsidiaries.

(4) Reflects the US GAAP adjustments as described in Note 26 of the notes to the consolidated financial statements contained in this Annual Report on Form 20-F.

	As of December 31,					
	2005	2006	2007	2008	2009	2009
	NT\$	NT\$	NT\$	NT\$	NT\$	US\$
(in millions)						
<b>Consolidated Balance Sheet Data:</b>						
<b>ROC GAAP:</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 4,607.0	\$ 5,895.9	\$ 5,133.6	\$ 6,651.9	\$ 3,884.8	\$ 121.6
Restricted cash and cash equivalents	169.3	65.1	87.0	59.5	243.8	7.6
Financial assets at fair value through profit and loss	186.1	1,929.1	555.6	102.1	119.0	3.7
Held-to-maturity financial assets	—	—	—	250.0	—	—
Investment with no active market	—	—	—	100.0	100.0	3.1
Notes receivable						
—related parties	—	—	—	195.0	—	—
—third parties	30.6	31.1	28.0	14.2	27.9	0.9
Accounts receivable						
—related parties	1,418.4	1,839.1	1,498.8	0.4	0.2	—
—third parties	2,525.9	3,190.5	3,795.9	1,296.5	2,441.8	76.4
Other receivables						
—related parties	4.3	14.0	11.9	30.0	—	—
—third parties	161.9	31.8	31.2	172.2	130.1	4.1
Inventories	627.5	945.8	1,043.6	1,001.5	862.1	27.0
Prepaid expenses and other current assets	76.7	155.8	334.5	265.2	265.1	8.3
Total current assets	10,046.9	14,232.6	12,605.2	10,494.3	8,431.2	263.9
Long-term investments	404.1	366.7	358.0	437.8	220.0	6.9
Property, plant and equipment, net	20,420.1	30,494.3	30,020.4	23,654.9	20,769.0	650.0
Intangible assets—net	170.8	172.4	180.4	107.8	102.8	3.2
Other assets	716.1	745.9	2,152.1	746.8	833.2	26.1
Total assets	31,758.0	46,011.9	45,316.1	35,441.6	30,356.2	950.1
<b>Current liabilities:</b>						
Short-term bank loans	467.8	1,055.3	1,249.2	2,745.4	2,363.3	74.0
Current portion of long-term loans	2,300.9	2,335.3	3,686.2	4,603.7	1,553.9	48.6
Convertible notes	2,769.3	—	3,014.9	1,541.6	—	—
Derivative liabilities	—	—	96.0	—	—	—
Notes payable	3.9	—	—	—	—	—
Accounts payable	728.7	803.0	976.1	477.9	738.0	23.1
Other payables						

—related parties	1.2	—	—	—	—	—
—third parties	404.9	549.6	604.1	628.0	696.1	21.8
Current portion of capital leases payable	—	—	—	—	821.2	25.7
Accrued expenses and other current liabilities	474.1	713.6	886.7	469.4	525.7	16.5
Total current liabilities	7,857.5	6,747.5	11,374.2	10,721.6	6,921.5	216.6
Long-term liabilities	4,433.9	15,900.5	11,323.7	9,832.6	13,377.6	418.7
Other liabilities	374.7	479.0	370.1	344.6	104.9	3.3
Total liabilities	12,666.1	23,127.0	23,068.0	20,898.8	20,404.0	638.6
Total equity (including noncontrolling interests) <sup>(4)</sup>	\$19,091.9	\$22,884.9	\$22,248.1	\$14,542.8	\$ 9,952.2	\$311.5

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	As of December 31,					
	2005	2006	2007	2008	2009	2009
	NT\$	NT\$	NT\$	NT\$	NT\$	US\$
(in millions)						
<b>US GAAP<sup>(2)</sup>:</b>						
Current assets:						
Cash and cash equivalents	\$ 4,607.0	\$ 5,895.9	\$ 5,133.6	\$ 6,651.9	\$ 3,884.8	\$121.6
Restricted cash and cash equivalents	169.3	65.1	87.0	59.5	243.8	7.6
Financial assets at fair value through profit and loss	189.2	1,929.1	555.6	102.1	119.0	3.7
Held-to-maturity financial assets	—	—	—	250.0	—	—
Available-for-sale financial assets	—	—	—	100.0	100.0	3.1
Notes receivable						
—related parties	—	—	—	195.0	—	—
—third parties	30.6	31.1	28.0	14.2	27.9	0.9
Accounts receivable						
—related parties	1,418.4	1,839.1	1,498.8	0.4	0.2	—
—third parties	2,525.9	3,190.5	3,795.9	1,296.5	2,441.8	76.4
Other receivables						
—related parties	4.3	14.0	11.9	30.0	—	—
—third parties	161.9	31.8	31.2	172.2	130.1	4.1
Inventories	627.7	946.1	1,044.3	966.1	863.1	27.0
Prepaid expenses and other current assets	76.7	155.8	334.5	265.2	265.1	8.3
Total current assets	10,050.2	14,232.9	12,603.4	10,452.6	8,426.0	263.7
Long-term investments	387.1	366.7	358.0	437.8	220.0	6.9
Property, plant and equipment, net	20,340.9	30,377.7	29,861.6	23,427.2	20,474.4	640.8
Intangible assets—net	170.8	172.4	180.4	107.8	102.8	3.2
Other assets	704.6	826.4	2,262.6	731.6	893.2	28.0
Total assets	31,653.6	45,976.1	45,266.0	35,157.0	30,116.4	942.6
Current liabilities:						
Short-term bank loans	467.8	1,055.3	1,249.2	2,745.4	2,363.3	74.0
Current portion of long-term loans	2,300.9	2,335.3	3,686.2	4,603.7	1,553.9	48.6
Convertible notes	2,531.1	—	3,056.4	1,453.0	—	—
Derivative liabilities	160.9	—	85.4	—	—	—
Notes payable	3.9	—	—	—	—	—
Accounts payable	728.7	803.0	976.1	477.9	738.0	23.1
Other payables						
—related parties	1.2	—	—	—	—	—
—third parties	404.9	549.6	604.1	628.0	696.1	21.8
Current portion of capital leases payable	—	—	—	—	821.2	25.7
Accrued expenses and other current liabilities	743.1	1,173.1	1,321.0	469.4	525.7	16.5
Total current liabilities	8,049.3	7,207.0	11,839.3	10,632.9	6,921.5	216.6
Long-term liabilities	4,433.9	16,836.2	11,179.3	9,832.6	13,377.6	418.7
Other liabilities	345.0	502.2	596.5	537.3	383.7	12.0
Total liabilities	12,828.2	24,545.4	23,615.1	21,002.8	20,682.8	647.3
Total equity (including noncontrolling interests)	\$18,825.4	\$21,430.7	\$21,650.9	\$14,154.2	\$ 9,433.6	\$295.3

- (1) Under ROC GAAP, minority interests are also renamed noncontrolling interests to align with the guidance in Financial Accounting Standards Board Accounting Standards Codification or FASB ASC 810-10-65-1.
- (2) Reflects the US GAAP adjustments as described in Note 26 of the notes to the consolidated financial statements contained in this Annual Report on Form 20-F.

Year ended December 31,					
2005	2006	2007	2008	2009	2009
NT\$	NT\$	NT\$	NT\$	NT\$	US\$
(in millions)					

**Consolidated Statement of Cash Flows Data:**



**ROC GAAP:**

Capital expenditures	\$ 7,677.2	\$ 15,717.8	\$ 6,093.8	\$ 2,188.4	\$ 3,479.7	\$108.9
Depreciation and amortization	4,339.1	5,558.8	6,834.8	7,174.5	6,524.6	204.2
Net cash provided by (used in):						
Operating activities	8,822.6	7,316.4	10,882.9	5,164.2	781.0	24.4
Investing activities	(7,622.5)	(14,988.2)	(12,212.1)	(2,296.9)	(1,042.5)	(32.6)
Financing activities	(1,519.9)	8,947.9	528.1	(1,395.3)	(2,503.8)	(78.3)
Effect of exchange rate changes on cash	77.7	12.8	38.8	46.3	(1.8)	(0.1)
Net increase (decrease) in cash	\$ (242.1)	\$ 1,288.9	\$ (762.3)	\$ 1,518.3	\$(2,767.1)	\$(86.6)

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### 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, 2009, which was NT\$31.95 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 May 14, 2010, the noon buying rate was NT\$31.78 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
2005	32.13	33.77	30.65	32.80
2006	32.51	33.31	31.28	32.59
2007	32.85	33.41	32.26	32.43
2008	31.52	33.58	29.99	32.76
2009	33.02	35.21	31.95	31.95
October	32.29	32.61	32.04	32.61
November	32.32	32.58	32.12	32.20
December	32.25	32.38	31.95	31.95
2010				
January	31.87	32.04	31.65	31.94
February	32.06	32.14	31.98	32.12
March	31.83	32.04	31.70	31.73
April	31.48	31.74	31.30	31.31
May (through May 28, 2010)	31.83	32.33	31.40	32.00

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.***

In 2008, 2009 and continuing into 2010, global credit and financial markets have experienced severe disruptions. These include 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 the current global credit and financial markets crisis. 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 net 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 net 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. As a result of the industry downturn, our net revenue for 2009 decreased 29% from 2008 levels. We incurred a net loss of NT\$4,419 million (US\$138 million) in 2009, a decrease from a net loss of NT\$7,270 million in 2008. This industry downturn started to recover from the second quarter of 2009, and 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 net 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 net revenue and earnings. The weak demand for LCD and other flat-panel display products that began in 2007 adversely affected our operating results in 2007, 2008 and 2009. Any significant decrease in demand for end-user applications of semiconductors will negatively affect our net 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 net 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 net revenue and net income.***

A significant portion of our net revenue is derived from testing and assembling memory semiconductors. Our net revenue derived from the testing and assembly of memory semiconductors accounted for 78%, 75% and 66% of our net revenue in 2007, 2008 and 2009, 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 2009 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.

***Weak 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 net revenue of NT\$3,996 million, NT\$2,805 million and NT\$2,626 million (US\$82 million) in 2007, 2008 and 2009, respectively. We invested NT\$714 million, NT\$157 million and NT\$37 million (US\$1 million) in 2007, 2008 and 2009, 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. Our gross margin for testing and assembly services for LCD and other flat-panel display driver semiconductors was negative 21% in 2009 and negative 18% in 2008 primarily as a result of the weak demand for LCD and other flat-panel display products, which in turn decreased our capacity utilization rates and average selling prices. If demand for LCD and other flat-panel display products does not increase, our capacity utilization rates may not increase, resulting 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, and hereby further 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, 2009, we had approximately NT\$13,378 million (US\$419 million) and NT\$4,738 million (US\$148 million) in long- and short-term indebtedness, respectively, outstanding. Both the long- and short-term indebtedness amounts include capital lease obligations. Of our long-term debt, we had NT\$11,239 million (US\$352 million) of bank loans, with an interest rate between 1.065% and 4.69%; US\$42 million of convertible notes with an interest rate of 3.375%, 8% or 10%; and capital lease obligations of NT\$1,454 million (US\$46 million), with an interest rate between 3.9567% to 3.9609%. In addition, ThaiLin, ChipMOS Taiwan’s 42.9% owned subsidiary, holds US\$19 million in aggregate principal amount of the convertible notes.

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 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.

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ChipMOS Bermuda and ChipMOS Taiwan were not able to meet their financial covenants under a US\$75 million Facility Agreement dated July 18, 2008 (the “USD Facility Agreement”) among ChipMOS Bermuda and the banks named therein, and the related Guarantee Agreement dated July 18, 2008 (the “Guarantee Agreement”) among ChipMOS Taiwan, ChipMOS Bermuda and the banks named therein. In addition, ChipMOS Taiwan filed a bail-out application with the competent government authorities, and negotiated with its bank creditors for an extension of its debt repayment and other types of settlement and with its equipment lessor and the lessor’s creditor to restructure its leasing arrangement. ChipMOS Taiwan has obtained such extension or settlement whereby ChipMOS Taiwan has provided additional collaterals. ChipMOS Bermuda also negotiated with its bondholders to extend its debt repayments and other types of settlement, and has obtained such extension or settlement (the “Settlement Agreement”). ChipMOS Bermuda sent a waiver request to the lending banks in April 2009 with respect to the effect of the foregoing arrangements on the USD Facility Agreement and the Guarantee Agreement. In February 2010, the agent of the USD Facility Agreement and the Guarantee Agreement, Standard Chartered Bank (Hong Kong) Limited, confirmed to ChipMOS Bermuda that the majority lenders’ approved the waiver, subject to certain conditions and a waiver fee of 0.1% on the loan outstanding amount as of July 2, 2009.

On February 26, 2010, ChipMOS Bermuda and Siliconware Precision Industries Co., Ltd. (“Siliconware Precision”) entered into a Share Purchase Agreement, whereby ChipMOS Bermuda agreed to sell 15.8% of ChipMOS Taiwan’s outstanding shares to Siliconware Precision. ChipMOS Bermuda sought the lending banks’ approval to (1) reduce its share holding percentage in ChipMOS Taiwan, (2) repay the debts prior to maturity by March 2011 and (3) waive the break cost. As of the date of this Annual Report on Form 20-F, ChipMOS Bermuda has received approval from the lending banks for the aforementioned waiver request under the USD Facility Agreement. Upon the completion of the Share Purchase Agreement, together with ChipMOS Bermuda’s currently available funds, ChipMOS Bermuda may have sufficient funds to repay the debts under the USD Facility Agreement prior to the maturity date.

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

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

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

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

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

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

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

On January 5, 2006, our board established a special committee to evaluate the circumstances surrounding the indictment of Mr. Cheng. As of March 31, 2010, the special committee was comprised of two independent directors, Messrs. Yeong-Her Wang and Pierre Laflamme. The special committee engaged K&L Gates LLP (formerly Kirkpatrick & Lockhart Preston Gates Ellis LLP) as its independent international legal counsel, Baker & McKenzie as its independent ROC legal counsel, and Ernst & Young (formerly Diwan, Ernst & Young) as its financial advisor to assist in its investigation.

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

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

On October 1, 2007, the Taipei District Court found Mr. Shih-Jye Cheng not guilty, and on October 22, 2007, the prosecutor appealed the Taipei District Court decision at the Taiwan High Court. The Taiwan High Court held three pre-trial hearings in 2008, and three pre-trial hearings and three trial hearings in 2009. Due to the rotation of the judges in the meantime, a new bench was formed at the beginning of 2010 to try this case. As of March 31, 2010, no trial schedule has been set since the new bench took over this case.

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

***We depend on key customers for a substantial portion of our net revenue and a loss of, or deterioration of the business from, or delayed payment by, any one of these customers could result in decreased net 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 2009, our five largest customers, collectively accounted for 51% of our net revenue. As part of our strategy, we have been focusing on sales to key customers through long-term service agreements. 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. We expect that we will continue to depend on a relatively limited number of customers for a significant portion of our net revenue, even as we increase the volume of our business with smaller customers and customers who do not place orders on a regular basis. Any adverse development in our key customers' operations, competitive position or customer base could materially reduce our net revenue and adversely affect our business and profitability.

ProMOS is an affiliate of Mosel, which, as of March 31, 2010, indirectly owned approximately 12.3% of our outstanding common shares. In March 2008, ProMOS defaulted on 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. Effective March 2009, we started to request prepayments from ProMOS. 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 a pledge for its payment obligations and Work-In-Process, or WIP and existing finished goods would serve as lien material. Part of ProMOS' receivables had been 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 have been secured by equipment mortgage under the same contract arrangement. See "Item 4. Information on the Company—Customers".

In January 2009, Spansion has defaulted on its payment obligations under the long-term service agreement and we have subsequently terminated the long-term service agreement with Spansion on February 19, 2009. On March 1, 2009, Spansion has filed for a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. On January 25, 2010, ChipMOS Taiwan entered into a Transfer of Claim Agreement to sell to Citigroup Financial Products Inc. ("Citigroup") the general unsecured claim reflected in the proof of claim against Spansion filed by ChipMOS Taiwan in U.S. Bankruptcy Court. In February 2010, we received payment of approximately US\$33 million from an escrow agent for the sale of accounts receivable for testing and assembly services provided to Spansion in the amount of approximately US\$66 million to US\$70 million, which was based on the Transfer of Claim Agreement. See "Item 4. Information on the Company— Customers".

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 net revenue could be reduced and our business and results of operations may be materially adversely affected.

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

Our operations are characterized by a high proportion of fixed costs. For memory and logic/mixed-signal semiconductor testing services, our fixed costs represented 75%, 79% and 88% of our total cost of revenue in 2007, 2008 and 2009, respectively. For memory and logic/mixed-signal semiconductor assembly services, our fixed costs represented 24%, 30% and 31% of our total cost of revenue in 2007, 2008 and 2009, respectively. For LCD and other flat-panel display driver semiconductor testing and assembly services, our fixed costs represented 54%, 57% and 56% of our total cost of revenue in 2007, 2008 and 2009, 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 net 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”.



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

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

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

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

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

Our ability to compete successfully also depends on our ability to operate without infringing upon the proprietary rights of others. The semiconductor testing and assembly industry is characterized by frequent litigation regarding patent and other intellectual property rights. We may incur legal liabilities if we infringe upon the intellectual property or other proprietary rights of others. The situation is exacerbated by our inability to ascertain what patent applications have been filed in the United States or elsewhere 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. Under our long-term service agreement we have entered into with Spansion in September 2005, we have committed to acquire certain wafer sorting testers and probers. Spansion has defaulted on its payment obligations under the long-term service agreement and we have subsequently terminated the long-term service agreement with Spansion on February 19, 2009. Currently, we do not have any other long-term service agreements that require our commitment to acquire additional testing and assembly equipment or facilities, however we can not assure you that such commitment will not be made in the future. See "Item 4. Information on the Company— Customers".

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

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

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

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

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

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

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

We are subject to the SEC's reporting obligations, and beginning in our Annual Report on Form 20-F for the year ended December 31, 2006, we have been required by the SEC, as directed by Section 404 of the Sarbanes-Oxley Act of 2002, to include a report of management on our internal control over financial reporting in our Annual Report on Form 20-F that contains an assessment by management of the effectiveness of our internal control over financial reporting. Beginning in fiscal year 2007, our independent public registered accounting firm has audited the effectiveness of our internal control over financial reporting. Although our management concluded that our internal controls are effective in this Annual Report on Form 20-F, and our independent public registered accounting firm has rendered its opinion that we maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria set forth in Internal Control – Integrated Framework issued by the Treadway Commission (COSO), our management may not conclude that our internal controls are effective in the future. Moreover, even if our management concludes that our internal controls over our financial reporting are effective, our independent public registered accounting firm may disagree. If our independent public registered accounting firm is not satisfied with our internal controls over our financial reporting or the level at which our controls are documented, designed, operated or reviewed, or if the independent public registered accounting firm interprets the requirements, rules or regulations differently from us, it may decline to attest to our management's assessment or may issue an adverse opinion in the future. Any of these possible outcomes could result in an adverse reaction in the financial marketplace due to a loss of investor confidence in the reliability of our consolidated financial statements, which ultimately could negatively impact the market prices of our common shares.

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

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

***Fluctuations in exchange rates could result in foreign exchange losses.***

Currently, most of our net 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, on November 21, 2005, we merged Chantek into ChipMOS Taiwan, and on December 1, 2005, we merged ChipMOS Logic TECHNOLOGIES INC., or ChipMOS Logic, into ThaiLin Semiconductor Corp., or ThaiLin. In November 2004, we acquired certain testing and assembly equipment from First International Computer Testing and Assembly, or FICTA, as well as a 67.8% stake in First Semiconductor Technology Inc., which interest we transferred to First Semiconductor Technology Inc. in April 2005 for approximately US\$2 million. In September 2007, we acquired all outstanding common shares of ChipMOS Taiwan through a share exchange transaction with ChipMOS Taiwan. In February 2010, we agreed to sell approximately 15.8% of ChipMOS Taiwan's outstanding shares to Siliconware Precision. 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;

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- the extent to which we are able to exercise control over the acquired or joint venture company;
- our ability to align the economic, business or other strategic objectives and goals of the acquired company with those of our company; and
- our ability to successfully integrate the acquired or joint venture company or business with our company.

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

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

We depend on the continued service of our executive officers and skilled engineering, technical and other personnel. We will also be required to hire a substantially greater number of skilled employees in connection with our expansion plans. In particular, we depend on a number of skilled employees in connection with our LCD and other flat-panel display driver semiconductor testing and assembly services, and the competition for such employees in Taiwan and Mainland China is intense. We may not be able to either retain our present personnel or attract additional qualified personnel as and when needed. Moreover, we do not carry key person insurance for any of our executive officers nor do we have employment contracts with any of our executive officers or employees, and, as a result, none of our executive officers or employees is bound by any non-competition agreement. If we lose any of our key personnel, it could be very difficult to find and integrate replacement personnel, which could affect our ability to provide our services, resulting in reduced net 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, 2010, 11.4% 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 net revenue and earnings.

### **Risk Relating to Our Relationship with Mosel**

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

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

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

## Risks Relating to Countries in Which We Conduct Operations

***The investment in Mainland China by our controlled consolidated subsidiary, Modern Mind, through ChipMOS Shanghai, and the related contractual arrangements may result in Mosel or Siliconware Precision violating ROC laws governing investments in Mainland China by ROC companies or persons. Any sanctions on Mosel or Siliconware Precision as a result of any violation of ROC laws may cause Mosel or Siliconware Precision to decrease its ownership in us significantly or cause Mosel or Siliconware Precision to take other actions that may not be in the best interest of our other shareholders.***

Previously, ROC laws and regulations generally prohibited investment by ROC entities in Mainland China in most aspects of the semiconductor testing and assembly industry. In February 2010, these restrictions have been relaxed. ROC entities now may make investment in Mainland China in the semiconductor testing and assembly industry if they have obtained approval from the Investment Commission of the ROC Ministry of Economic Affairs, or the Investment Commission. The Investment Commission will undertake a special approval process if the investment amount exceeds US\$50,000,000. “Investment” is defined for this purpose to mean:

- establishing a new company or enterprise in Mainland China;
- increasing one’s equity interest in an existing company or enterprise in Mainland China;
- acquiring shares in an existing company or enterprise in Mainland China (other than shares of publicly traded companies, acquisition of which is prohibited under current policy of the Investment Commission); or
- establishing or expanding a branch office in Mainland China.

We provide our services in Mainland China through ChipMOS Shanghai, a company incorporated under the laws of the PRC and a wholly-owned subsidiary of Modern Mind. Modern Mind is a company incorporated under the laws of the British Virgin Islands and is wholly-owned by Jesper Limited, a company incorporated under the laws of the British Virgin Islands. While we do not own any equity interest in Modern Mind, we control Modern Mind through our ownership of a demand note issued by Modern Mind, convertible into common shares with a controlling equity interest in Modern Mind at a conversion rate of one common share of Modern Mind for every US\$1.00 if repayment is not made when due. Under accounting principles that are applicable to us, Modern Mind is our controlled consolidated subsidiary. In addition, we have obtained from Jesper Limited an irrevocable option to acquire the common shares of Modern Mind then owned by Jesper Limited. Payment under the demand notes is fully and unconditionally guaranteed by Jesper Limited and secured by a pledge agreement in respect of the entire equity interest in Modern Mind and ChipMOS Shanghai. We have also entered into other contractual arrangements with regard to ChipMOS Shanghai. For more information, see “Item 4. Information on the Company—Our Structure and History—MODERN MIND TECHNOLOGY LIMITED and ChipMOS TECHNOLOGIES (Shanghai) LTD.”

As the regulations described above are applicable only to entities organized within the ROC with respect to specified investments in Mainland China made by these entities, in the opinion of Lee and Li, our ROC special counsel, ChipMOS Bermuda’s indirect control over ChipMOS Shanghai through the ownership of demand notes issued by Modern Mind and the above contemplated contractual arrangements are in compliance with all existing ROC laws and regulations. There are, however, substantial uncertainties regarding the interpretation and application of ROC laws and regulations, including the laws and regulations governing the enforcement and performance of our contractual arrangements. Accordingly, we cannot assure you that ROC regulatory authorities will not take a view contrary to the opinion of our ROC special counsel.

In addition, under current applicable ROC regulations, if a company incorporated in the ROC has directly or indirectly invested in a company incorporated outside of the ROC and has controlling power over the management and operations of such non-ROC company, any investment by such non-ROC company in the PRC will constitute an investment by the controlling ROC company that is subject to ROC laws and regulations. As a result, for the purposes of these regulations, any investment (within the meaning of the ROC laws governing investments in Mainland China) by ChipMOS Bermuda in ChipMOS Shanghai may be deemed to be an investment in Mainland China by Mosel and/or Siliconware Precision, if Mosel and/or Siliconware Precision is determined to have controlling power over our management and operations. While the regulations do not define what constitutes “controlling power over management and operations”, we understand from our ROC special counsel, Lee and Li, that, due to Mosel’s and/or Siliconware Precision’s equity interest in us and representatives on our board of directors, any conversion of the convertible notes or demand notes into shares of Modern Mind or other acquisition of shares of Modern Mind or ChipMOS Shanghai by ChipMOS Bermuda may be deemed an investment in Mainland China by Mosel and/or Siliconware Precision and require approval of the Investment Commission, and be subject to the prohibitions described in the first paragraph of this risk factor analysis. As a result, so long as Mosel and/or Siliconware Precision is deemed to have controlling power over ChipMOS Bermuda’s management and operations, ChipMOS Bermuda may have to choose not to convert its convertible notes or demand notes into common shares of Modern Mind in order to avoid any violations by Mosel and/or Siliconware Precision under these regulations. As a result, any significant ownership of our common shares by Mosel and/or Siliconware Precision could materially and adversely restrict our ability and flexibility in structuring our investment in Mainland China and thereby affect our business prospects.

If Mosel or Siliconware Precision was found to be in violation of the applicable ROC laws and regulations governing investments in Mainland China, Mosel or Siliconware Precision may be ordered by the Investment Commission to cease such investment activities in Mainland China within a specified period of time and may be subject to a fine of between NT\$50,000 and NT\$25,000,000. In such case, Mosel or Siliconware Precision may comply with the order of the Investment Commission either by causing us to terminate our investment activities in Mainland China or by taking actions that will cause Mosel or Siliconware Precision to cease having controlling power over our management and operations. If Mosel or Siliconware Precision fails to comply with the order of the Investment Commission, the ROC government can impose on the chairman of Mosel or Siliconware Precision up to two years' imprisonment, a fine of up to NT\$25 million, or both. We cannot provide any assurance that any actions taken by Mosel or Siliconware Precision in response to any orders by the Investment Commission will be in the best interest of our other shareholders. Any termination or disposal of ChipMOS Shanghai's operations in Mainland China could have a material adverse effect on our financial condition, results of operations or prospects, as well as the market price of our common shares.

***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 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. 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 also provided ChipMOS Taiwan 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. ChipMOS Bermuda will continue to license such technologies to ChipMOS Shanghai pursuant to the above mentioned technology transfer agreement dated August 1, 2002.

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 ordered by the Investment Commission to terminate such activity within a specified period of time and may be subject to a fine of between NT\$50 thousand and NT\$25 million. In addition, if ChipMOS Taiwan does not comply with the order of the Investment Commission, the ROC government can impose on the chairman of ChipMOS Taiwan up to two years' imprisonment, a fine of up to NT\$25 million, or both. 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 current ownership structure and contractual arrangements with Jesper Limited, Modern Mind and ChipMOS Shanghai may not be effective in providing operational control of our Mainland China operations.***

We provide our services in Mainland China through ChipMOS Shanghai, a wholly-owned subsidiary of Modern Mind. While we do not own any equity interest in Modern Mind, we have a controlling interest in Modern Mind through our ownership of a demand note issued by Modern Mind. In 2004, we restructured our control of ChipMOS Shanghai and the way we provide our services in Mainland China through contractual arrangements with Jesper Limited, Modern Mind, and ChipMOS Shanghai. These contractual arrangements, however, may not be as effective in providing control over our Mainland China operations as would direct ownership in ChipMOS Shanghai. See “— The investment in Mainland China by our controlled consolidated subsidiary, Modern Mind, through ChipMOS Shanghai, and the related contractual arrangements may result in Mosel or Siliconware Precision violating ROC laws governing investments in Mainland China by ROC companies or persons. Any sanctions on Mosel or Siliconware Precision as a result of any violation of ROC laws may cause Mosel or Siliconware Precision to decrease its ownership in us significantly or cause Mosel or Siliconware Precision to take other actions that may not be in the best interest of our other shareholders”.



***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 ThaiLin, ChipMOS Taiwan's 42.9% owned subsidiary as of March 31, 2010, and ChipMOS Shanghai, in which we exercise control without holding any direct or indirect equity interest. We also conduct other activities through our affiliated entities.

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

***Any future outbreak of health epidemics and outbreaks of contagious diseases, including avian influenza, Severe Acute Respiratory Syndrome or H1N1 influenza may materially affect our operations and business.***

An outbreak of a contagious disease such as avian influenza, Severe Acute Respiratory Syndrome (SARS), or more recently, the New Influenza A (H1N1) or more commonly known as the "swine flu," 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 future outbreak of these or other diseases could have on our business and results of operations.

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

Our principal executive offices and most of our testing and assembly facilities are located in Taiwan. As a result, our business, financial condition and results of operations and the market price of our common shares may be affected by changes in ROC governmental policies, as well as social instability and diplomatic and social developments in or affecting Taiwan which are beyond our control. For example, the ROC has a unique international political status. The PRC government regards Taiwan as a renegade province and does not recognize the legitimacy of the ROC. Although significant economic and cultural relations have been 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. 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. Relations between the ROC and the PRC and other factors affecting military, political or economic conditions 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.

***We are vulnerable to natural disasters and other events disruptive to our business and operations.***

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 in Taiwan 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.

Taiwan is particularly susceptible to earthquakes and typhoons. For example, in late 1999, Taiwan suffered severe earthquakes that caused significant property damage and loss of life, particularly in the central part of Taiwan. These earthquakes damaged production facilities and adversely affected the operations of many companies involved in the semiconductor and other industries. We experienced NT\$1 million in damages to our machinery and equipment, NT\$6 million in damages to our facilities, NT\$1 million in damages to our inventory and five days of delay in our production schedule as a result of these earthquakes.

In January and February 2008, certain parts of Mainland China, particularly in the southern, central and eastern regions, experienced reportedly the most severe winter weather 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 stoppages 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 shortages, earthquakes or other similar events.

In addition, the production facilities of many of our suppliers and customers and providers of complementary semiconductor manufacturing services, including foundries, are located in Taiwan and Mainland China. If our customers are affected, 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, our production schedule could be interrupted or delayed. As a result, a major earthquake, snowstorm, other natural disaster or other disruptive event in Taiwan or Mainland China could severely disrupt the normal operation of business and have a material adverse effect on our financial condition 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.***

We are a holding company, and our most significant asset is our majority ownership interest in ChipMOS Taiwan. Although we control ChipMOS Shanghai through Modern Mind, we do not hold any equity interest in these entities due to ROC regulatory restrictions on investments in Mainland China. As long as we do not hold any equity interest in these entities, we are not entitled to any dividends distributed by these entities and our contractual arrangements may not effectively prevent these entities from declaring any dividends to their shareholders. Dividends we receive from our subsidiaries, if any, will be subject to taxation.

The ability of our subsidiaries to pay dividends, repay intercompany loans from us 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 net income (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 net income, 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 net income 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.

***Siliconware Precision and Mosel, our two largest shareholders, 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.***

Siliconware Precision and Mosel directly and indirectly owned approximately 13.3% and 12.3% of our common shares as of March 31, 2010, respectively. As the two largest shareholders that own more than 10% of our common shares respectively, Siliconware Precision and Mosel have significant influence over all matters submitted to our shareholders for approval and other corporate actions, such as:



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- election of directors;
- timing and manner of dividend distributions;
- approval of contracts between us and Siliconware Precision or Mosel or their respective affiliates, which could involve conflicts of interest; and
- open market purchase programs or other purchases of our common shares.

Siliconware Precision and Mosel's substantial interests in our company could also:

- 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.

In addition, one of our directors, Mr. Hsing-Ti Tuan, also acts as a director of ProMOS, a subsidiary of Mosel. As a result, conflicts of interest between Mr. Tuan's duty to us and ProMOS and/or Mosel may arise. For an example of such a conflict of interest, see "— Risks Relating to Countries in Which We Conduct Operations—The investment in Mainland China by our controlled consolidated subsidiary, Modern Mind, through ChipMOS Shanghai, and the related contractual arrangements may result in Mosel or Siliconware Precision violating ROC laws governing investments in Mainland China by ROC companies or persons. Any sanctions on Mosel or Siliconware Precision as a result of any violation of ROC laws may cause Mosel or Siliconware Precision to decrease its ownership in us significantly or cause Mosel or Siliconware Precision to take other actions that may not be in the best interest of our other shareholders". We cannot give any assurances that when conflicts of interest arise, Mr. Tuan will act in our interests, or that conflicts of interest will be resolved in our favor.

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

***Our ability to make further investments in ChipMOS Taiwan may be dependent on regulatory approvals. If ChipMOS Taiwan is unable to receive the equity financing it requires, its ability to grow and fund its operations may be materially adversely affected.***

As ChipMOS Taiwan is not a listed company, it generally depends on its shareholders, ChipMOS Bermuda and Siliconware Precision, to meet its equity financing requirements. Any capital contribution by us to ChipMOS Taiwan may require the approval of the relevant 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 may be materially adversely affected.

### **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.

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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 changes in control 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, 2010, we had approximately 91 million shares outstanding, including approximately 55 million shares of which are freely tradable within the United States without restriction or further registration under the Securities Act. Siliconware Precision, Mosel, ThaiLin and DLS Capital Management, LLC, our four largest shareholders, owned 12,174,998, 11,194,644, 6,493,998 and 5,229,367 common shares as of March 31, 2010, respectively, representing in the aggregate of approximately 38.4% of our outstanding common shares. See “Item 7. Major Shareholders and Related Party Transactions — Major Shareholders”. As of March 31, 2010, we had US\$2 million in aggregate principal amount of the 2006 Notes outstanding and US\$35 million in aggregate principal amount of the 2009 Notes outstanding (including US\$19 million in aggregate principal amount held by ThaiLin, ChipMOS Taiwan’s 42.9% owned subsidiary), and US\$5 million in aggregate principal amount of the 2010 Notes outstanding. The 2006 Notes are convertible into our common shares at the conversion price of US\$6.85 per share, and US\$14 million in aggregate principal amount of the 2009 Notes, US\$21 million in aggregate principal amount of the 2009 Notes and US\$5 million in aggregate principal amount of the 2010 Notes are convertible into our common shares at the conversion price of US\$1.50 per share, US\$1.25 per share and US\$1.25 per share, respectively, in each case the conversion price may be subject to certain adjustments.

Mosel in the past decided to sell a significant portion of our common shares in order to raise funds. In June 2006, Mosel sold 6,956,522 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 12,174,998 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 8,121,266 common shares through Giant Haven to ProMOS and Powertech Technology, and we then granted Giant Haven, ProMOS and Powertech Technology certain rights to require us to register these common shares for sale under the Securities Act. For a shareholder that is not our affiliate these shares may be resold pursuant to Rule 144 after lapse of the applicable holding period. In 2008, ProMOS failed to meet its payment obligations to ThaiLin. Subsequently in March 2009, ThaiLin acquired 4,060,633 common shares from ProMOS pursuant to its enforcement of the collateral under a Stock Pledge Agreement between ThaiLin and ProMOS dated December 3, 2008. Furthermore, each of Siliconware Precision, Mosel and ThaiLin may be able to sell, in any three-month period, that number of those ChipMOS common shares that each of Siliconware Precision, Mosel and ThaiLin owns, as the case may be, up to the greater of (i) one percent of our outstanding common shares or (ii) the average weekly trading volume of our common shares as reported on the NASDAQ Capital Market during the four calendar weeks prior to filing a notice under Rule 144(h) for any such sales pursuant to Rule 144(e) under the Securities Act.

On September 14, 2007, ChipMOS Bermuda issued 604,124 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 approximately 15.8% of ChipMOS Taiwan’s outstanding shares to Siliconware Precision. Upon completion of that share purchase transaction by March 2011, we will own approximately 84.2% of ChipMOS Taiwan’s outstanding shares. 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, which, as of March 31, 2010, owned 3.5% of our outstanding common shares. As a result, PacMOS may be ordered by relevant authorities to dispose of its investments made with any embezzled funds, which may result in a sale of our shares by PacMOS. A sale of a significant number of our shares by PacMOS or our other current shareholders could depress our share price.

***Our outstanding convertible notes will likely dilute the ownership interest of existing shareholders.***

As of March 31, 2010, we had approximately US\$42 million of convertible notes outstanding. US\$40 million in aggregate principal amount of the notes are “PIK notes,” or payment in kind notes, that allow us to pay interest in cash or our common shares, or a combination thereof. These PIK notes have a maturity date in 2014 and 2015, with an interest rate of 8% or 10%, and a conversion price of either US\$1.25 or US\$1.50 per share, subject to anti-dilution adjustments upon the occurrence of certain events. See “Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Convertible Notes” for more detailed description of our outstanding convertible notes.

Generally, the conversion of convertible notes will dilute the ownership interest of existing shareholders and could adversely affect the market price of our common shares. Even if convertible notes are not converted, their existence may encourage the short selling of the common shares by the holders of the convertible notes as well as other market participants, depressing the price of our common shares.

The PIK notes that we have issued present a dilution risk. When we elect to pay interest in our common shares, as we have done previously in respect of our PIK notes, the number of common shares that we issue is determined on the basis of the prevailing market price of our common shares. If our share price decreases, we will have to issue a greater number of common shares to pay the interest due on our PIK notes, which in turn could further depress the price of our common shares. In addition, the terms of our PIK notes require us to pay an additional amount upon conversion equal to a “make-whole amount” relating to the principal amount of the notes being converted. The make-whole amount is the amount of interest that would have accrued from the applicable conversion date, change of control repurchase date or redemption date, as the case may be, until the stated maturity, discounted to present value using the published yield on U.S. treasury notes plus 50 basis points; provided that the additional 50 basis points is not added if the applicable treasury note rate is greater than two percent (2%). As with interest payments under the PIK notes, the make-whole amount is payable in cash or common shares or a combination thereof. Given the difference between the high rate of interest payable on our PIK notes and the existing low yield of U.S. treasuries, the make-whole amount payable in PIK notes, if converted at this time would be significant, and if we paid such make-whole amount using our common shares, this would significantly dilute the ownership interest of existing shareholders and could adversely affect the market price of our common shares.

The issuance by us of additional convertible notes, and in particular, PIK notes, could further dilute the ownership interest of existing shareholders.

***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 \$1.00 per share for 30 consecutive business days. Though we are in compliance with the NASDAQ Listing Rules as of the date of this filing, we were not in compliance with the 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 \$1.00 per share for 30 consecutive business days again in the future, we may be subject to delisting. If our common shares are delisted from the NASDAQ Capital Market, our common shares would likely trade in the over-the-counter market, which could make selling our common shares more difficult. Smaller quantities of shares would likely be bought and sold, transactions could be delayed, and security analysts’ coverage of us may be reduced. In addition, in the event our common shares are delisted, broker-dealers have certain regulatory burdens imposed upon them, which may discourage broker-dealers from effecting transactions in our common shares. These factors could limit our common shares’ liquidity and result in lower prices and larger spreads in the bid and ask prices for our common shares.

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

## Item 4. Information on the Company

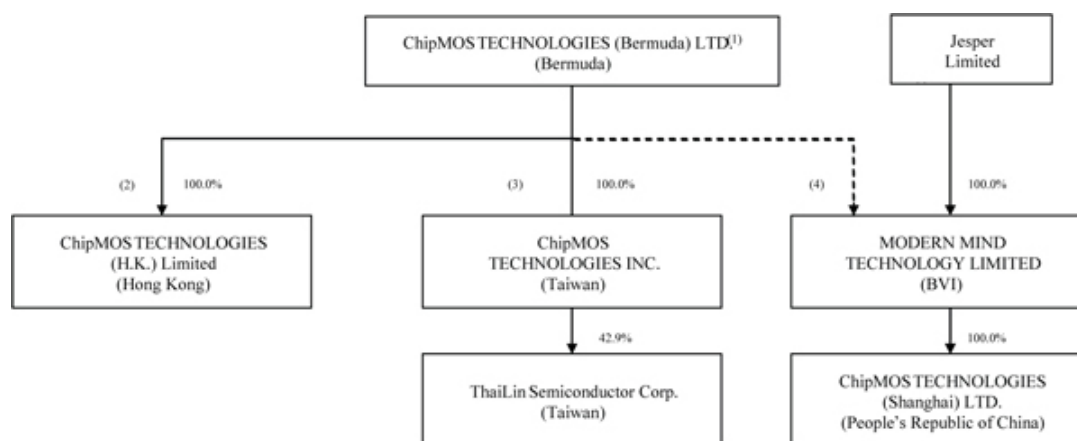
### Overview of the Company

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

### Our Structure and History

We are a holding company, incorporated in August 2000 under the Companies Act 1981 of Bermuda (as amended) (the “Bermuda Companies Act”), under the name “ChipMOS TECHNOLOGIES (Bermuda) LTD.” Our principal place of business is located at No. 1, R&D Road 1, Hsinchu Science Park, Hsinchu, Taiwan, Republic of China and our phone number is (886) 3 563 3988. We provide most of our services in Taiwan through our subsidiary, ChipMOS TECHNOLOGIES INC., or ChipMOS Taiwan, in which we hold a majority ownership interest, and its subsidiaries and investees. We also provide services in Mainland China through ChipMOS TECHNOLOGIES (Shanghai) LTD., or ChipMOS Shanghai, a wholly-owned subsidiary of MODERN MIND TECHNOLOGY LIMITED, or Modern Mind, which is one of our controlled consolidated subsidiaries. As of March 31, 2010, Siliconware Precision Industries Co., Ltd., or Siliconware Precision, owned approximately 13.3% of our common shares, and Mosel Vitelic Inc., or Mosel, indirectly owned approximately 12.3% 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 March 31, 2010.<sup>(1)</sup>



(1) Under ROC Financial Accounting Standards and the regulations of the Taiwan Securities and Futures Bureau, 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%. From 2005, we consolidated the financial results of ChipMOS Taiwan, ChipMOS Japan (which was liquidated in October 2009), ChipMOS USA, ChipMOS TECHNOLOGIES (H.K.) Limited, or ChipMOS Hong Kong, Modern Mind and its wholly-owned subsidiary, ChipMOS Shanghai, ChipMOS Logic (which was merged into ThaiLin in December 2005), Chantek (which was merged into ChipMOS Taiwan in November 2005) and First Semiconductor Technology, Inc. (in which ChipMOS Taiwan acquired a 67.8% equity interest on November 1, 2004 and transferred back this interest to First Semiconductor Technology, Inc. on April 29, 2005).

(2) As of March 31, 2010, 3,899,999 shares of ChipMOS Hong Kong were issued to us and one share was issued to Shih-Jye Cheng, our chairman and chief executive officer, representing 100% of the then issued share capital of ChipMOS Hong Kong. Shih-Jye Cheng holds the one share issued to him as trustee for and on behalf of our company.

(3) 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 12,174,998 of our newly issued common shares through a private placement. Following such transaction, 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. Following the completion of the share exchange transaction, ChipMOS Taiwan became our wholly-owned subsidiary. In February 2010, we agreed to sell approximately 15.8% of ChipMOS Taiwan's outstanding shares to Siliconware Precision. Upon completion of that share purchase transaction by March 2011, we will own approximately 84.2% of ChipMOS Taiwan's outstanding shares.

(4) We control Modern Mind through our ownership of a convertible note issued by Modern Mind that may be converted into a controlling equity interest in Modern Mind. We do not currently own any equity interest in Modern Mind. ChipMOS Shanghai is a wholly-owned subsidiary of Modern Mind.

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 531,175 common shares in exchange for 5,633,442 ChipMOS Taiwan common shares held by these employees.

On June 16, 2005, ChipMOS Taiwan and Chantek, a 68.0% subsidiary of ChipMOS Taiwan, agreed to merge in a stock-for-stock transaction. Under the merger agreement, as amended on September 2, 2005, shareholders of Chantek (other than ChipMOS Taiwan) were entitled to elect to receive cash or ChipMOS Taiwan shares in exchange for their Chantek shares at the ratio of 3.6 to 1. As a result, ChipMOS Taiwan paid NT\$81 million in cash and issued 6 million (which represented approximately 0.7% of ChipMOS Taiwan's outstanding shares immediately after the completion of the transaction) shares to Chantek shareholders pursuant to the merger agreement. The transaction closed on November 21, 2005.

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 12,174,998 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 604,124 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 approximately 15.8% of ChipMOS Taiwan's outstanding shares to Siliconware Precision. Upon completion of that share purchase transaction by March 2011, we will own approximately 84.2% of ChipMOS Taiwan's outstanding shares.

**ChipMOS TECHNOLOGIES (H.K.) Limited** ChipMOS Hong Kong (formerly ChipMOS Far East Limited) was incorporated in Hong Kong in November 2002. It is engaged in semiconductor testing and assembly services and trading of spare parts and tools. Effective May 31, 2005, the name of ChipMOS Far East Limited was changed to ChipMOS TECHNOLOGIES (H.K.) Limited. As of March 31, 2010, we held 100% of the outstanding common shares of ChipMOS Hong Kong.

**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 Limited on December 31, 2002. In 2003, we acquired from Jesper Limited 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. As of March 31, 2010, the aggregate amount of total loans we extended to Modern Mind was US\$130.3 million. The demand notes are 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 demand notes are fully and unconditionally guaranteed by Jesper Limited and secured by a pledge agreement in respect of the entire equity interest in Modern Mind and ChipMOS Shanghai. We have obtained from Jesper Limited an irrevocable option to acquire at any time the common shares of Modern Mind then owned by Jesper Limited.

In addition, on April 22, 2004, ChipMOS Hong Kong and ChipMOS Shanghai entered into an exclusive services agreement, pursuant to which ChipMOS Shanghai will provide its services exclusively to ChipMOS Hong Kong or customers designated by ChipMOS Hong Kong. Under the exclusive services agreement, ChipMOS Hong Kong will purchase and consign to ChipMOS Shanghai all of the equipment required to render those services. The exclusive services agreement has a term of ten years, which is automatically renewable for an additional ten-year period unless either party provides written notice of intention to terminate at least 30 days prior to the expiration of such ten-year term. In addition, ChipMOS Hong Kong may terminate the exclusive services agreement at any time by giving 30 days' prior written notice.

For risks associated with our investment in Mainland China and these contractual arrangements, see “Item 3. Key Information—Risk Factors—Risks Relating to Countries in Which We Conduct Operations—The investments in Mainland China by our controlled consolidated subsidiary, Modern Mind, through ChipMOS Shanghai, and the related contractual arrangements may result in Mosel or Siliconware Precision violating ROC laws governing investments in Mainland China by ROC companies or persons. Any sanctions on Mosel or Siliconware Precision as a result of any violation of ROC laws may cause Mosel or Siliconware Precision to decrease its ownership in us significantly or cause Mosel or Siliconware Precision to take other actions that may not be in the best interest of our other shareholders” and “Item 3. Key Information – Risk Factors—Risks Relating to Countries in Which We Conduct Operations—Our current ownership structure and contractual arrangements with Jesper Limited, Modern Mind and ChipMOS Shanghai may not be effective in providing operational control of our Mainland China operations”.

**ThaiLin Semiconductor Corp.** ThaiLin was incorporated in Taiwan in May 1996, and is listed on the GreTai 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.

In August 2004, ThaiLin completed a NT\$1,000 million convertible bond offering, and ChipMOS Taiwan purchased bonds in an amount of NT\$100 million in that offering to maintain its percentage ownership in ThaiLin. ChipMOS Taiwan converted these convertible bonds in March 2005.

On August 15, 2005, ThaiLin entered into a merger agreement with ChipMOS Logic, whereby ChipMOS Logic agreed to be merged into ThaiLin, with ThaiLin as surviving entity. Under the merger agreement, shareholders of ChipMOS Logic received one common share of ThaiLin in exchange for 2.8 common shares of ChipMOS Logic. As a result, ThaiLin issued approximately 43 million shares (which represented approximately 14.4% of ThaiLin’s outstanding shares immediately after the completion of the transaction) to ChipMOS Logic shareholders. The transaction closed on December 1, 2005.

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

As of March 31, 2010, ChipMOS Taiwan held (excluding the ThaiLin common shares pledged to us in connection with the loan to Kolin) a 42.9% 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 and the chairman of ThaiLin. In addition, six of the nine directors of ThaiLin are appointed by ChipMOS Taiwan.

As of March 31, 2010, ThaiLin held 6,493,998 of our outstanding shares, corresponding to 7.1% of all of our outstanding shares. See “Item 7. Major Shareholders and Related Party Transactions — Related Party Transactions—ThaiLin Semiconductor Corp.”

**CHANTEK ELECTRONIC CO., LTD.** Chantek was incorporated in Taiwan in May 1989 and was listed on the GreTai Securities Market in Taiwan until November 16, 2005. It provided semiconductor assembly services for low-density volatile and non-volatile memory semiconductors, consumer semiconductors and microcontroller semiconductors. ChipMOS Taiwan acquired its ownership interest in Chantek in September 2002.

On November 21, 2005, Chantek was merged into ChipMOS Taiwan, with ChipMOS Taiwan as the surviving entity. For additional information regarding the merger agreement, see “— ChipMOS TECHNOLOGIES INC.” above.

**ChipMOS Logic TECHNOLOGIES INC.** ChipMOS Logic was incorporated in Taiwan in January 2004, with ChipMOS Taiwan holding a 62.5% interest and ThaiLin holding a 37.5% interest. ChipMOS Logic is engaged in logic testing services. On April 30, 2004, WWT, a Taiwan-based company engaged in logic testing services, merged into ChipMOS Logic, with ChipMOS Logic as the surviving entity, in a stock-for-stock merger pursuant to which shareholders of WWT received one common share of ChipMOS Logic in exchange for 10 common shares of WWT. Upon consummation of the merger between WWT and ChipMOS Logic, ChipMOS Taiwan and ThaiLin owned approximately 52.9% and 24.6%, respectively, of ChipMOS Logic, with the original management team of WWT, two original shareholders of WWT, including one creditor bank, and the management team of ChipMOS Logic owning the remaining interest.

On December 1, 2005, ChipMOS Logic was merged into ThaiLin, with ThaiLin as the surviving entity. For additional information regarding the merger agreement, see “— ThaiLin Semiconductor Corp.” above.



**First Semiconductor Technology, Inc.** First Semiconductor Technology, Inc. was incorporated in the United States of America in June 1998 and engages in IC logic testing services. ChipMOS Taiwan acquired a 67.8% ownership interest in First Semiconductor Technology, Inc. on November 1, 2004 in connection with the purchase of certain assets and equipment from First International Computer Testing and Assembly, and transferred this interest to First Semiconductor Technology, Inc. on April 29, 2005 pursuant to a share repurchase agreement.

## 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, 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.

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 2009, 42.5% of our net revenue was derived from testing services for memory and logic/mixed-signal semiconductors, 35.9% from assembly services for memory and logic/mixed-signal semiconductors, and 21.6% from LCD and other flat-panel display driver semiconductor testing and assembly services.

### *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. Highly cyclical, 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 in 2010.

### *Selected Key Semiconductor Markets*

After such time as a recovery occurs in end-user demand for new and improved electronic products and applications that is sufficient to reverse reduced demand trends that began in 2007 and are still continuing, 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*

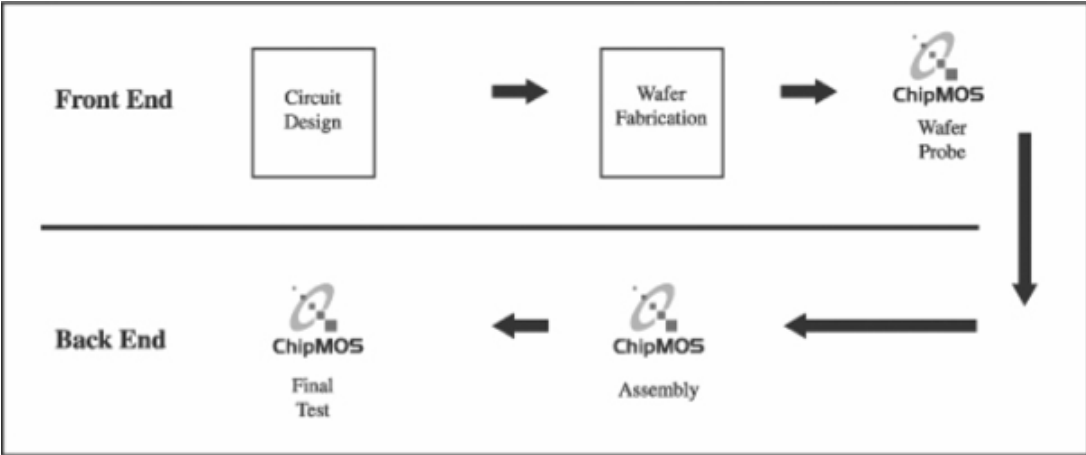
Flat-panel displays are used in applications such as PC monitors, notebook computers, television sets, cellular handsets and digital cameras. The end-user demand for LCD and other flat-panel display driver semiconductor experienced a downturn in 2007 and 2008. The LCD driver market started to recover in the second quarter of 2009 and the positive recovery trend continues in 2010.

### *Logic/Mixed-Signal Semiconductor Market*

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

Overview of the Semiconductor Manufacturing Process

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



Process	Description
Circuit Design	The design of a semiconductor is developed by laying out circuit patterns and interconnections.
Wafer Fabrication	Wafer fabrication begins with the generation of a photomask, a photographic negative onto which a circuit design pattern is etched or transferred by an electron beam or laser beam writer. Each completed wafer contains many fabricated chips, each known as a die.
Wafer Probe	Each individual die is then electrically tested, or probed, for defects. Dies that fail this test are discarded, or, in some cases, salvaged using laser repair.
Assembly	The assembly of semiconductors serves to protect the die, facilitates its integration into electronic systems and enables the dissipation of heat. The process begins with the dicing of the wafers into chips. Each die is affixed to a leadframe-based or organic substrate-based package. 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 on to 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 and LCD and other flat-panel display driver semiconductors. In 2009, our revenue from testing and assembly of semiconductors for these segments accounted for all of our net revenue. 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.***

We believe that our ability to progressively provide more advanced testing and assembly services to customers is critical to our business. In addition, advanced semiconductor testing and assembly services typically have the potential to generate higher margins due to the greater expertise required and the more sophisticated technologies used. We will continue to invest in the research and development of advanced testing and assembly technologies. For example, we are expanding our capabilities in fine-pitch BGA and the testing and assembly of COFs. We have also introduced fine-pitch COF based on our proprietary technology and COG testing and assembly services for LCD and other flat-panel display driver semiconductors.

In addition, we will continue to pursue the development of new testing and assembly technologies jointly with domestic and foreign research institutions and universities. We expect to focus our research and development efforts in the following areas:

- developing new software conversion programs to increase the capabilities of our testers;
- developing technologies for wafer-level burn-in and testing before assembly;
- developing advanced assembly technologies for high-speed memory devices;
- developing fine-pitch bumping, chip probing and bonding technologies for LCD drivers;
- improving manufacturing yields for new assembly technologies;
- developing environmentally friendly assembly services that focus on eliminating the lead and halogen elements from the materials employed in the package and reducing the toxicity of gaseous chemical wastes; and
- implementing of radio frequency identification (RFID) logistics management system for the wafer probing process.

In 2009, we spent approximately 3.1% of our net 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, 2010, our research and development team comprised 263 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. First, our proximity to other semiconductor companies is attractive to customers who wish to outsource various stages of the semiconductor manufacturing process. Second, 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. Third, 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 semiconductors.

Depending on customers 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.

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

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

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

Recent global market and economic conditions have been unprecedented and challenging with tight credit conditions and recession in most major economies continuing into 2010. 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 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.

### ***Principal Products and Services***

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

	Year ended December 31,		
	2007	2008	2009
Testing			
Memory testing revenue	46.1%	48.4%	38.2%
Logic/mixed-signal testing revenue	2.7	3.3	4.3
Total testing revenue	48.8	51.7	42.5
Assembly			
Memory assembly revenue	32.1	27.0	27.5
Logic/mixed-signal assembly revenue	2.2	4.8	8.4
Total assembly revenue	34.3	31.8	35.9
LCD and other flat-panel display driver semiconductor testing and assembly revenue	16.9	16.5	21.6
Total net revenue	100.0%	100.0%	100.0%

### **Memory and Logic/Mixed-Signal Semiconductors**

#### ***Testing***

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

**Memory.** We provide testing services for a variety of memory semiconductors, such as SRAM, DRAM and flash memory. To speed up the time-consuming process of memory product testing, we provide multi-site testing, which can test up to 512 devices simultaneously. The memory semiconductors we test are used primarily in desktop computers, notebook computers and handheld consumer electronic devices and wireless communication devices.

**Logic/Mixed-Signal.** We conduct tests on a wide variety of logic/mixed-signal semiconductors, with lead counts ranging from the single digits to over 1024 and operating frequencies of up to 600 MHz. The semiconductors we test include those used for networking and wireless communications, data communications, graphics and disk controllers for home entertainment and personal computer applications. We also test a variety of application specific integrated circuits, or ASICs, for applications such as cellular handsets, digital still cameras and personal digital assistants.

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

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

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

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

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

After assembly, we perform the following testing services:

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

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

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

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

## Assembly

Our assembly services generally involve the following steps:

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

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

The differentiating characteristics of these packages include:

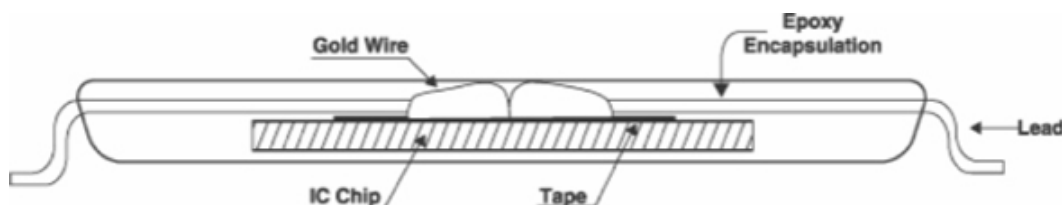
- the size of the package;
- the number of electrical connections which the package can support;
- the electrical performance and requirements of the package; and
- the heat dissipation requirements of the package.

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:



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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.

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.

<b>Package</b>	<b>Lead-count</b>	<b>Description</b>	<b>End-User Applications</b>
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

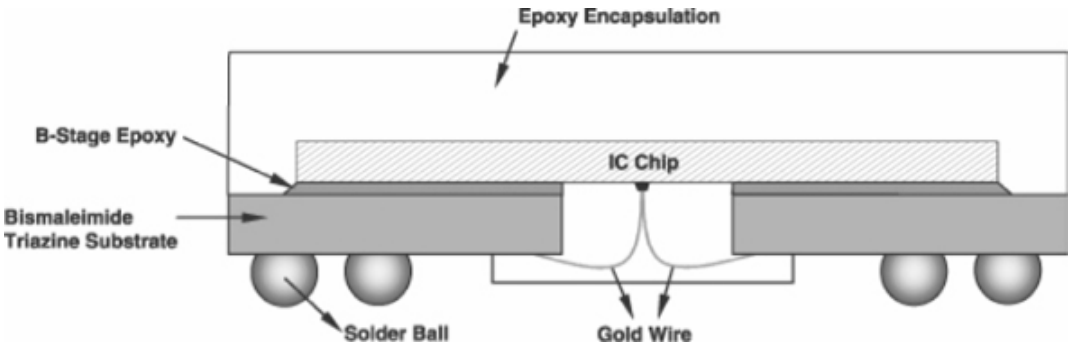
*Organic Substrate-based Packages.* As the number of leads surrounding a traditional leadframe-based package increases, the leads must be placed closer together to reduce the size of the package. The close proximity of one lead to another can create electrical shorting problems and requires the development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

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	36-361	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	54-84	Our patented design for DRAM products that require high performance and chip scale package (CSP)	Notebook computers, cellular handsets, global positioning systems, personal digital assistants, wireless systems
Very Thin Fine-Pitch BGA	48-176	Similar structure of Mini BGA package with thinner and finer ball pitch that is designed for use in a wide variety of applications requiring small size, high reliability and low unit cost	Handheld devices, notebook computers, disk drives, wireless and mobile communication products
Land Grid Array (LGA)	44-52	Thinner and lighter assembly designed essential to standard BGA without solder balls, suitable for applications that require high electrical performance	Disk drives, memory controllers, wireless, mobile communication products
Multi-Chip BGA	48-137	Designed for assembly of two or more memory chips (to increase memory density) or combinations of memory and logic chips in one BGA package	Notebook computers, digital cameras, personal digital assistants, global positioning systems, sub-notebooks, board processors, wireless systems
Stacked-Chip BGA	48-137	Designed for assembly of two or more memory chips or logic and memory chips in one CSP, reducing the space required for memory chips	Cellular handsets, digital cameras, personal digital assistants, wireless systems, notebook computers, global positioning systems

### ***LCD and Other Flat-Panel Display Driver Semiconductors***

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.

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 six- or eight-inch wafers. Gold bumping technology provides the best solution for fine-pitch chips and is able to meet the high production requirement for LCD and other flat-panel display driver semiconductors or other chips that require thin packaging profiles.

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.

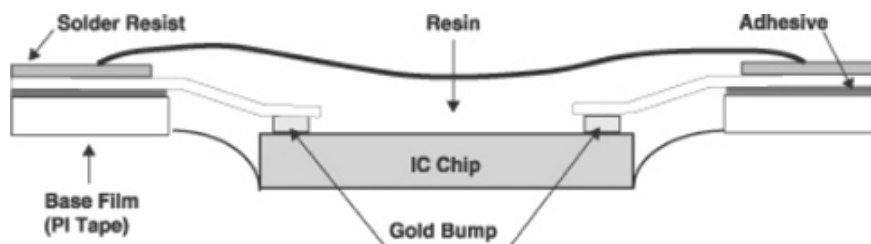
### ***Tape Carrier Package Technology***

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 polyamide-down carrier film, an epoxy-based adhesive layer and a metal layer. The tape metallization area of the interconnections is tin plated over a metal layer. The silicon chip and inner lead area is encapsulated with a high temperature thermoset polymer after inner lead bonding. The back face of the chip is left un-sealed for thermal connection to the printed circuit board.

The following diagram presents the basic components of a TCP:



### ***Chip-on-Film Technology***

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



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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.

The TCP and COF assembly process involves the following steps:

<i>Wafer Lapping</i>	Wafers are ground to their required thickness.
<i>Die Saw</i>	Wafers are cut into individual dies, or chips, in preparation for 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 sealed with an epoxy.
<i>Potting Cure</i>	The potting cure process matures the epoxy used during the potting stage with high temperatures.
<i>Marking</i>	A laser marker is used to provide product identification.
<i>Marking Cure</i>	The marking cure process matures the marking ink by subjecting the semiconductor to high temperatures.

### ***Chip-on-Glass 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 COG assembly technology involves the following steps:

<i>Wafer Lapping</i>	Wafers are ground to their required thickness.
<i>Die Saw</i>	Wafers are cut into individual dies, or chips, in preparation for the pick and place process.
<i>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 in an aluminum bag after completion of the inspection process.

### ***Other Services***

#### ***Drop Shipment***

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

#### ***Software Development, Conversion and Optimization Program***

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

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

## Customers

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

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

The number of our customers as of March 31, in each of 2008, 2009 and 2010, respectively, was 90, 90 and 100. Our top 15 customers in terms of revenue in 2009 were (in alphabetical order):

Elite Semiconductor Memory Technology Inc.  
Etron Technology, Inc.  
Himax Technologies, Inc.  
ILI TECHNOLOGY CORP.  
Integrated Circuit Solution Inc.  
Macronix International Co., Ltd.  
Micron Semiconductor Asia Pte. Ltd.  
Novatek Microelectronics Corp., Ltd.  
Powertech Technology Inc.  
ProMOS Technologies Inc.  
Raydium Semiconductor Corporation  
SILEGO Technology Inc.  
Spansion LLC  
Standard Microsystems Corp.  
Zentel Electronics Corp.

In 2007, our largest customer was ProMOS, our second-largest customer was Spansion and our third-largest customer was Powerchip, accounting for approximately 29%, 16% and 10% of our net revenue, respectively. In 2008, our largest customer was Spansion, our second-largest customer was ProMOS, and our third-largest customer was Novatek, accounting for approximately 23%, 18% and 9% of our net revenue, respectively. In 2009, our largest customer was Spansion, our second-largest customer was Novatek; and our third-largest customer was Micron Semiconductor Asia Pte. Ltd., accounting for approximately 15%, 12% and 10% of our net 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 logic/mixed-signal 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, were 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, ProMOS owed the Company NT\$464 million (US\$15 million). We reserved an allowance in the full amount of the foregoing doubtful receivables as of December 31, 2009. See Note 20 to our consolidated financial statements contained in this Annual Report on Form 20-F.

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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. Currently all of the service fees payable to us by Spansion are via cash on delivery. 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 approximately US\$33 million in February 2010 from Citigroup. The Transfer of Claim Agreement also includes the sale of breach of contract and liquidated damages rights against Spansion in the amount of approximately US\$234 million (the "Damages Claim"). The purchase price for the Damages Claim is expected to be an amount that will be determined based on a purchase rate of 50.2% multiplied by the portion of the Damages Claim that is allowed by a final adjudication of the U.S. Bankruptcy Court. The purchase price for the Damages Claim is payable to ChipMOS Taiwan to the extent that the Court allows this claim. In furtherance of the Transfer of Claim Agreement, the Company also has entered into an agreement to subscribe for, purchase and transfer to Citigroup rights offering shares to be issued by Spansion according to the Second Amended Joint Plan of Reorganization filed in U.S. Bankruptcy Court. This agreement provides that Citigroup will pay to the Company the amount of the rights offering shares purchase price. Citigroup deposited the amount required to acquire the rights offering shares and the Company is awaiting distribution of these shares.

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 the exclusive wafer sort subcontractor of Spansion, 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.

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 net revenue, categorized by geographic region based on the jurisdiction in which each customer is headquartered.

	<b>Year ended December 31,</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
Taiwan	72%	60%	60%
United States	21	34	33
Korea	3	3	3
Japan	1	1	1
Hong Kong SAR	1	— <sup>(1)</sup>	— <sup>(1)</sup>
Others	2	2	3
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

(1) Less than 1%.

### *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, Hong Kong, Japan, 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, and module manufacturing in Taiwan and Mainland China. As of March 31, 2010, our sales and marketing efforts were primarily carried out by teams of sales professionals, application engineers and technicians, totaling 35 staff members. Each of these teams focuses on specific customers and/or geographic regions. As part of our emphasis on customer service, these teams:

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

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

We have appointed a non-exclusive sales agent for promoting our services for memory semiconductors in the United States, Japan and Korea. Our sales agent helps us promote and market our services, maintain relations with our existing and potential customers and communicate with our customers on quality, specific requirements and delivery issues. We generally pay our sales agent a commission of 1.5% to 2.5% of our revenue from services for memory semiconductors in the United States, Japan and Korea. In 2007, 2008 and 2009, we paid approximately NT\$25 million, NT\$12 million and NT\$9 million (US\$282 thousand), respectively, in commissions to our sales agent.

### **Research and Development**

We believe that research and development is critical to our future success. In 2007, 2008 and 2009, we spent approximately NT\$322 million, or 1%, NT\$436 million, or 3% and NT\$375 million (US\$12 million), or 3%, respectively, of our net revenue on research and development. We intend to sustain these efforts.

Our research and development efforts have focused primarily on improving the efficiency, production yields and technologies of our testing and assembly services. From time to time, we jointly develop new technologies with universities and research institutions. For testing, our research and development efforts focus particularly on thin wafer probing, non-clean sockets, non-clean probing, fine-pitch MEMS probes, and testing of MEMS wafers/ devices. Our projects include:

- Developing thin wafer probing technology to study the yield effect after processing;
- Developing non-clean probing and sockets to increase productivity and yield;
- Developing fine-pitch MEMS probes for advanced testing of MENS and COF products; and
- Developing high-speed probing.

We are also continuing development of interface designed to provide for high frequency testing by minimizing electrical noise.

In the assembly areas, our research and development efforts focus on:

- Copper wire bonding and low-cost wire bonding alternatives;
- Wafer-level chip scale packaging and low-cost flip-chip integrated solution;
- Low cost, fine-pitch bumping solutions;
- High performance, fine pitch and miniaturization of packages;
- Multi-chip assembly and modules;
- Stacked-die chip scale package;
- 3D IC packaging related technologies: thin wafer handling /testing/dicing;
- Compression molding; and
- Developing environmentally friendly assembly services.

Our projects include developing multi-chip packages, flip-chip technologies, environmentally friendly products, 12-inch wafer technologies, fine-pitch wire bonding technologies, 25-micron wafer thinning technology, and advanced packages. These are aimed to meet advanced needs for DDR III, COF modules, fine-pitch LCD driver bumping, mixed-signal assembly and advanced probe card technologies. We work closely with our customers to optimize software and with equipment vendors to increase the efficiency and reliability of testing and assembly equipment. Our research and development operations also include a mechanical engineering group, which currently designs handler kits for semiconductor testing and wafer probing, as well as software to optimize capacity utilization.

As of March 31, 2010, we employed 263 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 to analyze the characteristics of semiconductor packages by computer simulation, and verify their performance by measurement tools. Shadow Moiré and Micro Moiré characterization capabilities were established in the Advanced Packaging Lab. Electrical measurement instruments and simulation software Agilent ADS, EMPro, and Ansoft Q3D were set up in Electrical Measurement and Simulation Lab. These added capabilities allow us to support various advanced development work. The implementation of computer simulation, as compared with physical testing methods, is expected to substantially shorten the development cycle and provides predictable performance of our packages.

## **Quality Control**

We believe that our reputation for high quality and reliable services has 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, 2010, we employed 409 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 been QS 9000 certified by the International Automotive Sector Group. In addition, our facilities in Hsinchu and Tainan have been ISO 9002 certified. With respect to our quality management system, on November 26, 2003, ChipMOS Taiwan obtained ISO/TS 16949:2002 quality system certification. In 2006, the Chupei site obtained ISO/TS16949 quality system certification. ThaiLin and ChipMOS Shanghai also obtained ISO/TS 16949:2002 quality system certification on September 6, 2005 and January 28, 2006, respectively.

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QS 9000 quality standards provide for continual improvement with an emphasis on the prevention of defects and reduction of variation and waste in the supply chain, and a QS 9000 certification is required by certain semiconductor manufacturers as a threshold indicator of a company's quality control standards. An ISO 9002 certification is required by many countries for sales of industrial products. ISO/TS 16949:2002 certification system seeks to integrate quality management standards into the operation of a company, and emphasizes the supervision and measurement of process and performance.

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 and humidity bias 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 2009, we achieved monthly assembly yields of an average of 99.98% for our memory and logic/mixed-signal assembly packages, 99.91% for our COF packages and 99.79% for our COG packages. 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 15%, 17% and 21% of our net revenue in 2007, 2008 and 2009, 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. Despite shortages in the supply of materials, the prices of raw materials have decreased compared to prior to the economic downturn. See "Item 3. Key Information—Risk Factors—Risks Relating to Our Business—If we are unable to obtain raw materials and other necessary inputs from our suppliers in a timely and cost-effective manner, our production schedules would be delayed and we may lose customers and growth opportunities and become less profitable" for a discussion of the risks associated with our raw materials purchasing methods. For example, with the exception of aluminum bags and inner and outer boxes, which we acquire from local sources, the raw materials used in our TCP/COF process and for modules are obtained from a limited number of Japanese suppliers.

## Competition

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

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

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

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

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

- first, 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;
- second, 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, 2010, we held 456 patents in Taiwan, one patent in the United Kingdom, one patent in France, one patent in Germany, 68 patents in the United States and 123 patents in the People's Republic of China relating to various semiconductor testing and assembly technologies. These patents will expire at various dates through to December 2028. As of March 31, 2010, we also had a total of 83 pending patent applications in the United States, 193 in Taiwan, and 140 in the People's Republic of China. 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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On June 3, 2006, ChipMOS Taiwan entered into a license agreement with Sharp Corporation, or Sharp, pursuant to which we acquired a perpetual license to use TCP testing and assembly technology for a lump sum royalty payment of 10 million Japanese yen (approximately US\$87 thousand), which we paid in July 2006. This license agreement superseded the previous license agreement with Sharp entered into in February 2000 pursuant to which Sharp licensed to us TCP-related technology and intellectual property rights for five years starting from February 10, 2000 for a royalty fee based on the service fees paid to us by our customers. Our royalty obligations under the February 2000 license agreement were fully paid.

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 for a purchase price of US\$6.4 million, which was paid in full in June 2007.

### **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 semi-conductor industry. Our intellectual property rights are protected by the relevant patent and intellectual property agencies of the European Community, United States, the People’s Republic of China, Singapore, Hong Kong, Korea, Japan and Taiwan.

### **Environmental Matters**

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

All of our facilities in Taiwan and Mainland China have been certified as meeting the ISO 14001 environmental standards of the International Organization for Standardization, and all of our facilities in Taiwan have been further certified as meeting the OHSAS18001 standards, of the International Organization for Standardization. Our testing facility at the Hsinchu Science Park won both the “Plant Greenery and Beautification Award” in 1999, 2000 and 2002 and the “Safety & Health Excellent Personnel Award” in 2001 from the Science Park Administration, the “Green Office Award” from the Environment Protection Administration of the ROC in 2000 and the “Outstanding Voluntary Protection Program Award” by the Labor Affairs Commission of the ROC in 1999. Our assembly facility at the Southern Taiwan Science Park won the “Green Office Award” from the Environment Protection Administration of the ROC in 2001. In 2003, we won several environmental awards, including the “Environmental Protection Excellent Unit Award,” the “Plant Greenery and Beautification Award,” the “Environment Maintain Award” and the “Safety & Health Excellent Personnel Award,” each awarded by the Science Park Administration.

We will continue to implement programs, measures and related training to reduce industrial waste, save energy and control pollution. In 2001, ChipMOS Taiwan completed a lead-free process control program, which offers a lead-free method in a semiconductor package, a lead-free plating, a lead-free solder ball and a lead-free reliability method and specification. In 2005, ChipMOS Shanghai completed a similar lead-free process control program. In 2003 and 2008, ChipMOS Taiwan and ChipMOS Shanghai obtained Green Partner certification from Sony Corporation of Japan, respectively. The Green Partner program requires external suppliers to meet SONY’s Green Partner requirements. Standardizing on green, “environmentally friendly” products, production facilities and management systems, which has become an industry trend, and to many companies, 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\$53,786 million and NT\$7,610 million, respectively. ChipMOS Shanghai also maintains property insurance policies for a maximum coverage of approximately RMB753 million.

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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.

### Facilities

We provide testing services through our four facilities in Taiwan and one facility in Shanghai, with one facility at each of the following locations: Chupei, the Hsinchu Industrial Park, the Hsinchu Science Park, the Southern Taiwan Science Park and the Shanghai Qingpu Industrial Zone. We provide assembly services through our facility at the Southern Taiwan Science Park and our facility at the Shanghai Qingpu Industrial Zone. We own the land for our Hsinchu Industrial Park testing facility and Chupei facility and possess the land use right to the land on which our Shanghai Qingpu Industrial Zone facility is located until 2052, and, we lease two parcels of land for our Hsinchu Science Park testing facility with lease expiration in year 2017 and 2026, respectively, and Southern Taiwan Science Park facility with lease expiration in year 2017.

In March 2002, Modern Mind entered into a cooperation agreement with the Shanghai Qingpu Industrial Zone Development Group Company under which Modern Mind has agreed to construct a permanent wholly-owned facility in the Shanghai Qingpu Industrial Zone to provide testing and assembly services. Modern Mind commenced construction of the facility in Shanghai in June 2002 and moved into the new facility in August 2005, with the grand opening of the new facility in November 2005. Modern Mind currently offers testing and assembly services of memory semiconductors. In connection with the Shanghai operations, Modern Mind has invested US\$130 million in ChipMOS Shanghai for the facility and related equipment.

On August 24, 2004, we, through ThaiLin and ChipMOS Taiwan, entered into an agreement for the acquisition of certain testing and assembly assets of FICTA, including 52 testers, 133 wire bonders, machinery, equipment, raw materials, spare parts and related patents.

In December 2004, we sold our Kaohsiung testing facility to Radiant Opto-Electronics Corporation.

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, 2010.

<u>Location of Facility</u>	<u>Primary Use</u>	<u>Floor Area (m<sup>2</sup>)</u>	<u>Principal Equipment</u>
Chupei, Hsinchu	Wafer Testing/Gold Bumping	25,954	4 steppers 11 sputters 268 testers
Hsinchu Industrial Park, Taiwan	Testing	27,124	138 testers 60 burn-in ovens
Hsinchu Science Park, Taiwan	Testing/Module	40,294	136 testers 92 burn-in ovens
Southern Taiwan Science Park, Taiwan	Assembly/Testing	109,676	453 wire bonders 127 inner-lead bonders 193 testers
Shanghai Qingpu Industrial Zone, Mainland China	Assembly/Testing	66,817	34 testers 158 wire bonders 19 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, 2010, we operated 769 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 major international manufacturers, including Advantest Corporation, Verigy Ltd. and Credence Systems 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, 2010, we operated 611 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., Athlete FA Corp. and Sharp Takaya Electronics Corp. As of March 31, 2010, we operated 4 steppers and 11 sputters for gold bumping, 127 inner-lead bonders for assembly and 193 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 2009, our consolidated net revenue was NT\$12,150 million (US\$380 million) and our net loss was NT\$4,419 million (US\$138 million).

We are a holding company, incorporated in Bermuda on August 1, 2000. We provide most of our services through our 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 our company and ChipMOS Taiwan on September 14, 2007, ChipMOS Taiwan became a wholly-owned subsidiary of our company. In February 2010, we agreed to sell approximately 15.8% of ChipMOS Taiwan's outstanding shares to Siliconware Precision. Upon completion of that share purchase transaction by March 2011, we will own approximately 84.2% of ChipMOS Taiwan's outstanding shares. 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, which is one of our controlled consolidated subsidiaries. ChipMOS Shanghai operates a testing and assembly facility at the Qingpu Industrial Zone in Shanghai. Through our subsidiaries, we also have equity interests in other companies that are engaged in the semiconductor industry. See "Item 4. Information on the Company—Overview of the Company" for more details.

The following key trends are important to understanding our business:

*Capital Intensive Nature of Our Business.* Our operations, in particular our testing operations, are characterized by relatively high fixed costs. We expect to continue to incur substantial depreciation and other expenses as a result of our previous acquisitions of testing and assembly equipment and facilities. Our profitability depends in part not only on absolute pricing levels for our services, but also on capacity utilization rates for our testing and assembly equipment. In particular, increases or decreases in our capacity utilization rates could significantly affect our gross margins since the unit cost of testing and assembly services generally decreases as fixed costs are allocated over a larger number of units. Due to the global credit and financial market crisis, we have experienced decrease in our capacity utilization rates for our testing and assembly equipment during 2009 and therefore decrease in our gross margins.

The current generation of advanced testers typically cost between US\$2 million and US\$5 million each, while wire bonders used in assembly typically cost approximately US\$65 thousand each and inner-lead bonders for TCP and COF assembly cost approximately US\$300 thousand each and COG chip sorters cost approximately US\$140 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 net 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.* Highly cyclical, 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 and increased in severity towards the first quarter of 2009. The significant decrease in market demand for semiconductors during such period adversely affected our results of operations for 2009. 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.

*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.

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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. Our net 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 in the second half of 2007, 2008 and the first quarter of 2009.

*Change in Product Mix.* Declines in average selling prices have been partially offset over the last three years by a change in our revenue mix. In particular, revenue from testing and assembly of LCD and other flat-panel display driver semiconductors and 12-inch wafer processing have increased as a percentage of our total net revenue over the 2007 to 2009 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**

On February 13, 2007, we entered into a share purchase and subscription agreement with ChipMOS Taiwan and Siliconware Precision under which we and ChipMOS Taiwan agreed to purchase all of Siliconware Precision's equity interest in ChipMOS Taiwan, and Siliconware Precision agreed to subscribe for 12,174,998 of our newly issued common shares through a private placement. The transaction closed on March 27, 2007, and as of March 31, 2007, we held 99.1% of the outstanding common shares of ChipMOS Taiwan. On April 12, 2007, we entered into a share exchange agreement with ChipMOS Taiwan pursuant to which we agreed to exchange one common share for every 8.4 ChipMOS Taiwan shares outstanding. The transaction closed on September 14, 2007, and we issued 604,124 common shares to the holders of the ChipMOS Taiwan common shares in exchange for their ChipMOS Taiwan shares, and we and ChipMOS Taiwan paid NT\$53 million in cash to purchase fractional shares and shares held by dissenting shareholders. Following the completion of the share exchange transaction on September 14, 2007, ChipMOS Taiwan became our wholly-owned subsidiary. In February 2010, we agreed to sell approximately 15.8% of ChipMOS Taiwan's outstanding shares to Siliconware Precision. Upon completion of that share purchase transaction by March 2011, we will own approximately 84.2% of ChipMOS Taiwan's outstanding shares. See "Item 4. Information on the Company—Our Structure and History" for description of our earlier merger events.

### **Net 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; and (3) LCD and other flat-panel display driver semiconductor testing and assembly services. The following table sets forth, for the periods indicated, our consolidated net revenue for each segment.

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	Year ended December 31,			
	2007 NT\$	2008 NT\$ (in millions)	2009 NT\$	2009 US\$
<b>Testing</b>				
Memory	\$10,856.2	\$ 8,226.9	\$ 4,646.5	\$145.5
Logic/mixed-signal	646.2	560.1	524.7	16.4
Total testing	11,502.4	8,787.0	5,171.2	161.9
<b>Assembly</b>				
Memory	7,576.0	4,591.1	3,335.7	104.4
Logic/mixed-signal	523.6	826.6	1,017.2	31.8
Total assembly	8,099.6	5,417.7	4,352.9	136.2
LCD and other flat-panel display driver semiconductor testing and assembly	3,995.6	2,805.5	2,626.2	82.2
Total	<u>\$23,597.6</u>	<u>\$17,010.2</u>	<u>\$12,150.3</u>	<u>\$380.3</u>

Our net 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 and testing and assembly services for LCD and other flat-panel display driver semiconductors.

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 enter into additional long-term capacity agreements in the future if this approach continues to represent a potential growth opportunity for our business. Depending on customer demands, market conditions and other considerations, we may explore opportunities to expand our operations outside Taiwan and Mainland China in connection with possible future long-term capacity agreements.

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

## **Pricing**

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

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

We price our testing and assembly services for LCD and other flat-panel display driver semiconductors 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.

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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 shipment of tested and assembled semiconductors to locations designated by our customers, including our internal warehouse for customers using our warehousing services. Revenue from product sales is recognized when risks of ownership are transferred to customers, generally upon shipment of the products. We submit invoices at the time of shipment or delivery and generally require customers to pay within 60 days after the last day of the month during which the invoice was sent, except that we require Spansion and ProMOS, our largest and second largest customers, to pay by cash upon delivery.

In January 2008, at the request of ProMOS, we agreed to permit ProMOS to defer payment of aggregate service fees of NT\$450 million to February 15, 2009. The deferred service fees, bore interest at a rate of 4.69% per annum, were recorded as long-term accounts receivable as of December 31, 2007, and were paid in full by ProMOS in March and April 2008. We also experienced collection problems for our receivables in connection with NT\$578 million and NT\$464 million (US\$15 million) of receivables from ProMOS in 2008 and 2009, respectively. Full amount of allowance of the foregoing doubtful receivables was reserved as of December 31, 2008 and 2009. Currently all of the services fees payable to us by ProMOS are prepaid in advance. See “Item 4. Information on the Company — Customers”.

We also experienced collection problems for our services in connection with NT\$1,539 million and NT\$2,232 million (US\$70 million) of receivables from Spansion in 2008 and 2009, respectively. Full amount of allowance of the foregoing doubtful receivables was reserved as of December 31, 2008 and 2009. Currently all of the service fees payable to us by Spansion are via cash on delivery. See “Item 4. Information on the Company — Customers”.

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

### *Related Party Revenues*

In 2007, 2008 and 2009, 29%, 18% and 6%, respectively, of our net revenue were 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 net revenue is generated from customers headquartered in Taiwan, which represented 72%, 60% and 60% of our net revenue in 2007, 2008 and 2009, respectively. We also generate net revenue from customers in the United States, 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 net 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 24 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 (Loss)**

Our cost of revenue consists primarily of the following: depreciation and amortization expenses, raw material costs, and labor and overhead expenses, which primarily include expensable equipments, sub-contracting fees and rental expenses. 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 and future acquisitions of testing and assembly equipment and facilities, including our investment in our Mainland China operations. Our profitability depends in part not only on absolute pricing levels for our services, but also on our capacity utilization rates. As of March 31, 2010, we had 769 testers, 171 burn-in ovens, 611 wire bonders, 127 inner-lead bonders, 4 steppers and 11 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 average capacity utilization rate for testing of memory and logic/mixed-signal semiconductors was 78% in 2007, 65% in 2008 and 45% in 2009. Our average capacity utilization rate for assembly of memory and logic/mixed-signal semiconductors was 86% in 2007, 63% in 2008 and 64% in 2009. In addition, our average capacity utilization rate for LCD and other flat-panel display driver semiconductor testing and assembly was 71% in 2007, 52% in 2008 and 50% in 2009.



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

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

	Year ended December 31,			
	2007 NT\$	2008 NT\$	2009 NT\$	2009 US\$
(in millions)				
<b>Gross profit (loss):</b>				
Testing				
Memory	\$4,200.6	\$ 746.6	\$(2,275.9)	\$ (71.2)
Logic/mixed-signal	174.4	114.0	84.7	2.6
Total testing	4,375.0	860.6	(2,191.2)	(68.6)
Assembly				
Memory	1,452.5	(245.5)	(745.2)	(23.3)
Logic/mixed-signal	19.7	(78.4)	(13.2)	(0.4)
Total assembly	1,472.2	(323.9)	(758.4)	(23.7)
LCD and other flat-panel display driver semiconductor testing and assembly	306.3	(496.4)	(561.6)	(17.6)
Total	<u>\$6,153.5</u>	<u>\$ 40.3</u>	<u>\$(3,511.2)</u>	<u>\$(109.9)</u>
<b>Gross profit (loss) margin:</b>				
Testing				
Memory	38.7%	9.1%	(49.0)%	(49.0)%
Logic/mixed-signal	27.0	20.4	16.1	16.1
Total testing	38.0	9.8	(42.4)	(42.4)
Assembly				
Memory	19.2	(5.3)	(22.3)	(22.3)
Logic/mixed-signal	3.8	(9.5)	(1.3)	(1.3)
Total assembly	18.2	(6.0)	(17.4)	(17.4)
LCD and other flat-panel display driver semiconductor testing and assembly	7.7	(17.7)	(21.4)	(21.4)
Overall	26.1%	0.2%	(28.9)%	(28.9)%

## **Operating Expenses**

### *Research and Development*

Research and development expenses consist primarily of personnel expenses, amortization expenses relating to technology, 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.



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### *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.

### *General and Administrative*

General and administrative 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 intrinsic value-based method and 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 general and administrative expenses to increase in absolute terms as we add personnel and incur additional expenses related to the growth of our business and operations, particularly our Mainland China operations.

### **Other Income (Expenses), Net**

Our other income principally consists of interest income, foreign exchange gains, warehouse space rental revenue, gains on sale of investments, gains on disposal of property, plant and equipment, fair value gains on financial assets, gain on disposal of land use right and gains on embedded derivative. In 2008, our other income included certain interest income paid by Kolin under a loan repayable to ChipMOS Taiwan that bears interest at a rate of 4.69% per annum. NT\$15 million of this loan was repaid in 2008. The loan is secured by a pledge by Kolin of 11 million common shares of ThaiLin. See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions—ThaiLin Semiconductor Corp." Our other expenses principally consist of interest expense, investment losses recognized by equity method, fair value loss on financial assets, financing costs, impairment losses, losses on disposal of property, plant and equipment, loss on embedded derivative, loss on redemption of convertible notes and foreign exchange losses.

### **Noncontrolling Interests and Interest in Bonuses Paid by Subsidiaries**

Noncontrolling interests represent the portion of our income that is attributable to the shareholding in our consolidated subsidiaries that we do not own. In 2007, our noncontrolling interests were attributable to the noncontrolling interests owned by Siliconware Precision and other investors in ChipMOS Taiwan prior to the completion of the share exchange transaction between ChipMOS Bermuda and ChipMOS Taiwan on September 14, 2007, and the public shareholders' interest in ThaiLin. In February 2010, we agreed to sell approximately 15.8% of ChipMOS Taiwan's outstanding shares to Siliconware Precision. Upon completion of that share purchase transaction by March 2011, we will own approximately 84.2% of ChipMOS Taiwan's outstanding shares.

Interest in bonuses paid by subsidiaries represents our portion of ChipMOS Taiwan's and ThaiLin's distributable earnings that are appropriated as bonuses to employees and remuneration to directors and supervisors of ChipMOS Taiwan and ThaiLin, as required by ROC regulations and ChipMOS Taiwan's and ThaiLin's articles of incorporation. ChipMOS Taiwan and ThaiLin paid bonuses to directors, supervisors and employees of NT\$391 million and NT\$82 million, respectively, in 2007, and NT\$387 million and NT\$58 million, respectively, in 2008. ChipMOS Taiwan and ThaiLin did not pay any bonuses to directors, supervisors and employees in 2009. Please see "— US GAAP Reconciliation" for a discussion of the significant impact such bonuses had on our net income under US GAAP.

### **Net Income**

Our net income was NT\$2,219 million in 2007 and net loss was NT\$7,270 million in 2008 and NT\$4,419 million (US\$138 million) in 2009, 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".

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### Results of Operations

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

	Year ended December 31,		
	2007	2008	2009
<b>ROC GAAP:</b>			
Net revenue	100.0%	100.0%	100.0%
Cost of revenue	<u>73.9</u>	<u>99.8</u>	<u>128.9</u>
Gross profit (loss) margin	<u>26.1</u>	<u>0.2</u>	<u>(28.9)</u>
<b>Operating expenses:</b>			
Research and development	1.4	2.5	3.1
Sales and marketing	0.4	13.9	5.4
General and administrative	<u>4.5</u>	<u>5.2</u>	<u>4.6</u>
Total operating expenses	<u>6.3</u>	<u>21.6</u>	<u>13.1</u>
Income (loss) from operations	<u>19.8</u>	<u>(21.4)</u>	<u>(42.0)</u>
Other income (expenses), net	<u>(2.8)</u>	<u>(19.3)</u>	<u>1.0</u>
Income (loss) before income tax, noncontrolling interests and interest in bonuses paid by subsidiaries <sup>(1)</sup>	17.0	(40.7)	(41.0)
Income tax benefit (expense)	<u>(3.3)</u>	<u>(0.7)</u>	<u>3.4</u>
Income benefit (loss) before noncontrolling interests and interest in bonuses paid by subsidiaries	13.7	(41.4)	(37.6)
Net (income) loss attributable to noncontrolling interests	(3.1)	0.8	1.2
Interest in bonuses paid by subsidiaries <sup>(1)</sup>	<u>(1.2)</u>	<u>(2.1)</u>	<u>—</u>
Net income (loss) attributable to ChipMOS	<u>9.4%</u>	<u>(42.7)%</u>	<u>(36.4)%</u>

(1) Refers to bonuses to directors, supervisors and employees.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

**Net Revenue.** Our net revenue decreased by NT\$4,860 million, or 29%, to NT\$12,150 million (US\$380 million) in 2009 from NT\$17,010 million in 2008.

Net revenue from testing services for memory and logic/mixed-signal semiconductors decreased by NT\$3,616 million, or 41%, to NT\$5,171 million (US\$162 million) in 2009 from NT\$8,787 million in 2008, mainly due to a decrease in net revenue from testing services for memory semiconductors. Net revenue from testing services for memory semiconductors decreased by NT\$3,581 million, or 44%, to NT\$4,646 million (US\$146 million) in 2009 from NT\$8,227 million in 2008, principally due to decreased capacity utilization rates and lower average selling price for DRAM products. Revenue for testing services for logic/mixed-signal semiconductors decreased by NT\$35 million, or 6%, to NT\$525 million (US\$16 million) in 2009 from NT\$560 million in 2008, principally due to decreased capacity utilization rates. 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.

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Net revenue from assembly services for memory and logic/mixed-signal semiconductors, which includes revenue from assembly services for memory and logic/mixed-signal semiconductors and revenue from our memory module manufacturing business, decreased by NT\$1,065 million, or 20%, to NT\$4,353 million (US\$136 million) in 2009 from NT\$5,418 million in 2008. This decrease was primarily the result of a decrease in net revenue from assembly services for memory semiconductors. Net revenue from assembly services for memory semiconductors decreased by NT\$1,255 million, or 27%, to NT\$3,336 million (US\$104 million) in 2009 from NT\$4,591 million in 2008, primarily as a result of a decreased capacity utilization rate and lower average price for DDR II SDRAM products. Net revenue from assembly services for logic/mixed-signal semiconductors increased by NT\$190 million, or 23%, to NT\$1,017 million (US\$32 million) in 2009 from NT\$827 million in 2008, principally as a result of higher customer demand. 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.

Net revenue from LCD and other flat-panel display driver semiconductor testing and assembly services decreased by NT\$179 million, or 6%, to NT\$2,626 million (US\$82 million) in 2009 from NT\$2,805 million in 2008. This decrease was principally as a result of the weak demand for LCD and other flat-panel display products in 2009, which in turn led to decreased capacity utilization rates as well as decreased average selling prices for services.

**Cost of Revenue and Gross Margin.** Cost of revenue decreased by NT\$1,309 million, or 8%, to NT\$15,661 million (US\$490 million) in 2009 from NT\$16,970 million in 2008, primarily due to the decrease of depreciation expenses of NT\$531 million (US\$17 million), salary and fringes expenses of NT\$238 million (US\$7 million) and direct material and direct labor expenses of NT\$329 million (US\$10 million) and NT\$522 million (US\$16 million), respectively. Direct material expenses decreased principally as a result of a decline in the capacity utilization rate. Our gross revenue is generally the product of the total volume of our customer orders multiplied by the average selling price per assembly or testing deliverable unit, 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 decreases in correlation to decreases in our capacity utilization rates, decreases in our average selling prices, or both. Similarly, our gross margin and profitability generally increases 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.

Our gross profit decreased to negative NT\$3,511 million (US\$110 million) in 2009 from NT\$40 million in 2008. Our gross margin was negative 29% in 2009, compared to 0.2% in 2008.

Our gross margin for testing services for memory and logic/mixed-signal semiconductors decreased to negative 42% in 2009 from 10% in 2008, primarily due to a lower capacity utilization rate, which decreased to 45% in 2009 from 65% in 2008.

Our gross margin for assembly services for memory and logic/mixed-signal semiconductors decreased to negative 17% in 2009 from negative 6% in 2008, primarily due to pricing pressures that resulted from decreases in the pricing of end products.

Our gross margin for LCD and other flat-panel display driver semiconductor testing and assembly services decreased to negative 21% in 2009 from negative 18% in 2008, primarily as a result of a decrease in the capacity utilization rate from 52% in 2008 to 50% in 2009 as well as a decreased average selling price for our services.

**Research and Development Expenses.** Research and development expenses decreased by NT\$61 million, or 14%, to NT\$375 million (US\$12 million) in 2009 from NT\$436 million in 2008. This decrease was primarily due to lower salary expenses associated with a decrease in research and development personnel, and the decrease of professional services fees and expensable equipment expenses.

**General and Administrative Expenses.** General and administrative expenses decreased by NT\$228 million, or 26%, to NT\$658 million (US\$21 million) in 2009 from NT\$886 million in 2008, primarily due to the decrease of depreciation expenses.

**Sales and Marketing Expenses.** Sales and marketing expenses decreased by NT\$1,802 million, or 76%, to NT\$561 million (US\$18 million) in 2009 from NT\$2,363 million in 2008, primarily due to a decrease of NT\$1,790 million (US\$56 million) in allowance for doubtful receivables. The decrease was primarily due to full allowance already made on outstanding receivables from Spansion and ProMOS in 2008.

**Other Income (Expenses), Net.** Other expenses, net decreased by NT\$3,404 million, or 104%, to other income of NT\$117 million (US\$4 million) in 2009 from other expenses of NT\$3,287 million in 2008. This decrease was primarily due to the impairment loss on property, plant and equipment of NT\$26 million (US\$814 thousand) recognized in 2009, compared to an impairment loss on goodwill of NT\$917 million and impairment loss on property, plant and equipment of NT\$1,599 million recognized in 2008.

**Income (Loss) Before Income Tax, Noncontrolling Interests and Interest in Bonuses to Directors, Supervisors and Employees Paid by Subsidiaries.** As a result of the foregoing, loss before income tax, noncontrolling interests and interests in bonuses to directors, supervisors and employees paid by subsidiaries decreased by 28% to a loss of NT\$4,989 million (US\$156 million) in 2009 from NT\$6,930 million in 2008.

**Income Tax Benefit (Expense).** We had an income tax benefit of NT\$421 million (US\$13 million) in 2009 compared to income tax expenses of NT\$121 million for 2008, primarily due to an increase of loss carried forward in 2009.

**Net (Income) Loss Attributable to Noncontrolling Interests.** The net loss of ThaiLin attributable to noncontrolling interests amounted to NT\$149 million (US\$5 million) in 2009, compared a net loss of NT\$143 million in 2008.

**Interest in Bonuses paid by Subsidiaries.** Interest in bonuses paid by subsidiaries decreased by 100% to nil in 2009 from NT\$362 million in 2008.

**Net Income (Loss) Attributable to ChipMOS.** As a result of the foregoing, the net loss attributable to ChipMOS was NT\$4,419 million (US\$138 million) in 2009, compared to a net loss of NT\$7,270 million in 2008.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

**Net Revenue.** Our net revenue decreased by NT\$6,588 million, or 28%, to NT\$17,010 million in 2008 from NT\$23,598 million in 2007.

Net revenue from testing services for memory and logic/mixed-signal semiconductors decreased by NT\$2,715 million, or 24%, to NT\$8,787 million in 2008 from NT\$11,502 million in 2007, mainly due to a decrease in net revenue from testing services for memory semiconductors. Net revenue from testing services for memory semiconductors decreased by NT\$2,629 million, or 24%, to NT\$8,227 million in 2008 from NT\$10,856 million in 2007, principally due to decreased capacity utilization rates and lower average selling price for DRAM products. Revenue for testing services for logic/mixed-signal semiconductors decreased by NT\$86 million, or 13%, to NT\$560 million in 2008 from NT\$646 million in 2007, principally due to decreased capacity utilization rates.

Net revenue from assembly services for memory and logic/mixed-signal semiconductors, which includes from assembly services for memory and logic/mixed-signal semiconductors and revenue from our memory module manufacturing business, decreased by NT\$2,682 million, or 33%, to NT\$5,418 million in 2008 from NT\$8,100 million in 2007. This decrease was primarily the result of a decrease in net revenue from assembly services for memory semiconductors. Net revenue from assembly services for memory semiconductors decreased by NT\$2,985 million, or 39%, to NT\$4,591 million in 2008 from NT\$7,576 million in 2007, primarily as a result of decreased capacity utilization rate and lower average price for DDR II SDRAM products. Net revenue from assembly services for logic/mixed-signal semiconductors increased by NT\$303 million, or 58%, to NT\$827 million in 2008 from NT\$524 million in 2007, principally as resulted from higher customer demand.

Net revenue from LCD and other flat-panel display driver semiconductor testing and assembly services decreased by NT\$1,191 million, or 30%, to NT\$2,805 million in 2008 from NT\$3,996 million in 2007. This decrease was principally as a result of the weak demand for LCD and other flat-panel display products in 2008, which in turn led to decrease capacity utilization rates as well as decreased average selling prices for services.

**Cost of Revenue and Gross Margin.** Cost of revenue decreased by NT\$474 million, or 3%, to NT\$16,970 million in 2008 from NT\$17,444 million in 2007, primarily due to the net effect of increase in leasing expense of NT\$878 million and a decrease of expensable equipment of NT\$224 million, direct material and direct labor by NT\$603 million and NT\$332 million, respectively. Leasing expense increased due to the increase of leased machinery. Direct material decreased principally as a result of decline of capacity utilization rate.

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Our gross profit decreased to NT\$40 million in 2008 from NT\$6,154 million in 2007. Our gross margin was 0.2% in 2008, compared to 26% in 2007.

Our gross margin for testing services for memory and logic/mixed-signal semiconductors decreased to 10% in 2008 from 38% in 2007, primarily due to lower capacity utilization rate, which decreased to 65% in 2008 from 78% in 2007.

Our gross margin for assembly services for memory and logic/mixed-signal semiconductors decreased to negative 6% in 2008 from 18% in 2007 primarily due to a pricing pressure resulted from the decreasing pricing of end products.

Our gross margin for LCD and other flat-panel display driver semiconductor testing and assembly services decreased significantly to negative 18% in 2008 from 8% in 2007, primarily as a result of a decrease in capacity utilization rate from 71% in 2007 to 52% in 2008 as well as decreased average selling price for our services.

**Research and Development Expenses.** Research and development expenses increased by NT\$114 million, or 35%, to NT\$436 million in 2008 from NT\$322 million in 2007. This increase was primarily due to higher salary expenses associated with an increase in research and development personnel. We currently expect our research and development expenses will increase in the future to our focus on research and development projects relating to advanced applications, such as thin wafer probing technology, non-clean probing and sockets, fine-pitch MEMS probes, high-speed probing, copper wire bonding and low-cost wire bonding alternatives, wafer-level chip scale packaging and low-cost flip-chip integrated solution, low cost, fine-pitch bumping, MCP, stacked-die chip scale package, 3D IC packaging, compression molding, etc.

**General and Administrative Expenses.** General and administrative expenses decreased by NT\$184 million, or 17%, to NT\$886 million in 2008 from NT\$1,070 million in 2007, primarily due to decreased salary and fringes for the cost saving program.

**Sales and Marketing Expenses.** Sales and marketing expenses increased by NT\$2,265 million, or 2,311%, to NT\$2,363 million in 2008 from NT\$98 million in 2007, primarily due to an increase of NT\$2,282 million in bad debt. The increase in bad debt was primarily due to the full allowance made on outstanding receivables from Spansion and ProMOS.

**Other Income (Expenses), Net.** Other expenses, net increased by NT\$2,618 million, or 391%, to NT\$3,287 million in 2008 from NT\$669 million in 2007. This increase was primarily due to the impairment loss on goodwill of NT\$917 million and impairment loss on property, plant and equipment of NT\$1,599 million recognized in 2008. The significant increase in impairment loss in 2008 was primarily due to a decreased estimated future cash inflow from the use of the related property, plant and equipment and resulted in the recoverable amount of the property, plant and equipment being lower than its carrying amount.

**Income (Loss) Before Income Tax, Noncontrolling Interests and Interest in Bonuses to Directors, Supervisors and Employees Paid by Subsidiaries.** As a result of the foregoing, income before income tax, noncontrolling interests and interests in bonuses to directors, supervisors and employees paid by subsidiaries decreased by 274% to a loss of NT\$6,930 million in 2008 from an income of NT\$3,993 million in 2007.

**Income Tax Benefit (Expense).** Income tax expenses decreased by NT\$647 million, or 84%, to NT\$121 million in 2008 from NT\$768 million in 2007, primarily due to a significant increase in loss before income tax in 2008.

**Net (Income) Loss Attributable to Noncontrolling Interests.** In 2008, the net loss of ThaiLin attributable to noncontrolling interests amounted to NT\$143 million, compared to net income of ChipMOS Taiwan and ThaiLin attributable to noncontrolling interests of NT\$720 million in 2007.

**Interest in Bonuses paid by Subsidiaries.** Interest in bonuses paid by subsidiaries increased by 27% to NT\$362 million in 2008 from NT\$286 million in 2007 primarily as a result of ChipMOS Taiwan becoming a wholly-owned subsidiary in September 2007.

**Net Income (Loss) Attributable to ChipMOS.** As a result of the foregoing, the net loss attributable to ChipMOS was NT\$7,270 million in 2008, compared to a net income of NT\$2,219 million in 2007.

## **Critical Accounting Policies**

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

Under ROC GAAP, the significant accounting policies are set forth in Note 2 of the notes to the 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. In connection with the reconciliation of our consolidated financial statements to US GAAP, there are no additional accounting policies that we believe are critical to us except as described below under “— Convertible Notes” and “— Share-Based Compensation”.

#### ***Allowance for Doubtful Receivables and Sales Returns***

Our accounts receivable balance on our balance sheet is affected by our allowances for doubtful accounts and sales returns, which reflect our estimate of the expected amount of the receivables that we will not be able to collect and our estimate of the expected amount of sales returns.

Our determination of the allowance for doubtful receivables is based on our determination of two different types of reserves. The first type of reserve involves an individual examination of available information regarding any customer that we have reason to believe may have an inability to meet its financial obligations. For these customers, we use our judgment, based on the available facts and circumstances, and record a specific reserve for that customer against amounts due to reduce the receivable to the amount that is expected to be collected. These specific reserves are reevaluated and adjusted as additional information is received. The second type of reserve is a general reserve established for all customers based on a range of percentages applied to aging categories. These percentages are based on historical collection and write-off experience. If circumstances change, our estimates of the recoverability of amounts due to us could be reduced by a material amount. As of December 31, 2009, we provided NT\$2,757 million (US\$86 million) for the first type of reserve and NT\$66 million (US\$2 million) for the second type of reserve. See “Item 4. Information on the Company—Customers”.

Our determination of the allowances for sales returns as of the end of any quarter is based upon calculating an average historical return rate, usually based on the previous three quarters, and multiplying this by the revenue of that quarter. As of December 31, 2009, we provided NT\$114 million (US\$4 million) for the allowance of sales returns.

The allowance we set aside for doubtful receivables and sales returns was NT\$260 million as of December 31, 2007, NT\$2,433 million as of December 31, 2008, and NT\$2,937 million (US\$92 million) as of December 31, 2009. The allowances as of December 31, 2007, 2008 and 2009 represented 5%, 62% and 53%, respectively, of our accounts receivable and other receivables as of those dates. The allowance in 2007, 2008 and 2009 reflected a reduction of NT\$5 million, NT\$2,292 million and NT\$1,065 million (US\$33 million), respectively, in accounts receivable and other receivables that were charged to sales and marketing expenses. If we were to change our estimate of the allowance for doubtful receivables and sales returns either upward or downward 10%, our operating income would be affected by NT\$409 thousand (US\$13 thousand) for 2009.

An increase in our allowance for doubtful receivables and sales returns would decrease our recorded revenue and our current assets.

#### ***Inventory Valuation***

Inventories are stated at the lower of standard cost (adjusted to the approximate weighted average cost on the balance sheet date) or net realizable value. Inventory write-down is made on an item-by-item basis, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs. Prior to January 1, 2009, inventories were stated at the lower of cost or market value. Any write-down was made on a total-inventory basis. Market value represented replacement cost for raw materials and net realizable value for finished goods and work in progress.

In 2007, 2008 and 2009, we reserved NT\$8 million, NT\$99 million and NT\$199 million (US\$6 million) of inventory valuation allowance, primarily due to the market price of tested and assembled DRAM and SDRAM inventory was below cost. In addition, we reserved NT\$56 million in 2007, NT\$3 million in 2008 and NT\$1 million (US\$31 thousand) in 2009 for identified slow-moving inventories.

As of December 31, 2009, we recorded NT\$200 million (US\$6 million) of inventory valuation allowances. If the prevailing market price of our testing and assembly services had been 10% lower, we would have been required to recognize a valuation allowance of approximately NT\$80 million (US\$2 million) in 2009 and would have decreased our inventory value by 9.2% and increased our net loss by 1.8%, respectively.

### ***Valuation Allowance for Deferred Tax Assets***

When we have net operating loss carry forwards, investment tax credits or temporary differences in the amount of tax recorded for tax purposes and accounting purposes, we may be able to reduce the amount of tax that we would otherwise be required to pay in future periods. We recognize all existing future tax benefits arising from these tax attributes as deferred tax assets and then, based on our internal estimates of our future profits, establish a valuation allowance equal to the extent, if any, that it is more likely than not that deferred tax assets will not be realized. We record an income tax expense or benefit in our statement of operations when there is a net change in our total deferred tax assets and liabilities in a period. The ultimate realization of the deferred tax assets depends upon the generation of future taxable income during the periods in which the net operating losses and temporary differences become deductible or the investment tax credits may be utilized. Specifically, our valuation allowances are impacted by our expected future revenue growth and profitability, tax holidays, alternative minimum tax, and the amount of tax credits that can be utilized within the statutory period. In determining the amount of valuation allowance for deferred tax assets as of December 31, 2009, we considered past performance, the general outlook of the semiconductor industry, future taxable income and prudent and feasible tax planning strategies.

Because the determination of the amount of valuation allowance is based, in part, on our forecast of future profitability, it is inherently uncertain and subjective. Changes in market conditions and our assumptions may cause the actual future profitability to differ materially from our current expectation, which may require us to increase or decrease the amount of valuation allowance that we have recorded. Because our expectation for future profitability is generally less during periods of reduced revenue, we will be more likely to provide significant valuation allowances with respect to deferred tax assets during those periods of already reduced income.

As of December 31, 2007, 2008 and 2009, the ending balance for valuation allowances were NT\$834 million, and NT\$1,823 million and NT\$2,400 million (US\$75 million), respectively.

### ***Impairment Loss of Long-Lived Assets***

Under ROC GAAP, we record impairment losses on long-lived assets used in operations if events and circumstances indicate that the assets might be impaired and the recoverable amounts of the assets of the cash-generating unit are less than the carrying amounts of those items. Assumptions about the recoverable amounts of the long-lived assets require significant judgment on our expected cash flow. Our cash flow estimates are based on historical results adjusted to reflect our best estimate of future market and operating conditions. The net carrying value of assets not recoverable is reduced to fair value. Our management periodically reviews the carrying value of our long-lived assets and this review is based upon our projections of anticipated future cash flows.

In determining whether any impairment charges were necessary for the property, plant and equipment and other assets as of December 31, 2009, 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 as of December 31, 2009, we estimated that our discounted future cash flows are smaller than our other property, plant and equipment. This indicated that these long-lived assets may be impaired. If our current estimates of future cash flows decreases, those cash flows would be less than the reported amount of long-lived assets, and we would be required to recognize additional impairment loss, which would significantly increase our net loss before taxes.

Under US GAAP, an impairment loss is recognized when the carrying amount of an asset or a group of assets is not recoverable from the expected future cash flows and the impairment loss is measured as the difference between the fair value and the carrying amount of the asset or group of assets. The impairment loss is recorded in earnings and cannot be reversed subsequently. Long-lived assets (excluding goodwill) held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Based on the assessment of our management, in 2009, we recognized NT\$26 million (US\$814 thousand) of impairment loss for long-lived assets under ROC GAAP and US GAAP, respectively.

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



### **Goodwill**

Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the acquired net identified tangible and intangible assets. Under US GAAP, and effective on January 1, 2005 under ROC GAAP, we assess the impairment of goodwill on an annual basis, or more frequently whenever triggering events or changes in circumstances indicate that goodwill may be impaired and its carrying value may not be recoverable. Moreover, effective on January 1, 2006, goodwill is no longer amortizable under ROC GAAP. Factors we consider important which could trigger an impairment review include, without limitation, the following:

- a significant decline in our stock price for a sustained period; and
- a significant decline in our market capitalization relative to net book value.

Application of the goodwill impairment test is highly subjective and requires significant judgment, including the identification of cash generating units, assigning assets and liabilities to the relevant cash generating units, assigning goodwill to the relevant cash generating units, and determining the fair value of the relevant cash generating units. Under ROC GAAP, the fair value of the cash generating units is compared to the associated carrying value including goodwill, while under US GAAP, the fair value of the reporting units is compared to the associated carrying value including goodwill.

Under ROC GAAP, goodwill recorded from the acquisition of ChipMOS Taiwan and ThaiLin is evaluated for impairment on an annual basis. Based on our most recent evaluation, the fair value calculated by using the discounted future cash flows was lower than the associated carrying value. According to management's analysis incorporating the declining market capitalization in 2008, as well as the significant market deterioration and economic uncertainties impacting expected future demand management concluded that the entire goodwill balance of NT\$917 million was impaired, we recognized a non-cash impairment charge of approximately NT\$917 million for the year ended December 31, 2008 to write-off the entire carrying value of goodwill.

Under US GAAP, the measurement of impairment of goodwill consists of two steps. In the first step, the fair value of the reporting unit is compared to its carrying value, including goodwill. In connection with the preparation of the financial statements for the year ended December 31, 2008, management made a determination of the fair value of the two reporting units. Fair value is determined using a combination of an income approach, which estimates fair value based upon future revenue, expenses and cash flows discounted to their present value, and a market approach, which estimates fair value using market multiples to various financial measures compared to a set of comparable public companies listed on Taiwan Stock Exchange. Management concluded the estimated fair values of the reporting units were less than their net book value. Accordingly, the guidance in US Statement of Financial Accounting Standards ("SFAS") No. 142 requires a second step to determine the implied fair value of the Company's goodwill, and to compare it to the carrying value of the Company's goodwill is adopted. Second step includes valuing all of the tangible and intangible assets and liabilities of the reporting unit as if it had been acquired in a business combination, including valuing all of its intangible assets even if they were not currently recorded to determine the implied fair value of goodwill. Based on management's analysis incorporating the declining market capitalization in 2008, as well as the significant market deterioration and economic uncertainties impacting expected future demand, management concluded that the entire goodwill balance of NT\$969 million was impaired.

### **Convertible Notes**

Under US GAAP, we are required to account for the conversion option in the 2006 Notes and the 2009 Notes as derivative liabilities in accordance with SFAS No. 133 "Accounting For Derivative Instruments And Hedging Activities" and Emerging Interpretation Task Force ("EITF") Issue No. 00-19 "Accounting For Derivative Financial Instruments Indexed To And Potentially Settled In A Company's Own Stock," which is now codified as FASB ASC 815. The discount attributable to the issuance date aggregate fair value of the conversion option, totaling NT\$1,380 million (US\$43 million), is amortized using the effective interest method over the terms of the 2006 Notes and the 2009 Notes.

The change in fair value on revaluation of the embedded derivative liabilities represents the difference between the fair value of the embedded derivative liabilities at the beginning of the reporting period and their fair value at the end of the reporting period. We are required to record the change in fair value as a loss or gain on embedded derivative liabilities in determining net income under US GAAP. As of December 31, 2009, the fair value of the embedded derivative liabilities amounted to NT\$130 million (US\$4 million) which resulted in a gain on embedded derivative liabilities of NT\$51 million (US\$2 million). These gains and losses were taken into account when determining our net income under US GAAP for the year ended December 31, 2009.

The fair values of embedded derivatives are determined using option pricing models, which require us to make various assumptions, including among others, the expected volatility of our stock over the life of the option, market interest rates, credit spread and the expected life of the option. In determining these input assumptions, we consider historical trends and other relevant factors which may change from period to period. Because the option pricing models are sensitive to change in the input assumptions, different determinations of the required inputs may result in different fair value estimates of the options.



Under ROC GAAP, we are required to bifurcate and separately account for embedded derivatives contained in our convertible notes issued after 2005 in accordance with SFAS No. 34 “Financial Instruments: Recognition and Measurement”. For more information, see Notes 14, 26j and 27i to our consolidated financial statements contained in this Annual Report on Form 20-F.

### ***Share-Based Compensation***

Under US GAAP, we are required to account for our employee share option plans under the fair-value-based method and to recognize share-based compensation arrangements as expenses in the consolidated statements of operations, in accordance with SFAS No. 123(R) “Share-Based Payments”, which is now codified as FASB ASC 715. The determination of the fair value of our share options on the date of grant under the Black Scholes Option Pricing Model is affected by the price of our common shares and assumptions of a number of variables, including the risk-free interest rate, the expected life of the options, the estimated fair value of our common shares and the expected price volatility of our common shares over the term of the options. In 2009, the share-based compensation expense amounted to NT\$55 million (US\$2 million), which was taken into account when determining our net income and shareholders’ equity under US GAAP for the year ended December 31, 2009.

Prior to adopting FASB ASC 715 in 2006, share-based compensation arrangements were accounted for under Accounting Principles Board Opinion No. 25, which utilized an intrinsic value approach in recognizing compensation expense. Under ROC GAAP and prior to January 1, 2008, we accounted for our share-based compensation arrangements under the intrinsic value method. Commencing January 1, 2008, we adopted ROC SFAS No. 39 “Share-based Payment”. After the adoption of SFAS No. 39, our share-based compensation has been measured at the fair value of the options at grant date using an option valuation model. For more information, see Notes 2, 26k and 27h to our consolidated financial statements contained in this Annual Report on Form 20-F.

### ***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 rate 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, 2009, our primary sources of liquidity were cash and cash equivalents (excluding restricted cash and cash equivalents) of NT\$3,885 million (US\$122 million), short-term loans of NT\$2,020 million (US\$63 million) available to us in undrawn facilities, which have expired or will expire before 2010, and long-term loans of NT\$528 million (US\$17 million) available to us in undrawn facilities, which have expired or will expire before December 2015. To meet our liquidity, capital spending and other capital needs, we have taken certain steps discussed below.

ChipMOS Taiwan requested and received from its bank creditors loan repayment extensions and modifications of certain terms on its loans due from 2009 to 2013. Key extended repayment terms and conditions include: agreement by ChipMOS Taiwan to set aside NT\$50 million per month with Bank of Taiwan for repayment of bank loans; agreement by all the banks that have loans due from ChipMOS Taiwan in 2009 to 2013, to not unilaterally foreclose and seize any machinery, property or deposits of ChipMOS Taiwan; and agreement by these banks to waive any penalties that might have to be imposed on the Company in case of breach under the original loan agreements. This loan repayment schedule is further discussed under Note 15 to our consolidated financial statements contained in this Annual Report on Form 20-F.

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Our bank creditors provided us with a waiver in February 2010 relating to any potential covenant breaches under a syndicated loan facility agreement with Standard Chartered Bank (Hong Kong) Limited as agent. We have provided written notice to the indenture trustee for our outstanding convertible notes due 2011 and 2014, respectively, about the nature of these negotiations with our bank creditors that led to our receipt of the waiver. Under the indenture for these notes, an event of default would occur if our repayment obligations under the facility accelerate, if the indenture trustee or holders of at least 25% in aggregate principal amount of these notes deliver notice of this potential default and if this default is not cured within 30 days after notice. Although there can be no assurances that as a result of the loan repayment schedule extension and waiver we will eventually attain profitable operations or will have sufficient liquidity to finance our ongoing obligations and operations, we believe that they significantly improve our cash position and reduce our net current liabilities. See “Item 3. Key Information—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” 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,			
	2007 NT\$	2008 NT\$ (in millions)	2009 NT\$	2009 US\$
Net cash provided by (used in):				
Operating activities	\$ 10,882.9	\$ 5,164.2	\$ 781.0	\$ 24.4
Investing activities	(12,212.1)	(2,296.9)	(1,042.5)	(32.6)
Financing activities	528.1	(1,395.3)	(2,503.8)	(78.3)
Effect of exchange rate changes on cash	38.8	46.3	(1.8)	(0.1)
Net increase (decrease) in cash	<u>\$ (762.3)</u>	<u>\$ 1,518.3</u>	<u>\$ (2,767.1)</u>	<u>\$ (86.6)</u>

### ***Net Cash Provided by Operating Activities***

Net cash provided by operating activities totaled NT\$781 million (US\$24 million) in 2009, compared to NT\$5,164 million in 2008. The decrease in net cash provided by operating activities was primarily due to allowance for doubtful receivables, which decreased to NT\$1,065 million (US\$34 million) in 2009 from NT\$2,292 million in 2008 and an increase in accounts receivables of NT\$1,241 million (US\$39 million) in 2009, compared to a decrease of accounts receivable of NT\$1,175 million in 2008. The decrease in net cash provided by operating activities was also attributable to a decrease in impairment loss on property, plant and equipment to NT\$26 million (US\$814 thousand) in 2009 from NT\$1,599 million in 2008. The decrease in impairment loss on property, plant and equipment was primarily the result of the recovery of the semiconductor industry compared with 2008.

Net cash provided by operating activities totaled NT\$5,164 million in 2008, compared to NT\$10,883 million in 2007. The decrease in net cash provided by operating activities was primarily due to a net loss of NT\$7,270 million in 2008, compared to net income of NT\$2,219 million in 2007. Allowance for doubtful receivables increased to NT\$2,292 million in 2008 from NT\$130 million in 2007. This increase was primarily due to the deteriorating financial condition of key customers as a result of the downturn in general economic conditions in 2008. The decrease in net cash provided by operating activities was also partially offset by an increase in impairment loss on property, plant and equipment of NT\$1,599 million in 2008, compared to nil in 2007. The increase in impairment loss on property, plant and equipment was primarily the result of the decline in revenue from testing and assembly semiconductors which caused a decrease in cash inflows from the use of the related machinery and resulted in the recoverable amount of certain equipment being lower than the carrying value.

### ***Net Cash Used in Investing Activities***

Net cash used in investing activities totaled NT\$1,043 million (US\$33 million) in 2009, compared to NT\$2,297 million in 2008. The decrease in net cash used in investing activities was primarily the result of a decrease in capital expenditures budget for 2009 prepared in 2008 in view of the global economic downturn. Capital expenditures were NT\$1,245 million (US\$39 million) in 2009, compared to NT\$2,391 million in 2008.

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Net cash used in investing activities totaled NT\$2,297 million in 2008, compared to NT\$12,212 million in 2007. The decrease in net cash used in investing activities was primarily the result of a decrease in capital expenditures. Capital expenditures were NT\$2,391 million in 2008, compared to NT\$6,633 million in 2007. We incurred significantly higher capital expenditures in 2007 primarily due to the capacity expansion for our agreement with Spansion. Cash payments incurred in connection with acquisitions of subsidiaries, which were nil in 2008, compared to NT\$5,305 million in 2007, related primarily to our acquisition of Siliconware Precision's shares of ChipMOS Taiwan in March 2007 and our exchange transaction with ChipMOS Taiwan on September 14, 2007.

### ***Net Cash Used in and Provided by Financing Activities***

Net cash used in financing activities totaled NT\$2,504 million (US\$78 million) in 2009, compared to NT\$1,395 million in 2008. The increase in net cash used in financing activities was primarily the result of the net payments of bank loans of NT\$382 million (US\$12 million) in 2009, compared to the net proceeds of NT\$1,496 million in 2008 and net payments of long-term loans of NT\$1,573 million (US\$49 million) in 2009, compared to net proceeds of NT\$1,386 million in 2008. This was partially offset by net payments of convertible notes of NT\$517 million (US\$16 million) in 2009, compared to net payments of NT\$3,498 million in 2008.

Net cash used in financing activities totaled NT\$1,395 million in 2008, compared to net cash provided by financing activities NT\$528 million in 2007. The increase in net cash used in financing activities was primarily the result of a decrease in convertible notes. Payments on convertible notes were NT\$3,498 million in 2008, compared to NT\$244 million in 2007, primarily due to the buy back of convertible notes in 2008. The increase in net cash used in financing activities was also partially offset by an increase in proceeds from bank loan of NT\$1,788 million in 2008, compared to NT\$396 million in 2007.

### ***Capital Resources***

Capital expenditures in 2007 were funded by NT\$10,883 million in cash flows from operating activities and NT\$528 million in cash flows from financing activities, mainly comprising new bank borrowings. Capital expenditures in 2008 were funded by NT\$5,164 million in cash flows from operating activities. Capital expenditures in 2009 were funded by NT\$781 million (US\$24 million) in cash flow 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, 2009, we had long-term loans of NT\$12,793 million (US\$400 million) (including current portions of such long-term loans of NT\$1,554 million (US\$49 million)). All of our outstanding long-term loans as of December 31, 2009 were drawdown under various bank loans and syndicated loan facilities. As of December 31, 2009, NT\$8,278 million (US\$259 million) of our long-term loans were collateralized by equipment, and NT\$1,535 million (US\$48 million) were collateralized by land and buildings. Of our long-term loans, in the aggregate:

- NT\$10,529 million (US\$330 million) were floating rate loans with a rate between 1.065% and 3.41% as of December 31, 2009 repayable quarterly, semi-annually or totally until December 2015;
- NT\$119 million (US\$4 million) were fixed rate loans with a rate of 4.69% as of December 31, 2009 repayable quarterly until November 2011; and
- US\$67 million (NT\$2,145 million) were floating rate loans with a rate of 1.26219% as of December 31, 2009 repayable quarterly, or totally until August 2011.

As of December 31, 2009, we had entered into the following syndicated loan facilities:

- On March 21, 2003, we obtained a syndicated loan facility in the amount of NT\$1,000 million. This loan facility is separated into two parts with its respective term of seven years and five years. This loan facility is secured by ThaiLin's facilities and the testing equipment at Chupei. As of December 31, 2009, this loan facility was fully drawn.
- On July 27, 2004, we obtained a syndicated loan facility in the amount of NT\$1,000 million for a term of five years. This loan facility is secured by our facilities at the Southern Taiwan Science Park and our testing and assembly equipment located within our facilities at Chupei, the Hsinchu Science Park and the Southern Taiwan Science Park. As of December 31, 2009, this loan facility was fully drawn.
- On June 7, 2005, we obtained a syndicated loan facility in the amount of NT\$1,000 million for a term of four years. This loan facility is secured by our facilities at the Hsinchu Science Park. As of December 31, 2009, this loan facility was fully drawn.

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- In January 2006, we obtained a syndicated loan facility from banks in Taiwan in the amount of NT\$6,000 million for a term of five years. This loan facility is secured by our facilities at the Hsinchu Science Park and our testing and assembly equipment located within our facilities at Chupei, the Hsinchu Science Park and the Southern Taiwan Science Park. As of December 31, 2009, this loan facility was fully drawn.
- 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 adjusted to NT\$1,500 million. As of December 31, 2009, this loan facility was fully drawn.
- In June 2007, we obtained a syndicated loan facility from banks in Taiwan in the amount of NT\$6,000 million for a term of five years. This loan facility is secured by our facilities at the Southern Taiwan Science Park and equipment located within our facilities at Chupei, the Hsinchu Science Park and the Southern Taiwan Science Park. As of December 31, 2009, NT\$2,100 million (US\$66 million) was drawn under this loan facility.
- In July 2008, we obtained a syndicated loan facility from banks in Taiwan in the amount of US\$74.5 million (NT\$2,380 million) for a term of three years. This loan facility is guaranteed by ChipMOS Taiwan. As of December 31, 2009, this loan facility was fully drawn.

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

- maintain a current assets to current liabilities ratio above 1:2 and 1:1;
- maintain total indebtedness to shareholders' equity (excluding goodwill and other intangible assets) ratio below 1.5:1;
- maintain total indebtedness to shareholders' equity ratio below 1.2:1; and
- maintain the earnings before interest, taxes, depreciation and amortization to gross interest expense ratio above 2:1 and 2.5:1.

As of December 31, 2009, ThaiLin was waived from compliance of the times interest earned ratio requirement for 2009, and ChipMOS Taiwan was waived from compliance of the financial ratio requirements for 2008 and 2009. Pursuant to a bank creditors meetings and the approval notice from Standard Chartered Bank on February 9, 2010, ChipMOS Bermuda, as borrower, and ChipMOS Taiwan, as guarantor, were waived from compliance of the financial ratio requirements as of December 31, 2008 and December 31, 2009.

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

Set forth below are the maturities of our long-term bank loans outstanding as of December 31, 2009:

	As of December 31, 2009	
	NT\$	US\$
	(in millions)	
During 2010	\$ 1,554	\$ 49
During 2011	5,803	181
During 2012	3,224	101
During 2013	1,867	58
During 2014 and onwards	345	11
	<u>\$ 12,793</u>	<u>\$ 400</u>

As of December 31, 2009, certain of our land and buildings and machinery with an aggregate net book value of NT\$5,901 million (US\$185 million) and NT\$9,334 million (US\$292 million), respectively, were pledged as collateral in connection with our long-term borrowings. Approximately 73% of our net property, plant and equipment in terms of book value was pledged as collateral for our long-term loans.

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Our unused credit lines for short-term loans, as of December 31, 2009, totaled NT\$2,020 million (US\$63 million), which have expired or will expire before 2010. As of December 31, 2009, we had available undrawn long-term credit facilities totaling NT\$528 million (US\$17 million).

As of December 31, 2009, we had credit loans for imports of machinery in the total amount of NT\$15 million (US\$469 thousand), which are due between March 2010 and April 2010. We also had a short-term credit loan for importing raw materials and equipment in the total amount of NT\$165 million (US\$5 million), which is due between January 2010 and June 2010, and loans for import in the total amount of NT\$95 million (US\$3 million), which is due by August 2010, and short-term working capital loan in the total amount of NT\$2,088 million (US\$65 million), which is due by December 2010.

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 June 2011. See “Item 3. Key Information—Risk Factors—Risks Relating to Our Business—Our significant amount of indebtedness and interest expense will limit our cash flow and could adversely affect our operations”. 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.

### ***Capital Lease Obligations***

ChipMOS Taiwan negotiated with its lessors and converted the leases of certain equipment into capital leases in November 2009. As of December 31, 2009, ChipMOS Taiwan had capital lease obligations of NT\$2,275 million (US\$71 million) to be repaid between 2010 and 2013, with an interest rate between 3.9567% to 3.9609%. The leased equipment and the corresponding capital leases payable are recorded at the lower of the fair value of the leased equipment and the present value of the minimum lease payments of such assets. Under the capital leases, ChipMOS Taiwan is required to maintain certain financial ratios, beginning in 2010.

### ***Convertible Notes***

As of March 31, 2010, we had approximately US\$42 million of convertible notes outstanding, including US\$19 million in notes held by ThaiLin, ChipMOS Taiwan’s 42.9% owned subsidiary.

On November 3, 2004, ChipMOS Bermuda issued US\$85 million of 1.75 % Convertible Senior Notes due 2009 (the “2004 Notes”), with a conversion price of US\$7.85 per share (which was later adjusted to a conversion price of US\$6.28 per share). In December 2004, we repurchased and cancelled approximately US\$1 million of the 2004 Notes. In October 2006, we made an induced conversion offer to the noteholders of the 2004 Notes in which noteholders converted approximately US\$7 million in aggregate principal amount of the 2004 Notes into a combination of common shares and cash. In November 2006, we repurchased approximately US\$6 million in aggregate principal amount of the 2004 Notes pursuant to the noteholders’ put option under the indenture. In 2007, ThaiLin, ChipMOS Taiwan’s 42.9% owned subsidiary, purchased approximately US\$9 million of the 2004 Notes. During 2008, we repurchased approximately US\$15 million of the 2004 Notes. In October 2009, we completed the closing of two privately negotiated transactions with two investors holding, in aggregate, US\$54 million of the 2004 Notes. In the first transaction, the Company and an institutional investor completed the exchange of US\$45 million in outstanding 2004 Notes for US\$15 million in cash and US\$16 million of the 10% Notes (as defined below) issued pursuant to an indenture with The Bank of New York Mellon as indenture trustee. In the second transaction, the Company and ThaiLin, ChipMOS Taiwan’s 42.9% owned subsidiary, completed an exchange of US\$9 million in outstanding 2004 Notes for US\$3 million of the 10% Notes issued by us and US\$6 million of the 8% Notes (as defined below). The remaining 2004 Notes, approximately US\$2 million, were repaid in full at maturity.

In September 2006, we issued 3.375% Convertible Senior Notes due 2011 with a conversion price of US\$6.85 per share, issued pursuant to an indenture with The Bank of New York Mellon as the indenture trustee (the “2006 Notes”). In 2007, we repurchased approximately US\$1 million in aggregate principal amount of the 2006 Notes. In 2008, we repurchased approximately US\$97 million in aggregate principal amount of the 2006 Notes, primarily pursuant to the put option offered under the indenture. As of March 31, 2010, approximately US\$2 million of the 2006 Notes were outstanding.

In October 2009, ThaiLin purchased additionally US\$10 million of the 8% Notes at face value. In December 2009, we entered into purchase agreements with seven investors (the “Purchasers”) for the purchase of the 8% Notes at face value and in the principal aggregate amount of US\$10 million. The Purchasers included the Chairman and Chief Executive Officer of the Company, Mr. Shih-Jye Cheng, who purchased the 8% Notes in the principal amount of US\$1 million on the same terms and conditions as the other Purchasers. The closing occurred on December 29, 2009 for all Purchasers other than PacMOS and the Chairman of PacMOS, Mr. Chi Hung Yip. The closing for PacMOS and Mr. Chi Hung Yip (in the aggregate amount of US\$5 million) occurred in March 2010.

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In 2009, we issued the following convertible notes, convertible into our common shares, US\$35 million of which, as of March 31, 2010, was outstanding (collectively, the “2009 Notes”):

- US\$11 million of 10% Convertible Senior Notes due 2014 with conversion price of US\$1.50 per share, issued pursuant to an indenture with The Bank of New York Mellon as indenture trustee (the “10% Notes”);
- US\$3 million of 10% Senior Convertible Bonds due 2014 with a conversion price of US\$1.50 per share, pursuant to notes issued by us directly to a noteholder thereof (also, the “10% Notes”); and
- US\$21 million of 8% Senior Convertible Bonds due 2014 with conversion price of US\$1.25 per share, pursuant to notes issued by us directly to the noteholders thereof (the “8% Notes”).

In March 2010, we issued US\$5 million of 8% Senior Convertible Bonds due 2015, upon the same commercial terms as the 8% Notes (the “2010 Notes”).

The 2009 Notes and 2010 Notes are all “PIK notes,” or payment in kind notes. Interest is payable on a quarterly basis and the Company has the option, subject to the satisfaction of certain conditions, of paying interest in cash or common shares or a combination thereof. When interest is paid in our common shares, the number of common shares is equal to the amount of interest payable in common shares divided by the volume weighted average price of our common shares over a period of 10 consecutive trading days ending on the sixth trading day prior to the applicable payment date. In addition, upon conversion, an amount equal to the sum of any make-whole amount and any accrued and unpaid interest relating to the portion of the notes being converted is payable to the converting holder. The make-whole amount is the amount of interest that would have accrued from the applicable conversion date, change of control repurchase date or redemption date, as the case may be, until the stated maturity, discounted to the present value using the published yield on U.S. treasury notes having a comparable remaining tenor on the determination date plus 50 basis points; provided that the additional 50 basis points is not added if the applicable treasury note rate is greater than two percent (2%).

The common shares convertible from the 10% Notes issued pursuant to an indenture with The Bank of New York Mellon will be freely tradable within the United States without restriction or further registration under the Securities Act. See “Item 7. Major Shareholders and Related Party Transactions—Major Shareholders” for more information. With respect to the common shares convertible from the 10% Notes issued by us and the 8% Notes, we have entered into registration rights agreements with each purchaser of those bonds.

Pursuant to the terms of the 2006 Notes, 2009 Notes and 2010 Notes, if certain fundamental changes occur, the noteholders have the right to require us to purchase the 2006 Notes, 2009 Notes and 2010 Notes at a repurchase price equal to 100% of the principal amount plus any accrued and unpaid interest on those notes to, but excluding, the repurchase date. Generally, a “fundamental change” will be deemed to have occurred if:

- any “person” other than us and our subsidiaries is or becomes the beneficial owner of more than 50% of our common shares;
- during any period of two consecutive years, individuals who at the beginning of such period constituted our board of directors cease for any reason to constitute a majority of our board of directors then in office;
- the termination of trading of our common shares; or
- certain mergers or consolidation involving us or the sale of all or substantially all of our assets.

The holders’ right to require us to repurchase the 2006 Notes, 2009 Notes and 2010 Notes upon the occurrence of a fundamental change is subject to a number of exceptions, including a trading price exception pursuant to which the repurchase right will not be exercisable if the trading price of our common shares exceeds a certain percentage of the conversion price.

The conversion prices of the 2006 Notes, 2009 Notes and 2010 Notes are subject to customary anti-dilution adjustments upon the occurrence of certain events, including the declaration of stock dividends on our common shares and the repurchase of our common shares for consideration in excess of the market price.

See “Item 3. Key Information—Risk Factors—Risks Relating to Economic Conditions and the Financial Markets” for additional information. For a discussion of the accounting for the conversion feature of the convertible notes under US GAAP, see “— Critical Accounting Policies—Convertible Notes” and “— US GAAP Reconciliation”.

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### 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, 2009, we had no off-balance sheet arrangements.

### US GAAP Reconciliation

Our consolidated financial statements are prepared in accordance with ROC GAAP, which differs in certain material respects from US GAAP. The following table sets forth a comparison of our net income, total assets and shareholders’ equity in accordance with ROC GAAP and US GAAP for the periods indicated:

	Year ended as of December 31,			
	2007 NT\$	2008 NT\$	2009 NT\$	2009 US\$
(in millions)				
Net income (loss) attributable to ChipMOS in accordance with:				
ROC GAAP	\$ 2,219.2	\$ (7,270.3)	\$ (4,418.7)	\$(138.3)
US GAAP	2,901.7	(7,177.7)	(4,550.3)	(142.4)
Total assets in accordance with:				
ROC GAAP	45,316.1	35,441.6	30,356.2	950.1
US GAAP	45,266.0	35,157.0	30,116.4	942.6
Total equity (including noncontrolling interests) in accordance with:				
ROC GAAP	22,248.1	14,542.8	9,952.2	311.5
US GAAP	21,650.9	14,154.2	9,433.6	295.3

Note 26 to our consolidated financial statements contained in this Annual Report on Form 20-F describes the principal differences between ROC GAAP and US GAAP as they relate to us, and a reconciliation to US GAAP of certain items, including net income and shareholders’ equity. Differences between ROC GAAP and US GAAP which have an effect on our net income as reported under ROC GAAP relate to, among other things, accrual for bonuses to employees, directors and supervisors, share-based compensation and accounting for our convertible notes.

Under FASB ASC 718, share-based compensation transactions are generally required to be accounted for using a fair-value-based method and recognized as expenses in the consolidated statements of operations. The standards became effective for the first interim period beginning after December 15, 2005. For more information, see “— Critical Accounting Policies—Share-Based Compensation” and Notes 26k and 27h to our consolidated financial statements contained in this Annual Report on Form 20-F.

Under FASB ASC 815, we are required to bifurcate and separately account for the conversion feature of our convertible notes as embedded derivatives contained in the convertible notes. Under US GAAP, we are required to carry these embedded derivatives on our balance sheet at fair value and changes in fair values of these embedded derivatives are reflected in the consolidated statement of operations. The change in fair value for embedded derivative liabilities for the conversion feature for the year ended December 31, 2009 under US GAAP was NT\$51 million (US\$2 million) and the resulting net loss for the year ended December 31, 2009 under US GAAP was approximately NT\$4,550 million (US\$142 million). For more information, see Notes 26j and 27i to our consolidated financial statements contained in this Annual Report on Form 20-F.

### Recent Accounting Pronouncements

See Note 27a to our consolidated financial statements contained in this Annual Report on Form 20-F for a description of the authoritative accounting principals recognized by the Financial Accounting Standards Board (“FASB”), FASB’s issuance of FASB Accounting Standard certification guidance and the extent to which these have an impact on the items reflected in our consolidated financial statements.



## Non-GAAP Financial Information Derived from US GAAP Measures

To supplement our consolidated income statement for the year ended December 31, 2009 on a ROC GAAP basis, our management uses a non-GAAP measure of net loss, which is net loss pursuant to US GAAP adjusted to exclude two non-cash items referred to as special items. The two non-cash items excluded are changes in the fair value of the embedded derivative liabilities and amortization of discount on convertible notes. These items are considered by the management to be outside of our core operating results. For example, changes in the fair value of the embedded derivative liabilities relate heavily to the price of our company's common shares, interest rate and volatility, all of which are difficult to predict and outside of the control of our management.

For these reasons, our management uses non-GAAP adjusted measures of net income and non-GAAP net income per share, both derived from US GAAP measures to evaluate the performance of our core businesses and to estimate future core performance. In addition, this information facilitates our management's internal comparisons to our historical operating results as well as to the operating results of our competitors.

Our management finds these supplemental non-GAAP measures to be useful, and believes these non-GAAP measures are useful to investors in enabling them to perform additional analyses of past, present and future operating performance and as a supplemental means to evaluate our core operating results. However, readers are reminded that non-GAAP numbers are merely a supplement to, and not a replacement for, ROC GAAP or US GAAP financial measures. They should be read in conjunction with ROC GAAP and US GAAP financial measures. It should be noted as well that our non-GAAP information may be different from the non-GAAP information provided by other companies.

The following table sets forth, for the year ended December 31, 2009, reconciliation of US GAAP net loss to non-GAAP net loss:

	Year ended December 31, 2009	
	NT\$	US\$
	(in millions, except for per share data)	
<b>US GAAP Net Loss Attributable to ChipMOS (Basic)<sup>(1)</sup></b>	<b>\$ (4,550.3)</b>	<b>\$ (142.4)</b>
US GAAP Net Loss Attributable to ChipMOS (Diluted)	(4,909.2)	(153.7)
<b>Special Items (in Non-Operating Income (Expenses), Net)</b>		
Changes in the fair value of the embedded derivative liabilities <sup>(2)</sup>	(50.7)	(1.6)
Amortization of discount on convertible notes <sup>(3)</sup>	92.3	2.9
Total Special Items	41.6	1.3
Non-GAAP Adjusted Net Loss Attributable to ChipMOS (Basic)	\$ (4,508.7)	\$ (141.1)
Non-GAAP Adjusted Net Loss Attributable to ChipMOS (Diluted)	\$ (4,820.6)	\$ (150.9)
<b>US GAAP Net Loss Per Share (Basic)</b>	<b>\$ (57.50)</b>	<b>\$ (1.80)</b>
Adjustment for special items	0.52	0.02
Non-GAAP Net Loss Per Share (Basic)	\$ (56.98)	\$ (1.78)
US GAAP Net Loss Per Share (Diluted)	\$ (59.15)	\$ (1.85)
Adjustment for special items	1.07	0.03
Non-GAAP Net Loss Per Share (Diluted)	\$ (58.08)	\$ (1.82)

(1) Reflects the US GAAP adjustments as described in Note 26 of the notes to the consolidated financial statements contained in this Annual Report on Form 20-F.

(2) The management of our company believes excluding non-cash special item for the changes in the fair value of the embedded derivative liabilities from its non-GAAP financial measure of net income is useful for itself and investors as such gain does not have any impact on cash available to our company.

(3) The management of our company believes excluding non-cash amortization expense of discount on convertible notes from its non-GAAP financial measure of net income is useful for itself and investors as such expense does not have any impact on cash available to our company.



## Taxation

ChipMOS Taiwan was granted a ROC income tax exemption for a period of four years on income attributable to the expansion of its production capacity as a result of purchases of new equipment funded by capital increases in 1998, 1999 and 2000. The tax exemption relating to the expansion of production capacity in 1998 and 1999 expired on December 31, 2002. The tax exemption relating to the expansion of production capacity in 2000 expired on December 31, 2005. The tax exemption relating to the expansion of production capacity in 2001 expired on December 31, 2008, and has resulted in tax savings for ChipMOS Taiwan of approximately NT\$135 million in 2007.

ChipMOS Taiwan is also entitled to other 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 2007, 2008 and 2009, tax credits resulted in tax savings for ChipMOS Taiwan of approximately NT\$623 million, NT\$161 million and nil, respectively.

ThaiLin was granted a ROC income tax exemption for a period of five years on income attributable to the expansion of its production capacity as a result of purchases of new equipment funded by capital increase in 2002, which expired on December 31, 2009. This has resulted in tax savings for ThaiLin of approximately NT\$25 million in 2007, approximately NT\$153 million in 2008 and nil in 2009.

ThaiLin is also entitled to other tax incentives generally available to Taiwan companies under the ROC Statute of Upgrading Industries, including tax credits of 5% to 7% for certain investment in automated equipment and technology. These tax credits must be utilized within five years from the date on which they were earned. In addition, except for the last year of the five-year period, the aggregate tax reduction from these tax credits for any year cannot exceed 50% of such year's income tax liability. In 2007, 2008 and 2009, tax credits resulted in tax savings for ThaiLin of approximately NT\$101 million, NT\$5 million and nil, respectively.

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

The ROC government enacted the ROC Alternative Minimum Tax Act ("AMT Act") that became effective on January 1, 2006. The alternative minimum tax ("AMT") imposed under the AMT Act is a supplemental tax which is payable if the income tax payable pursuant to the ROC Income Tax Act is below the minimum amount prescribed under the AMT Act. The taxable income for calculating the AMT includes most income that is exempted from income tax under various legislations, such as tax holidays and investment tax credits. The AMT rate for business entities is 10%. 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 in 2009 were not significant.

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.

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### Tabular Disclosure of Contractual Obligations and Commercial Commitments

The following table summarizes our contractual obligations and commitments as of December 31, 2009 for 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 debt <sup>(1) (2)</sup>	\$17,474.8	\$2,740.3	\$10,915.2	\$3,656.7	\$ 162.6
Short-term loans <sup>(1)</sup>	2,391.1	2,391.1	—	—	—
Operating leases	348.3	116.9	45.8	45.8	139.8
Capital commitments	964.9	964.9	—	—	—
<b>Total contractual cash obligations</b>	<b>\$21,179.1</b>	<b>\$6,213.2</b>	<b>\$10,961.0</b>	<b>\$3,702.5</b>	<b>\$ 302.4</b>

(1) Includes interest payments. Assumes level of relevant interest rates remains at December 31, 2009 level throughout all relevant periods.

(2) Includes capital lease obligations.

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 nine directors, eight of whom were elected by our shareholders and one of whom was appointed by directors to fill a vacancy on our board. The number of directors, which must not be less than three nor greater than nine according to our bye-laws, is set by our directors but so long as a quorum of directors remains in office, casual vacancies on the board may be filled by the board. The quorum for a meeting of the directors is set by the board and otherwise is two in number. The chairman of the board is appointed from among the members of the board.

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

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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, 2010. The business address for our directors and executive officers is No. 1, R&D Road 1, Hsinchu Science Park, Hsinchu, Taiwan, Republic of China.

Name	Age	Position	Term Expires
Shih-Jye Cheng	52	Chairman and Director/Chief Executive Officer	2011
Antonio R. Alvarez	54	Independent Director	2011
Chin-Shyh Ou	53	Independent Director	2011
Hsing-Ti Tuan	66	Director	2012
Yeong-Her Wang	54	Independent Director	2012
Shou-Kang Chen	49	Chief Financial Officer and Director	2012
Pierre Laflamme	64	Deputy Chairman and Independent Director	2010
Chao-Jung Tsai	56	Director	2010
Rong Hsu	60	Independent Director	2010
Adam Hsien	51	Acting President of ChipMOS Shanghai	—
Lafair Cho	48	President of ThaiLin	—
Li-Chun Li	53	Chief Operating Officer	—
Steve Cheng	48	President of ChipMOS USA	—
Joyce Chang	49	Vice President, LCDD Production Group	—
Michael Lee	45	Vice President, Wafer Sort Business Unit	—
Ivan Hsu	44	Vice President, Memory Production Group	—
Jesse Huang	44	Vice President, Assembly Production Group	—
David W. Wang	62	Vice President, Research & Strategy Development Center	—

*Shih-Jye Cheng* has served as one of our directors and chief executive officer since our inception. He was our deputy chairman from our inception to May 2004 and became our chairman in 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 since 2002. 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 from 2002 to November 2005, the chairman of ChipMOS Logic from January 2004 to November 2005, the chairman of Advanced Micro Chip Technology Co., Ltd. from 2003 to April 2004 and a director of Ultima Electronics Corp. from 2000 to June 2003. He was a division head of the back-end operation of Mosel from 1992 to 1997. Mr. Cheng has a master's degree in business administration from Saginaw Valley State University. Mr. Cheng is currently under indictment of the Taipei District Prosecutor's Office for matters relating to the purchase by ChipMOS Taiwan and ThaiLin of certain repurchase notes in 2004. Although Mr. Cheng was found not guilty by the Taipei District Court on October 1, 2007, the prosecutor appealed the Taipei District Court's decision on October 27, 2007. For more information, please see "Item 3. Key Information—Risk Factors—Risks Relating to Our Business—The ongoing criminal proceeding of and adverse publicity associated with Mr. Shih-Jye Cheng, our Chairman and Chief Executive Officer, and Mr. Hung-Chiu Hu, our former director, could have a material adverse effect on our business and cause our stock price to decline".

*Antonio R. Alvarez* has served as one of our directors from July 2005. Mr. Alvarez was president and chief executive officer of Leadis Technology Inc. from November 2005 to January 2009 and is currently a director. Since March 2006, he has been a member of the board of directors of Validity Sensors Inc. 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.

*Chin-Shyh Ou* has served as one of our directors since August 2008. 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 then became 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 executive MBA program and Graduate Institute of Accounting and Information Technology of National Chung Cheng University in 1999. Mr. Ou holds a master's 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 currently is the executive vice president of ProMOS Technologies Inc. and has served as a director of ProMOS since 1997. Mr. Tuan was president of Mosel Vitelic Corp., USA from 1994 to 2009. Mr. Tuan was the acting president of Mosel from November 2004 to December 2005 and previously served as the executive vice president of their research and development division. He was also the vice president of Mosel from 1992 to 1996. Mr. Tuan also serves as a director of Mosel and SyncMOS Technology International. 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.

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*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 since 2007. 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. Mr. Wang holds Ph.D., master's and bachelor's degrees from National Cheng Kung University in Taiwan.

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

*Pierre Laflamme* has served as one of our directors since February 2001, and as our deputy chairman since June 2005. Since July 2003, he has been engaged in international consultancy works and also participated in developing new residential housing concepts and projects. Since April 2007, he has been the chairman of the board of Capital BLF Inc., (ticker BLF.V on the TSX Venture). As of May 2009, he is a member of the Independent Valuation Committee of Solidarity Fund, a CAD\$6.9 billion investment fund in Canada. He was the president and chief operating officer of SGF Tech Inc. from January 2000 to July 2003. Before that, he was the vice president of high technology investments of Société Générale de Financement du Québec from 1997 to 2000. He was the senior vice president of Solidarity Fund from 1996 to 1997 and a deputy minister of the Quebec Prime Minister's Department from 1994 to 1996. Mr. Laflamme holds a bachelor's degree in Architecture from Université de Montréal.

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

*Rong Hsu* was appointed by our board of directors on October 1, 2008 to fill the vacancy from Mr. Takaki Yamada's resignation. He has served as one of our directors from July 2005 to August 2008. He has been the director of Corp. R&D, Delta Electronics 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.

*Adam Hsien* has served as the acting president of ChipMOS Shanghai since September 2006 and vice president since July 2006. He was executive vice president of Camtech Optronics Inc. from 2004 to 2006 and the director of the bumping operation division of He Jian Technology Inc. in Suzhou from 2003 to 2004. Mr. Hsien received a bachelor's degree in electrical engineering from Feng Chia University in Taiwan.

*Lafair Cho* has served as ThaiLin's 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 since October 2003. 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 Technologies Inc. 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.

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*Steve Cheng* 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.

*Joyce Chang* has served as ChipMOS Taiwan's vice president of LCD Driver production group since June 2004. She was assistant vice president of ChipMOS Taiwan from 2002 to 2004 and manager of ChipMOS Taiwan from 2000 to 2002. Ms. Chang received a bachelor's degree from Chung Yuan Christian University in Taiwan.

*Michael Lee* has served as ChipMOS Taiwan's vice president of wafer sort business unit since June 2004. He was assistant vice president of ChipMOS Taiwan from 2003 to 2004 and assistant vice president of King Yuan ELECTRONIC CO., LTD. from 2000 to 2003. 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* joined ChipMOS as vice president of research and strategy development center in 2007. Prior to joining ChipMOS, he served as the president of Fibra, Inc. from 2001 to 2007. Mr. Wang also served as a senior director of Lam Research Corporation in charge of product introduction and regional support teams of its etch group from 1996 to 2001. Mr. Wang also served in the microelectronics division of IBM as a manager in the packaging engineering, materials and process development and marketing departments. He holds a Ph.D. degree from the University of Michigan and is a member of Phi Lambda Upsilon.

### **Board Practice and Terms of Directorship**

Our board of directors consists of three classes of directors. The first class of directors, consisting of Shih-Jye Cheng, Antonio R. Alvarez and Chin-Shyh Ou, is up for re-election at the annual general meeting in 2011 and then every third annual general meeting thereafter. The second class, consisting of Hsing-Ti Tuan, Yeong-Her Wang and Shou-Kang Chen, is up for re-election at the annual general meeting in 2012 and then every third annual general meeting thereafter. The third class, consisting of Pierre Laflamme, Chao-Jung Tsai and Rong Hsu, is up for re-election at the annual general meeting in 2010 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.

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### Share Ownership

The following table sets forth certain information as of March 31, 2010 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 <sup>(1)</sup>	Exercise Price of Options (US\$)	Expiration Date of Options
Shih-Jye Cheng	1,166,299	1.3 <sup>(2)</sup> %	282,500	1.938-5.372	2012/8/31-2014/8/31
Antonio R. Alvarez	—	—	*	*	*
Chin-Shyh Ou	—	—	*	*	*
Hsing-Ti Tuan	*	*	*	*	*
Yeong-Her Wang	—	—	*	*	*
Shou-Kang Chen	*	*	*	*	*
Pierre Laflamme	—	—	*	*	*
Chao-Jung Tsai	—	—	*	*	*
Rong Hsu	—	—	*	*	*
Adam Hsieh	—	—	*	*	*
Lafair Cho	*	*	*	*	*
Steve Cheng	—	—	*	*	*
Li-Chun Li	—	—	*	*	*
Joyce Chang	*	*	*	*	*
Michael Lee	*	*	*	*	*
Ivan Hsu	*	*	*	*	*
Jesse Huang	*	*	*	*	*
David W. Wang	—	—	*	*	*

\* Upon exercise of options currently exercisable or vested within 60 days after March 31, 2010, would beneficially own less than 1% of our ordinary shares.

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

(2) As of March 31, 2010, Chairman Cheng beneficially owned US\$1 million in aggregate principal amount of our 8% Notes with a conversion price of US\$1.25 per share. If Chairman Cheng is to convert on an as converted basis, he would own 2.1% of our outstanding common shares as of March 31, 2010. As of the date of this Annual Report on Form 20-F, none of the 8% Notes beneficially owned by Chairman Cheng have been converted into our common shares.

### Compensation Committee

The aggregate compensation paid in 2009 to our directors and our executive officers, including cash, share bonuses and accrued pension payable upon retirement, was approximately NT\$62 million (US\$2 million). In 2009, we granted options to purchase 633,457 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 November 16, 2010, 2011, 2012 and 2013, except for certain options granted on August 31, 2009 and November 16, 2009 that vested on the date of grant.

Number of common shares issuable upon exercise of options	Expiration date	Exercise price (US\$)	Considerations paid for options granted
450,400	August 31, 2015	0.6375	None
70,000	August 31, 2019	0.6375	None
82,670	November 16, 2015	0.6375	None
30,387	November 16, 2019	0.6375	None

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

Our compensation committee currently consists of Messrs Antonio R. Alvarez and Pierre Laflamme and Dr. Rong Hsu. 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 and August 27, 2009, 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;

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- 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 Mr. Pierre Laflamme, 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 Investigation Committee**

On December 21, 2004, in connection with alleged embezzlement at Pacific Electric by our former directors, Mr. Hung-Chiu Hu and Mr. Jwo-Yi Miao, and money laundering by our former director, Mr. Robert Ma Kam Fook, our board established a special investigation committee to identify and investigate any past and present dealings between ChipMOS Bermuda, including any of its subsidiaries and affiliates, and Messrs. Hu, Miao and Ma, and any companies or entities affiliated with them. For additional information on the allegations, see “Item 3. Key Information—Risk Factors—Risks Relating to Our Business—The ongoing criminal proceeding of and adverse publicity associated with Mr. Shih-Jye Cheng, our Chairman and Chief Executive Officer, and Mr. Hung-Chiu Hu, our former director, could have a material adverse effect on our business and cause our stock price to decline”.

The special investigation committee was solely comprised of Messrs. Pierre Laflamme and Yeong-Her Wang, two of our company’s independent directors. Concurrent with the establishment of the special investigation committee, our board requested the resignations of Mr. Hu and Mr. Miao, who subsequently resigned from our board on June 2 and June 8, 2005, respectively. On December 21, 2004, our board also accepted the resignation of Mr. Ma. The special investigation committee engaged Ernst & Young as its forensic accounting advisor and Baker & McKenzie as its legal advisor to review transactions that were similar in nature to the transactions that allegedly implicated Messrs. Hu, Miao and Ma at Pacific Electric as well as significant related party transactions between ChipMOS Bermuda, including its subsidiaries and affiliates, and Messrs. Hu, Miao and Ma and any companies or entities affiliated with any of them. The special investigation committee also engaged Hong Kong counsel.



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On June 23, 2005, the special investigation committee presented its final report to our board of directors. The special investigation committee concluded that the review conducted by Ernst & Young and Baker & McKenzie did not reveal previously unknown information regarding losses suffered by ChipMOS Bermuda, other than a potential liability relating to a credit facility entered into with Trident (Asia) Investments Limited, or Trident, and HSH Nordbank AG, Hong Kong Branch, or Nordbank. The special investigation committee noted that total losses from transactions reviewed by it in the amount of NT\$454 million (US\$14 million), relating to impairment losses and realized losses of certain investments, were reflected in our 2002, 2003 and 2004 financial statements, and a potential decline in the value of our investment in respect of Ultima Technology Corp. (BVI). In 2005, we recognized an impairment loss of NT\$188 million (US\$6 million) as a result of the decline in the value of our investment to Ultima Technology Corp. (BVI). See Note 8 to our audited consolidated financial statements contained in this Annual Report on Form 20-F and “Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions”. The special investigation committee did not make any factual findings as to the business purpose of the transactions reviewed or as to persons at our company responsible for such transactions. On August 26, 2005, our board dissolved the special investigation committee.

The Special Investigation Committee provided the following recommendations to our board of directors:

- reinforce the internal controls related to our company’s investment decisions, including the design and adoption of comprehensive internal control procedures for investments in connection with our company’s implementation of the internal control procedures required to comply with Section 404 of the Sarbanes Oxley Act of 2002 (“Section 404”);
- strengthen the role of the board of directors in overseeing our company’s investment activities;
- develop an internal control mechanism applicable to our company’s selection of banks that our company will use for deposits so as to address both commercial risks and reputational risks; and
- develop more prudent and conservative procedures regarding the entry by our company into banking or other credit relationships.

As of December 31, 2006, we had taken the following measures to implement the recommendations of the Special Investigation Committee:

- engaged Ernst & Young to advise on the internal control over financial reporting requirements under Section 404, including testing and monitoring the effectiveness of our internal controls over financial reporting;
- enhanced the board of directors’ ability to oversee our financial activities by adopting new internal control procedures, pursuant to which decisions relating to derivatives, loans to others, endorsement and guarantee for third parties, and equity investments, exceeding certain limits, are subject to the board of directors’ approval; and
- reduced the risks inherent in banking or other credit activities by adopting new internal control procedures, under which the application for any credit line or the opening of any account at any overseas banks is required to be approved by the board of directors.

## **Special Committee**

In connection with the indictment of Mr. Shih-Jye Cheng by the Taipei District Prosecutor’s Office, our board of directors formed a special committee to evaluate the circumstances surrounding the indictment. As of March 31, 2010, the special committee was comprised of two independent directors, Messrs. Yeong-Her Wang and Pierre Laflamme. The special committee has engaged K&L Gates LLP (formerly Kirkpatrick & Lockhart Preston Gates Ellis LLP) as its independent international legal counsel and Baker & McKenzie as its independent ROC legal counsel, and Ernst & Young (formerly know as Diwan, Ernest & 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 are in the process of being remedied by our company and our subsidiaries.

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

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

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

## Employees

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

Function	As of December 31,			As of
	2007	2008	2009	March 31, 2010
General operations	3,601	2,716	3,001	3,137
Quality control	471	379	380	409
Engineering	1,580	1,350	1,299	1,313
Research and development	296	276	263	263
Sales, administration and finance	225	201	186	186
Others	408	364	370	372
<b>Total</b>	<b>6,581</b>	<b>5,286</b>	<b>5,499</b>	<b>5,680</b>

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
	2007	2008	2009	March 31, 2010
ChipMOS H.K. Taiwan Branch (Hsinchu)	15	11	—	—
ThaiLin (Hsinchu Industrial Park)	763	632	695	709
ChipMOS Taiwan Hsinchu Production Group	2,013	1,715	1,703	1,705
ChipMOS Taiwan Southern Taiwan Production Group	3,052	2,330	2,479	2,597
Shanghai	730	591	617	664
Japan and the United States	8	7	5	5
<b>Total</b>	<b>6,581</b>	<b>5,286</b>	<b>5,499</b>	<b>5,680</b>

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 5,800,000 to 9,000,000. In August 2006, we adopted a second broad-based share option plan, which has 7,000,000 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 complete 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.

In 2007, we granted 1,884,400 share options, with an exercise price ranging from US\$3.6380 to US\$6.4770 per share. In 2007, 228,631 share options were cancelled and 865,612 share options were exercised. In 2008, we granted 3,981,487 share options, with an exercise price ranging from US\$0.1870 to US\$2.9750 per share. In 2008, 763,229 share options were cancelled, 1,180,738 share options were expired and 127,850 share options were exercised. In 2009, we granted 1,977,577 share options, with an exercise price ranging from US\$0.2132 to US\$0.6375 per share. In 2009, 697,181 share options were cancelled, 385,001 share options were expired and nil share options were exercised. As of December 31, 2009, we had 10,153,958 share options outstanding, with an exercise price ranging from US\$0.1870 to US\$6.6300.

In September 2006 and August 2008, we adopted a share appreciation rights (“SARs”) plan pursuant to which we may issue up to 2,000,000 and 3,000,000 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 complete discretion over the administration of the share appreciation rights plan, including determining the recipients of the share appreciation right awards, the number of rights awarded, the exercise date, the exercise price and other relevant terms. Unless earlier terminated by our board of directors or the relevant board committee, the plan will remain effective until September 2016 and August 2018. In 2007, 582,000 SARs were granted, with an exercise price of ranging from US\$3.6380 to US\$6.4770. In 2007, 152,475 SARs were forfeited and 1,500 SARs were exercised. In 2008, 623,285 SARs were granted, with an exercise price of ranging from US\$0.1870 to US\$2.9750. In 2008, 367,890 SARs were forfeited. In 2009, 1,173,060 SARs were granted, with an exercise price of ranging from US\$0.2210 to US\$0.6375. In 2009, 204,662 SARs were forfeited. As of December 31, 2009, we had 2,853,928 SARs outstanding, with an exercise price ranging from US\$0.1870 to US\$6.4770.

## Item 7. Major Shareholders and Related Party Transactions

### Major Shareholders

The following table and information set out certain information as of March 31, 2010 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
Siliconware Precision Industries Co., Ltd <sup>(1)</sup>	12,174,998	13.3
Mosel Vitelic Inc. <sup>(2)(3)</sup>	11,194,644	12.3
ThaiLin Semiconductor Corp. <sup>(4)</sup>	6,493,998	7.1
DLS Capital Management, LLC <sup>(5)</sup>	5,229,367	5.7
Directors and executive officers, as a group <sup>(6)</sup>	1,439,191	1.6

(1) Siliconware Precision completed a share purchase and subscription transaction with ChipMOS Taiwan and us on March 27, 2007, pursuant to which we and ChipMOS Taiwan purchased all of Siliconware Precision's equity interest in ChipMOS Taiwan, and Siliconware Precision subscribed for 12,174,998 of our common shares through a private placement. See “Item 4. Information on the Company—Our Structure and History—ChipMOS TECHNOLOGIES INC”.

(2) Mosel owned 10,850,052 shares indirectly through Giant Haven, and 344,592 shares indirectly through Mou-Fu Investment Ltd. In June 2006, Mosel sold 6,956,522 common shares through its wholly-owned subsidiary, Giant Haven pursuant to our shelf registration statement. In July 2007, Mosel sold 8,121,266 common shares through Giant Haven to ProMOS and Powertech Technology, and we then granted Giant Haven, ProMOS and Powertech Technology certain rights to require us to register these common shares for sale under the Securities Act. Mosel is a public company listed on the Taiwan Stock Exchange whose largest known shareholder owned less than 4.3% of its outstanding shares as of April 19, 2010.

(3) Excludes shares owned by PacMOS Technologies Holdings Limited, or PacMOS, that may be beneficially owned by Mosel. See “Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Convertible Notes” for more information on PacMOS' holding of our convertible notes.

(4) From December 2008 to August 2009, ThaiLin acquired 2,025,455 shares accumulated from the Rule 10b5-1/10b-18 securities purchase program, which was initiated, after a 30-day “cooling off period”, on December 28, 2008, further acquired 4,060,633 shares in March 2009 pursuant to its enforcement of the collateral provided by ProMOS under the Stock Pledge Agreement entered into between ThaiLin and ProMOS dated December 3, 2008, and further acquired 407,910 shares in January 2010 pursuant to the interest shares payment of holding 2009 Notes.

(5) According to the market open information disclosed on the NASDAQ website at <http://www.nasdaq.com>.

(6) Excludes 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.

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According to the Schedule 13G/A filed by Highbridge International LLC, or Highbridge, on February 11, 2010, as of December 31, 2009, Highbridge beneficially owned US\$15.75 million in aggregate principal amount of our 10% Notes issued pursuant to an indenture with The Bank of New York Mellon, which are convertible into an aggregate of 10,499,895 of our common shares. As set forth in the terms of the 10% Notes owned by Highbridge, the number of the common shares of the Company into which the 10% Notes are convertible is limited to the number of common shares that would result in Highbridge having an aggregate beneficial ownership of not more than 9.99% of the total issued and outstanding common shares of the Company. As of March 31, 2010, US\$5 million of the convertible notes beneficially owned by Highbridge had been converted into approximately 6 million of our common shares. This conversion amount includes payment of any unpaid interest and make-whole amounts that accrued from the applicable conversion date, until the stated maturity, calculated in accordance with the terms and conditions of the 10% Notes. See “Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Convertible Notes” for a more detailed description of our convertible notes. As a result of Highbridge’s conversion right, Highbridge is treated as a major shareholder for the purpose of this section in this Annual Report on Form 20-F.

As of March 31, 2010, approximately 73% 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**

#### *Siliconware Precision Industries Co., Ltd.*

As of March 31, 2010, Siliconware Precision owned 13.3% of our outstanding common shares. On March 27, 2007, we completed a share purchase and subscription transaction with ChipMOS Taiwan and Siliconware Precision, under which we and ChipMOS Taiwan purchased all of Siliconware Precision’s equity interest in ChipMOS Taiwan, and Siliconware Precision subscribed to 12,174,998 of our newly issued common shares through a private placement. ChipMOS Taiwan became our wholly-owned subsidiary on September 14, 2007. In February 2010, we agreed to sell approximately 15.8% of ChipMOS Taiwan’s outstanding shares to Siliconware Precision. Upon completion of that share purchase transaction by March 2011, we will own approximately 84.2% of ChipMOS Taiwan’s outstanding shares. Siliconware Precision is an independent provider of semiconductor testing and packaging services. Siliconware Precision currently has, and is expected to continue to have from time to time in the future, contractual and other business relationships with us. From time to time, Siliconware Precision provides assembly services to us. Often, Siliconware Precision renders these assembly services directly to our customers through customer referrals from us. On January 1, 2001, ChipMOS Taiwan entered into a subcontracting agreement for a term of two years with Siliconware Precision, pursuant to which Siliconware Precision is obligated to provide assembly services to us. This agreement was extended for another two years from January 2004 to December 2005. In 2007 and 2008, we did not outsource to Siliconware Precision any sales. Sales to Siliconware Precision in 2009 was NT\$195 thousand (US\$6 thousand).

#### *Mosel Vitelic Inc.*

As of March 31, 2010, Mosel indirectly owned 12.3% of our outstanding common shares. Mosel designs and manufactures semiconductor products, including SRAM, flash memory, LCD and other flat-panel display driver semiconductors and power-related semiconductors. Mosel and its affiliates currently have, and are expected to continue to have from time to time in the future, contractual and other business relationships with us. Our relationships include the following:

- Rental revenue from Mosel was NT\$2 million in 2006.
- In 2007, 2008 and 2009, we paid NT\$148 thousand, NT\$148 thousand and NT\$148 thousand (US\$5 thousand) in website fees to Mosel for provision of certain website services.

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

In March 2007, we issued 12,174,998 common shares pursuant to a share purchase and subscription agreement with ChipMOS Taiwan and Siliconware Precision, and we entered into a registration rights agreement, dated March 27, 2007, with Siliconware Precision, pursuant to which Siliconware Precision agreed not to sell or otherwise transfer any of our common shares it acquired in the share purchase and acquisition for a period of nine months after March 27, 2007, and we granted to Siliconware Precision certain rights, including demand registration, “piggyback” registration and Form F-3 registration rights, to require us to register its common shares for sale under the Securities Act. In addition, we entered into a registration rights agreement, dated August 8, 2007, with Giant Haven, ProMOS and Powertech Technology Inc., pursuant to which we granted to Mosel, ProMOS and Powertech Technology Inc. certain registration rights, including customary demand and “piggyback” registration rights, common shares for the sale of our common shares under the Securities Act. In March 2009, ThaiLin acquired 4,060,633 common shares from ProMOS pursuant to its enforcement of the collateral under a Stock Pledge Agreement entered into between ThaiLin and ProMOS dated December 3, 2008.

*DenMOS Technology Inc.*

We do not own any equity interest in DenMOS. As of March 31, 2010, Mosel directly owned 44.1% of common shares of DenMOS. Sales to DenMOS were NT\$32 million, NT\$9 million and NT\$1 million (US\$31 thousand) in 2007, 2008 and 2009, respectively.

On October 15, 2003, we entered into a long-term agreement with DenMOS, under which we reserve a specified amount of capacity for LCD and other flat-panel display driver semiconductor testing and assembly services to DenMOS and under which DenMOS guarantees to place orders in the amount of the reserved capacity for a period of 48 months. This agreement supersedes a similar agreement that we entered into on May 25, 2002. The long-term agreement was automatically terminated on December 31, 2006.

*SyncMOS Technologies Inc.*

We do not own any equity interest in SyncMOS Technologies, Inc., or SyncMOS. As of March 31, 2010, Mosel indirectly owned 41.5% of SyncMOS Technologies Inc. In 2007, 2008 and 2009, we provided storage services to SyncMOS and rental revenue from SyncMOS was NT\$2,208 thousand, NT\$2,208 thousand and NT\$2,208 thousand (US\$69 thousand), respectively.

*ChipMOS TECHNOLOGIES (Shanghai) LTD.*

ChipMOS Shanghai is a wholly-owned subsidiary of Modern Mind, which is one of our controlled consolidated subsidiaries. Under a technology transfer agreement dated August 1, 2002, 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.

On April 20, 2004, ChipMOS Hong Kong and ChipMOS Shanghai entered into an exclusive services agreement, pursuant to which ChipMOS Shanghai will provide its services exclusively to ChipMOS Hong Kong or customers designated by ChipMOS Hong Kong. Under the exclusive services agreement, ChipMOS Hong Kong will purchase and consign to ChipMOS Shanghai all of the equipment required to render those services. 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 Hong Kong may terminate the exclusive services agreement at any time by giving 30 days’ prior notice.

*CHANTEK ELECTRONIC CO., LTD.*

Chantek has been our consolidated subsidiary since April 2004. On November 21, 2005, Chantek merged into ChipMOS Taiwan, with ChipMOS Taiwan as the surviving entity. For additional information regarding the merger, see “Item 4. Information on the Company—Our Structure and History—ChipMOS TECHNOLOGIES INC”.

*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 is 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.

As of March 31, 2010, ThaiLin held 6,493,998 of our outstanding shares, corresponding to 7.1% of all of our outstanding shares. ThaiLin's current holding includes 4,060,633 shares or 4.5% of our outstanding 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, 2,025,455 shares or 2.2% of our outstanding shares accumulated from the Rule 10b5-1/10b-18 securities purchase program launched in December 2008, and 407,910 shares or 0.4% of our outstanding shares acquired pursuant to the interest shares payment of those holding the 2009 Notes.

ThaiLin has been our consolidated subsidiary since December 2003. On December 1, 2005, ChipMOS Logic merged into ThaiLin, with ThaiLin as the surviving entity. See, "Item 4. Information on the Company— Our Structure and History—ThaiLin Semiconductor Corp."

*ProMOS Technologies Inc.*

As of March 31, 2010, Mosel directly and indirectly owned 12.0% of ProMOS. Following the transfer of Mosel's DRAM business to ProMOS in 2003, sales to ProMOS accounted for 29% of our net revenue in 2007, 18% of our net revenue in 2008 and 6% of our net revenue in 2009.

On July 1, 2003, ChipMOS Taiwan entered into a long-term agreement with ProMOS, under which ChipMOS Taiwan reserves a specified amount of capacity for DRAM testing and assembly services to ProMOS and under which ProMOS guarantees to place orders in the amount of the reserved capacity. This agreement was superseded in July 2007, when ChipMOS Taiwan and ProMOS entered into a new long-term agreement with similar terms and conditions, except that under the new agreement, ProMOS will give ChipMOS six month rolling forecast on testing and assembly service orders to be placed to us, and ProMOS guarantees that such orders will represent no less than certain percentage of ProMOS' total production volume of these products (excluding OEM products). The price for the services of ChipMOS Taiwan under this agreement will be agreed upon quarterly, subject to certain price adjustments. If ChipMOS Taiwan is unable to test and assemble the agreed number of DRAM, ProMOS may use a third party to cover the shortfall and ChipMOS Taiwan may be liable for, among other damages, any operation loss of ProMOS caused by such delay or any additional costs in using a third party to cover the shortfall. If ProMOS fails to place orders in the amount of the reserved capacity, ChipMOS Taiwan is entitled to damages calculated based on the difference between the value of the reserved capacity and the value of the actual used capacity, provided that the value of the capacity by ChipMOS Taiwan that has been used for other customers shall be deducted. In March 2008, ProMOS failed to place orders in the amount of the reserved capacity. In November 2008, we entered into a revised subcontracting contract with ProMOS by requiring ProMOS to provide wafers with a value of 80% of the subcontracting fee as collateral. In May 2009, a further revised subcontracting contract was entered into by and between us and ProMOS under which ProMOS provided us with wafer as pledge and Work-In-Process, or WIP and existing finished goods as lien material. Part of ProMOS' receivables will be recovered through sales of the pledged wafer and lien material back to ProMOS with a discount to market price, and the remaining outstanding accounts receivables will be secured by equipment mortgage under the same contract arrangement. Effective March 2009, we started to request prepayment from ProMOS. See Note 20 to our audited consolidated financial statements contained in this Annual Report on Form 20-F.

Rental revenue from ProMOS in 2007 was NT\$16 million. We received no rental revenue from ProMOS in 2008 and 2009.

*Mou-Fu Investment Ltd.*

As of March 31, 2010, Mosel held directly a 99.9% equity interest in Mou-Fu. In 2006, we paid Mou-Fu NT\$3 million, for the provision of shareholders' services and NT\$2 million for management expenses.

**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. The stayed litigations in the Northern District of California and the Eastern District of Texas may resume once the ITC completes a companion investigation against other companies. Our counsel has not formed an opinion as to the outcome of the case.

In September 2007, ChipMOS and ChipMOS Taiwan filed five lawsuits against Walton Advanced Engineering, Inc. and Walton Chaintech Corporation in Taiwan Kaohsiung District Court and Taiwan Banciao District Court, alleging infringement by these two companies of ChipMOS Taiwan’s package related patents for SDRAM, DDR I SDRAM and DDR II SDRAM devices. ChipMOS and ChipMOS Taiwan have reached an official settlement agreement with Walton Advanced Engineering, Inc. and Walton Chaintech Corporation on April 29, 2010 to withdraw all the patent infringement lawsuits and invalidation complaints between each other without any condition related to compensation.

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. That motion and the initial case management conference were held on March 5, 2010 and the motions were deemed submitted. A further case management conference is scheduled for June 11, 2010. As of March 31, 2010, no trial date has been scheduled. The Company’s counsel has not formed any opinion as to the outcome of the case.

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Pursuant to the long-term service agreement we have entered into with Spansion in September 2005, Spansion agreed to provide ChipMOS with six month rolling forecast on testing and assembly service orders to be placed to us. In January 2009, Spansion has defaulted on its payment obligations under the long-term service agreement and ChipMOS has subsequently terminated the long-term service agreement with Spansion on February 19, 2009. On March 1, 2009, Spansion has filed for a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. On January 25, 2010, ChipMOS Taiwan entered into a Transfer of Claim Agreement to sell to Citigroup the general unsecured claim reflected in the proof of claim against Spansion filed by ChipMOS Taiwan in U.S. Bankruptcy Court. In February 2010, we received payment of approximately US\$33 million from an escrow agent for the sale of accounts receivable for testing and assembly services provided to Spansion in the amount of approximately US\$66 million to US\$70 million, which was based the Transfer of Claim Agreement. See “Item 4. Information on the Company—Customers”.

On December 28, 2009, Fulcrum Credit Partners LLC (“Fulcrum”) filed a complaint in Texas state court against ChipMOS Taiwan, ChipMOS USA and Citigroup alleging breach of contract, promissory estoppel, unjust enrichment and a claim for declaratory judgment, arising from Fulcrum’s alleged oral agreement to purchase ChipMOS Taiwan’s claims against Spansion. ChipMOS Taiwan was not served, though ChipMOS USA was served. ChipMOS Taiwan was of the opinion that Fulcrum did not follow the proper procedures and therefore ChipMOS Taiwan has no obligation to sell the claim to Fulcrum. On January 22, 2010, ChipMOS USA responded by removing the complaint to the U.S. District Court for the Western District of Texas. On January 29, 2010, ChipMOS USA filed a motion to transfer venue to the Delaware Bankruptcy Court. Fulcrum filed its opposition to the transfer motion, and argument was held in the Western District of Texas. On February 17, 2010, Fulcrum filed an amended complaint in federal court alleging breach of contract and unjust enrichment claims against ChipMOS Taiwan and ChipMOS USA. On March 3, 2010, ChipMOS USA moved for dismissal from federal court, asserting, inter alia, a complete defense in that the alleged contract does not exist and, even if it did, ChipMOS USA was not a party, since ChipMOS Taiwan was not served with the amended complaint. Fulcrum filed its response to the motion to dismiss on March 15, 2010. As of March 31, 2010, this lawsuit was pending.

Other than the matters described above, we were not involved in any material litigation in 2009 and are not currently involved in any material litigation.

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

### **Dividend Policy**

To date, we have not distributed any dividends. We currently intend to retain future earnings, if any, to finance the expansion of our business and thus do not expect to pay any cash dividends for the foreseeable future. In addition, we have no current plans to pay stock dividends.

## **Item 9. The Offer and Listing**

### **Listing**

Since February 18, 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 “G2110R106”. As of March 31, 2010, there were 91,231,618 common shares issued and outstanding. The table below sets forth, for the periods indicated, the high, low and average closing prices on the NASDAQ National Market, the NASDAQ Global Select Market or the NASDAQ Capital Market for our common shares.



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	NASDAQ <sup>(1)</sup> Price per share (US\$)		
	High	Low	Average
2005	7.55	4.80	6.21
2006	8.10	5.45	6.35
2007	7.89	4.11	6.42
2008	4.10	0.19	2.33
First Quarter	4.10	2.67	3.39
Second Quarter	3.40	2.78	3.13
Third Quarter	3.13	1.70	2.37
Fourth Quarter	1.64	0.19	0.48
2009	0.99	0.20	0.61
First Quarter	0.46	0.20	0.29
Second Quarter	0.83	0.38	0.62
Third Quarter	0.99	0.58	0.75
November	0.82	0.67	0.74
December	0.75	0.68	0.71
Fourth Quarter	0.94	0.67	0.77
2010			
January	0.82	0.67	0.75
February	0.72	0.63	0.68
March	0.78	0.60	0.72
First Quarter	0.82	0.60	0.72
April	1.86	0.75	1.11
May (through May 28, 2010)	1.92	1.51	1.70

## **Item 10. Additional Information**

### **Description of Share Capital**

Our authorized share capital consists of 250 million common shares, par value US\$0.01 per share, and 75 million preferred shares, par value US\$0.01 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. The common shares are not entitled to preemptive rights and are not subject to conversion or redemption. Upon the occurrence of a liquidation, dissolution or winding-up, the holders of common shares would be entitled to share ratably in the distribution of all of our assets remaining available for distribution after satisfaction of all liabilities.

### **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, 2010, no preferred shares have been issued by our company.

### **Bermuda Law**

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

## **Dividends**

Under Bermuda law, a company may pay dividends that are declared from time to time by its board of directors unless 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 the aggregate of its liabilities, issued share capital and share premium accounts. 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 extraordinary resolutions, 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 specie 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. Bermuda law provides that a special general meeting may be called by the board of directors and must be called upon the request of shareholders holding not less than 10% of the paid-up capital of the company carrying the right to vote. Bermuda law also requires that shareholders be given at least five days' advance notice of a general meeting but the accidental omission to give notice to any person does not invalidate the proceedings at a meeting. Under our bye-laws, we must give each shareholder written notice at least five days prior to the annual general meeting, unless otherwise agreed by all shareholders having the right to vote at that annual general meeting, and written notice at least five days prior to any special general meeting, unless otherwise agreed by a majority of shareholders having a right to vote at that special general meeting, and together holding at least 95% of the paid-up capital of the company carrying the right to vote at that meeting.

Under Bermuda law, the number of shareholders constituting a quorum at any general meeting of shareholders is determined by the bye-laws of the company. Our bye-laws provide that at least two shareholders present in person or by proxy and holding shares representing at least 50% of the total voting rights of all shareholders having the right to vote at the meeting constitute a quorum. Our bye-laws further provide that, in respect of a general meeting adjourned for lack of quorum, at least two shareholders present in person or by proxy holding shares representing 33 <sup>1</sup>/<sub>3</sub>% 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 capital. The shareholders have the additional right to inspect the bye-laws of the company, minutes of general meetings and the company's audited financial statements, which, unless agreed by all shareholders and directors, must be laid before the annual general meeting. The register of shareholders of a company is also open to inspection by shareholders without charge and by members of the general public on the payment of a fee. A company is required to maintain its share register in Bermuda but may, subject to the provisions of Bermuda law, establish a branch register outside Bermuda. We maintain a share register in Hamilton, Bermuda and a branch register in New Jersey, USA. A company is required to keep at its registered office a register of its directors and officers which is open for inspection for not less than two hours each day by members of the public without charge. Bermuda law does not, however, provide a general right for shareholders to inspect or obtain copies of any other corporate records.

### **Election or Removal of Directors**

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

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

### **Board Actions**

Our bye-laws provide that the quorum necessary for the transaction of business is two 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 of shares representing at least 60% of our outstanding shares.

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, other than an amendment that alters or reduces a company's share capital as provided in the Bermuda Companies Act. 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 of two Bermuda companies, a shareholder who did not vote in favour of the amalgamation and who is not satisfied that fair value has been paid for his or her 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 of a Bermuda company with another company requires the amalgamation agreement to be approved by the board of directors and, except where the amalgamation 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 the shareholders.

Under Bermuda law, an amalgamation also requires the consent of the Bermuda Minister of Finance, who may grant or withhold his consent at his discretion.

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: (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; or (3) the carrying on of business of any kind in Bermuda, except in furtherance of our business carried on outside Bermuda or under a license granted by the Bermuda Minister of Finance. In addition, present BMA policy permits no more than 20% of the share capital of an exempted company to be held by Bermuda persons.

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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 the Bermuda Companies Act, a director of a company may, notwithstanding his office, be a party to or otherwise interested in any transaction or arrangement with the company or in which the 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 the same company or an interested company. Therefore, where it is necessary, so long as a director of a Bermuda company declares the nature of his or her interest at the first opportunity at a meeting of the board or by writing to the directors as required by the Bermuda Companies Act, that director shall not by reason of his or her office be accountable to a company for any benefit he or she derives from any office or employment to which the bye-laws of the company allow him or her to be appointed or from any transaction or arrangement in which the bye-laws of such company 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 the 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.

Bermuda law requires that share certificates be issued only in the names of corporations or individuals. 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. 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.

### **Transfer Agent and Registrar**

Appleby Management (Bermuda) Ltd. (formerly known as Reid Management Limited) serves as our principal registrar and transfer agent in Bermuda for the common shares. Mellon Investor Services, LLC serves as our United States transfer agent and registrar for the common shares.

## Material Contracts

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

- Registration rights agreements, dated December 18, 2009, by and between the Company and PacMOS and six individual noteholders, pursuant to which we granted certain registration rights for our common shares converted from the convertible notes or paid in certain other payments such as interest and a make-whole amount.
- A registration rights agreement, dated December 24, 2009, by and between the Company and ThaiLin, pursuant to which we granted to ThaiLin certain registration rights for our common shares converted from the convertible notes or paid in certain other payments such as interest and a make-whole amount.
- On February 26, 2010, the Company entered into a share purchase agreement (the “Share Purchase Agreement”) with Siliconware Precision to sell to Siliconware Precision our holding of 133,000 thousand common shares of ChipMOS Taiwan with a consideration of approximately NT\$1,630,000 thousand (approximately US\$51,000 thousand). The purchase shares represent approximately 15.8% of the total number of ChipMOS Taiwan’s outstanding shares. Under the terms and conditions of the Share Purchase Agreement, Siliconware Precision will pay the purchase price in four installments to ChipMOS Bermuda, with the final installment scheduled to be paid on or about March 31, 2011.
- On February 26, 2010, ChipMOS Taiwan entered into an equipment purchase agreement (the “Equipment Purchase Agreement”) with Siliconware Precision to purchase its DRAM testers and LCD driver assembly and test equipment with a purchase price of approximately NT\$1,630,000 thousand (approximately US\$51,000 thousand). Under the terms and conditions of the Equipment Purchase Agreement, ChipMOS Taiwan will pay the purchase price in four installments to Siliconware Precision, with the final installment scheduled to be paid on or before March 31, 2011. All of the purchased equipment will be shipped to and installed at ChipMOS’ plant no later than July 31, 2010.

Please see also “Item 7. Major Shareholders and Related Party Transactions” for summaries of contracts 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 Undertaking 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 registration 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 Taxation

### *In General*

This section describes the material United States federal income tax consequences generally applicable to ownership by a U.S. holder (as defined below) of our common shares. It applies to you only if you hold your common shares as capital assets for tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities;
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a tax-exempt organization;
- a life insurance company;
- a person liable for alternative minimum tax;

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- a person that actually or constructively owns 10% or more of our voting stock;
- a person that holds common shares as part of a straddle or a hedging or conversion transaction; or
- a person whose functional currency is not the US dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions all as currently in effect. These laws are subject to change, possibly on a retroactive basis. There is currently no comprehensive income tax treaty between the United States and Bermuda.

You are a U.S. holder if you are a beneficial owner of common shares and you are:

- a citizen or resident of the United States;
- a domestic corporation;
- an estate whose income is subject to United States federal income tax regardless of its source; or
- a trust 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.

If a partnership holds the common shares, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. If you hold the common shares as a partner in a partnership you should consult your tax advisor with regard to the United States federal income tax treatment of an investment in the common shares.

You should consult your own tax advisor regarding the United States federal, state and local and the Bermuda and other tax consequences of owning and disposing of common shares in your particular circumstances.

This discussion addresses only United States federal income taxation.

### ***Taxation of Dividends***

Under the United States federal income tax laws, and subject to the passive foreign investment company, or PFIC, rules discussed below, if you are a U.S. holder, the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) is subject to United States federal income taxation. If you are a noncorporate U.S. holder, dividends paid to you in taxable years beginning before January 1, 2011 that constitute qualified dividend income will be taxable to you at a maximum tax rate of 15% provided that you hold the common shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends we pay with respect to the common shares generally will be qualified dividend income provided that, in the year that you receive the dividend, the common shares are readily tradable on an established securities market in the United States. We believe that our shares, which are listed on the NASDAQ, are readily tradable on an established securities market in the United States; however, there can be no assurance that our shares will continue to be readily tradable on an established securities market.

The dividend is taxable to you when you receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the common shares and thereafter as capital gain.

Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate.

Dividends will be income from sources outside the United States, but dividends paid in taxable years beginning before January 1, 2007 generally will be "passive" or "financial services" income, and dividends paid in taxable years beginning after December 31, 2006 will, depending on your circumstances, be "passive" or "general" income which, in either case, is treated separately from other types of income for purposes of computing the foreign tax credit allowable to you. You should consult your own tax advisor regarding the foreign tax credit rules.



### ***Taxation of Capital Gains***

Subject to the PFIC rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your common shares, you will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the amount that you realize and your tax basis in your common shares. Capital gain of a noncorporate U.S. holder that is recognized in taxable years beginning before January 1, 2011 is generally taxed at a maximum rate of 15% where the holder has a holding period greater than one year. The deductibility of capital losses is subject to limitations. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

**PFIC Rules.** We believe that our common shares should not be treated as stock of a Personal Foreign Investment Company, or 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 to be 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, if you are a U.S. holder, you would be treated as if you had realized such gain and certain “excess distributions” ratably over your holding period for the common shares and would not be taxed at the highest tax rate in effect for each such year to which the gain was allocated, 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.

### **Documents on Display**

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

## **Item 11. Quantitative and Qualitative Disclosure about Market Risk**

### **Market Risks**

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

#### ***Interest Rate Risks***

As of December 31, 2009, we had aggregate debt outstanding of NT\$18,116 million (US\$567 million), which was incurred for capital expenditure and general operating expenses. Of our outstanding debt as of December 31, 2009, 83% bears interest at variable rates. The interest rate for the majority of our variable rate debt varies based on a fixed percentage spread over the prime rate established by our lenders. Our variable rate debt had an annual weighted average interest rate of 2.4% as of December 31, 2009. Accordingly, we have cash flow and earnings exposure due to market interest rate changes for our variable rate debt. An increase in interest rates of 1% would increase our annual interest charge by NT\$150 million (US\$5 million) based on our outstanding indebtedness as of December 31, 2009.

As of December 31, 2008 and 2009, ChipMOS Taiwan had no interest rate swap agreements outstanding. ChipMOS Taiwan had entered into five interest rate swap agreements during the year of 2004 and 2005. On October 4, 2005, ChipMOS Taiwan terminated the swap with a notional amount of NT\$300 million, which was entered into on October 13, 2004, and entered into two interest rate swap agreements each with a notional amount of NT\$100 million, which were terminated on November 8, 2005 and December 5, 2005, respectively. On November 2, 2005, ChipMOS Taiwan entered into an interest rate swap agreement with a notional amount of NT\$200 million, which was terminated on November 4, 2005. On November 4, 2005, the swap with a notional amount of NT\$500 million, which was entered into on July 28, 2004, was also terminated. For these swaps, the difference in interest rates is calculated quarterly and credited or charged in the current period. In 2005, we recognized as NT\$11 million of non-operating expense as a result of the swaps.

*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, 2009, 59% of our accounts receivable are denominated in US dollars and Japanese yen, and 23% of our accounts payable and payables for properties are denominated in Japanese yen and US dollars. To minimize foreign currency exchange risk, from time to time we utilize forward exchange contracts and foreign currency options to hedge our exchange rate risk on foreign currency assets or liabilities positions. These hedging transactions help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements. An average depreciation of the NT dollar against all other relevant foreign currencies of 5% would increase our annual exchange loss by NT\$79 million (US\$2 million) based on our outstanding assets and liabilities denominated in foreign currencies as of December 31, 2009. As of December 31 2007, 2008 and 2009, we had no outstanding forward exchange or foreign currency option contracts. Our net gains on forward exchange contracts were NT\$123 thousand, nil and nil for the years ended December 31, 2007, 2008 and 2009, respectively.

See Note 24 of our audited consolidated financial statements for additional information on these derivative transactions.

**Item 12. Description of Securities Other Than Equity Securities**

Not applicable.

**PART II**

**Item 13. Defaults, Dividend Arrearages and Delinquencies**

None.

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

Not applicable.

**Item 15. Controls and Procedures**

*Disclosure Controls and Procedures.* An evaluation was carried out under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934). Based upon that evaluation, the chief executive officer and chief financial officer concluded that these disclosure controls and procedures were effective as of December 31, 2009.

*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

**June 4, 2010**

Management of ChipMOS TECHNOLOGIES (Bermuda) LTD. (together with its consolidated subsidiaries, the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934). The Company's internal control over financial reporting is a process designed under the supervision of the Company's chief executive officer and chief financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with generally accepted accounting principles in the Republic of China and the required reconciliation to generally accepted accounting principles in the United States.

As of December 31, 2009, 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 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, 2009 was effective.

Moore Stephens, an independent registered public accounting firm, has audited our consolidated financial statements included in the Annual Report of the Company on Form-20F for the year ended December 31, 2009 and has issued an attestation report on the Company's internal control over financial reporting as of December 31, 2009. 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 2009, 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.

### Item 16C. Principal Accountant Fees and Services

The table below summarizes the aggregate fees that we paid or accrued for services provided by Moore Stephens for the years ended December 31, 2008 and 2009.

	2008	(In thousands)	2009
Audit Fees	NT\$11,564		NT\$11,055
Audit Related Fees	—		—
Tax Fees	—		—
All Other Fees	—		—
<b>Total</b>	<b>NT\$11,564</b>		<b>NT\$11,055</b>

*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 2008 and 2009, this category primarily includes 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).

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

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

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

Not applicable.

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

On November 15, 2008, the Board of our subsidiary, ThaiLin, approved and subsequently implemented a securities purchase program to purchase through a broker our common shares as an affiliated purchaser, in accordance with the requirements of Rule 10b5-1 and Rule 10b-18 under the Securities Exchange Act of 1934, as amended, with a maximum purchase amount of US\$3 million. In addition, the chairman and chief executive officer of the Company, Mr. Shih-Jye Cheng implemented a separate securities purchase program to purchase through a broker our common shares as an affiliated purchaser in accordance with the requirement of Rule 10b5-1 and Rule 10b-18 under the Securities Exchange Act of 1934, as amended, with a maximum purchase amount of US\$500 thousand. Both purchase programs were terminated in August 2009.

The table sets forth certain information about the purchase of our common shares under these affiliated purchasers' purchase programs for the year ended December 31, 2009.

**Purchases of Equity Securities by Affiliated Purchasers**

<u>Purchasers</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share (US\$)</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (US\$ Million)</u>
January-August, 2009				
Purchases by ThaiLin	1,828,055	0.41	1,828,055	—
January-August, 2009				
Purchases by Shih-Jye Cheng	304,776	0.41	304,776	—
<b>Total</b>	<b>2,132,831</b>		<b>2,132,831</b>	<b>—</b>

**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 Securities and Exchange Commission a brief, general summary of any significant ways its corporate governance practices differ from those followed by NASDAQ-listed domestic companies. The table below provides this summary information as required by Item 16G and by NASDAQ Rule 5615(a)(3):

<b>NASDAQ Listing Rule</b>	<b>Corporate Governance Practice To Be Followed by Domestic Companies</b>	<b>Our Corporate Governance Practice</b>
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.
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.	<p>We follow governance practices under Bermuda law.</p> <p>The Bermuda Companies Act and our bye-laws provide for certain requirements for the annual shareholder meeting, including the following:</p> <p>(a) an annual general meeting at least once in every calendar year;</p> <p>(b) Bermuda Companies Act does not have express provisions requiring proxy solicitation; and</p> <p>(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.</p>
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.
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 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>

<u>NASDAQ Listing Rule</u>	<u>Corporate Governance Practice To Be Followed by Domestic Companies</u>	<u>Our Corporate Governance Practice</u>
5640	Shareholder voting rights requirements.	<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 or amalgamation.</p> <p>We follow the same NASDAQ listing rule governance practice as followed by domestic companies.</p>

**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**

<b>Exhibits</b>	<b>Description</b>
1.1	Memorandum of Association of ChipMOS TECHNOLOGIES (Bermuda) LTD. <sup>(1)</sup>
1.2	Bye-laws of ChipMOS TECHNOLOGIES (Bermuda) LTD. <sup>(10)</sup>
2.1	Certificate of Incorporation of ChipMOS TECHNOLOGIES (Bermuda) LTD., dated August 15, 2000. <sup>(1)</sup>
4.1	Joint Venture Agreement, dated July 14, 1997, between Mosel Vitelic Inc. and Siliconware Precision Industries Co., Ltd. <sup>(1)</sup>
4.2	Asset Sales Agreement, dated June 14, 1999, between Microchip Technology Taiwan and ChipMOS TECHNOLOGIES INC. <sup>(1)</sup>
4.3	Tessera Compliant Chip License Agreement, dated April 20, 1999, between Tessera Inc. and ChipMOS TECHNOLOGIES INC. <sup>(1)</sup>
4.4	License Agreement, dated April 1, 1999, between Fujitsu Ltd. and ChipMOS TECHNOLOGIES INC. <sup>(1)</sup>
4.5	Sales Agreement, dated February 10, 2000, between Sharp Corp. and ChipMOS TECHNOLOGIES INC. <sup>(1)</sup>
4.6	Raw Materials Processing Agreement, dated August 10, 2000, between Mosel Vitelic Inc. and ChipMOS TECHNOLOGIES INC. <sup>(1)</sup>
4.7	Raw Materials Processing Agreement, dated January 1, 2001, between Siliconware Precision Co. Ltd. and ChipMOS TECHNOLOGIES INC. <sup>(1)</sup>
4.8	Integrated Circuit Processing Agreement, dated January 1, 2001, between Siliconware Precision Co. Ltd. and ChipMOS TECHNOLOGIES INC. <sup>(1)</sup>
4.9	Integrated Circuit Processing and Warehousing Management Agreement, dated August 10, 2000, between Mosel Vitelic Inc. and ChipMOS TECHNOLOGIES INC. <sup>(1)</sup>
4.10	Land Lease Agreement, dated November 26, 1997, between Science Based Industrial Park Administration and ChipMOS TECHNOLOGIES INC. <sup>(1)</sup>
4.11	Land Lease Agreement, dated November 26, 1997, between Science Based Industrial Park Administration and ChipMOS TECHNOLOGIES INC. <sup>(1)</sup>
4.12	Land Lease Agreement, dated September 1, 1997, between Science Based Industrial Park Administration and ChipMOS TECHNOLOGIES INC. <sup>(1)</sup>
4.13	Purchase Agreement, dated July 31, 1997, between ChipMOS TECHNOLOGIES INC. and Mosel Vitelic Inc. <sup>(1)</sup>
4.14	Form of Share Exchange Covenant Letter from the Company to the Shareholders. <sup>(1)</sup>
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. <sup>(2)</sup>



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4.16	Purchase Agreement, dated October 15, 2003, between ChipMOS TECHNOLOGIES INC. and DenMOS Technology Inc. <sup>(2)</sup>
4.17	Sale and Purchase Agreement, dated April 25, 2003, between ChipMOS TECHNOLOGIES INC. and Ron How Investment Corp. (English Translation) <sup>(3)</sup>
4.18	Sale and Purchase Agreement, dated April 25, 2003, between ChipMOS TECHNOLOGIES INC. and Yuan Shan Investment Corp. (English Translation) <sup>(3)</sup>
4.19	Sale and Purchase Agreement, dated April 25, 2003, between ChipMOS TECHNOLOGIES INC. and Mosel Vitelic Inc. (English Translation) <sup>(3)</sup>
4.20	Laser Stamping Machine Lease Agreement, dated November 1, 2002, between ChipMOS TECHNOLOGIES INC. and CHANTEK ELECTRONIC CO., LTD. (English Translation) <sup>(3)</sup>
4.21	Automatic Stamping Machine Lease Agreement, dated December 1, 2002, between ChipMOS TECHNOLOGIES INC. and CHANTEK ELECTRONIC CO., LTD. (English Translation) <sup>(3)</sup>
4.22	Raw Materials Processing Agreement, dated January 1, 2003, between ChipMOS TECHNOLOGIES INC. and CHANTEK ELECTRONIC CO., LTD. (English Translation) <sup>(3)</sup>
4.23	Integrated Circuit Processing Agreement, dated January 1, 2003, between ChipMOS TECHNOLOGIES INC. and CHANTEK ELECTRONIC CO., LTD. (English Translation) <sup>(3)</sup>
4.24	Technology Transfer Agreement, dated December 24, 2002, between ChipMOS TECHNOLOGIES INC. and ThaiLin Semiconductor Corp. (English Translation) <sup>(3)</sup>
4.25	Tester Equipment Lease Agreement, dated November 14, 2002, between ChipMOS TECHNOLOGIES INC. and ThaiLin Semiconductor Corp. (English Translation) <sup>(3)</sup>
4.26	Tester Equipment Lease Agreement, dated December 3, 2002, between ChipMOS TECHNOLOGIES INC. and ThaiLin Semiconductor Corp. (English Translation) <sup>(3)</sup>
4.27	Joint Engagement Letter, undated, by and among Ultima Electronics Corp., ChipMOS TECHNOLOGIES INC. and Sun-Fund Securities Ltd. (English Translation) <sup>(3)</sup>
4.28	Lease Agreement, dated June 1, 2002, between ChipMOS TECHNOLOGIES INC. and SyncMOS Technologies, Inc. (English Translation) <sup>(3)</sup>
4.29	Technology Transfer Agreement, dated August 1, 2002, between ChipMOS TECHNOLOGIES (Bermuda) LTD. and ChipMOS TECHNOLOGIES (Shanghai) LTD. <sup>(3)</sup>
4.30	Promissory Note from Modern Mind Technology Limited to Jesper Limited, dated November 4, 2002. <sup>(3)</sup>
4.31	Deed of Variation, dated December 2, 2002, between Modern Mind Technology Limited and Jesper Limited. <sup>(3)</sup>
4.32	Deed of Assignment, dated December 27, 2002, between Jesper Limited and ChipMOS TECHNOLOGIES (Bermuda) LTD. <sup>(3)</sup>
4.33	Deed of Assignment, dated June 25, 2003, between Jesper Limited and ChipMOS TECHNOLOGIES INC. <sup>(3)</sup>
4.34	Agreement, dated May 3, 2003, between Jesper Limited and Modern Mind Technology Limited. <sup>(3)</sup>

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

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4.54	Second Amendment to Assembly and Test Service Agreement, dated July 16, 2007, by and between Spansion LLC and ChipMOS TECHNOLOGIES INC. <sup>(9)</sup>
4.55	Service Agreement for Integrated Circuit Products, dated July 17, 2007, by and between ProMOS Technologies Inc. and ChipMOS TECHNOLOGIES INC. (English Translation) <sup>(9)</sup>
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. <sup>(9)</sup>
4.57	Third Amendment to Assembly and Test Services Agreement, dated November 30, 2007, by and between Spansion LLC and ChipMOS TECHNOLOGIES INC. <sup>(9)</sup>
4.58	Science Park Administration Land Lease Agreement, dated December 1, 2007, between Science Park Administration and ChipMOS TECHNOLOGIES INC. (English Translation) <sup>(9)</sup>
4.59	Lease Agreement, dated April 2, 2008, between ChipMOS TECHNOLOGIES INC. and ThaiLin Semiconductor Corp. (English Translation) <sup>(9)</sup>
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.
4.61	Transfer of Claim Agreement, dated January 25, 2010, between ChipMOS TECHNOLOGIES INC. and Citigroup Financial Products Inc.
4.62	Share Purchase Agreement, dated February 26, 2010, between ChipMOS TECHNOLOGIES (Bermuda) LTD. and Siliconware Precision Industries Co., Ltd.
4.63	Equipment Purchase Agreement, dated February 26, 2010, between ChipMOS TECHNOLOGIES INC. and Siliconware Precision Industries Co., Ltd.
8.1	List of principal subsidiaries of ChipMOS TECHNOLOGIES (Bermuda) LTD.
11.1	Code of Business Conduct and Ethics. <sup>(4)</sup>
12.1	Certification of Chief Executive Officer required by Rule 13a-14(a) under the Exchange Act.
12.2	Certification of Chief Financial Officer required by Rule 13a-14(a) under the Exchange Act.
13.1	Certification of Chief Executive Officer required by Rule 13a-14(b) under the Exchange Act.
13.2	Certification of Chief Financial Officer required by Rule 13a-14(b) under the Exchange Act.
15.1	Consent of independent registered public accounting firm.

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

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

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

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

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

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

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

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

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

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

We have not included as exhibits certain instruments with respect to our long-term 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 June 4, 2010.

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**

The Board of Directors and Shareholders

ChipMOS TECHNOLOGIES (Bermuda) LTD.

We have audited the accompanying consolidated balance sheets of ChipMOS TECHNOLOGIES (Bermuda) LTD. and subsidiaries (collectively, the “Company”) (see Note 1) as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in equity, and cash flows for each of the three years in the period ended December 31, 2009, all expressed in New Taiwan dollars. We have also audited the Company’s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control – Integrated Framework issued by the Treadway Commission (COSO). The Company’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 Company’s internal control over financial reporting based on our audits.

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

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

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

**Report of Independent Registered Public Accounting Firm (continued)**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the Republic of China. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control – Integrated Framework issued by the Treadway Commission (COSO).

Accounting principles generally accepted in the Republic of China vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of net income for each of the three years in the period ended December 31, 2009, and the determination of equity and financial position at December 31, 2009 and 2008, to the extent summarized in Note 26.

*Certified Public Accountants*  
*Hong Kong*

March 17, 2010



**ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31, 2008 and 2009 (Notes 1 and 18)**  
**(In Thousands of New Taiwan and U.S. Dollars, Except Par Value)**

	December 31,		
	2008	2009	
	NT\$	NT\$	US\$ (Note 3)
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6,651,909	3,884,828	121,591
Restricted cash and cash equivalents (Note 21)	59,485	243,849	7,632
Financial assets at fair value through profit and loss (Notes 2 and 4)	102,137	119,027	3,725
Held-to-maturity financial assets (Notes 2 and 5)	250,000	—	—
Investments with no active market (Notes 2, 8 and 21)	100,000	100,000	3,130
Notes receivable			
Related parties (Note 20)	195,000	—	—
Third parties	14,174	27,931	874
Accounts receivable - net of allowance for doubtful receivables and sales return allowances of NT\$2,423,978 in 2008 and NT\$2,407,172 in 2009 (Notes 2 and 6)			
Related parties (Note 20)	359	205	6
Third parties	1,296,525	2,441,765	76,425
Other receivables - net of allowance for doubtful receivables and sales return allowances of NT\$9,035 in 2008 and NT\$529,758 in 2009 (Notes 2 and 6)			
Related parties (Note 20)	30,000	—	—
Third parties	172,239	130,131	4,073
Inventories - net (Notes 2 and 7)	1,001,529	862,064	26,982
Deferred income tax - net (Notes 2 and 19)	355,716	356,310	11,152
Prepaid expenses and other current assets	265,194	265,123	8,298
Total Current Assets	<u>10,494,267</u>	<u>8,431,233</u>	<u>263,888</u>
<b>LONG-TERM INVESTMENTS (Notes 2, 8 and 21)</b>			
Financial assets carried at cost	137,834	19,966	625
Investments with no active market	300,000	200,000	6,260
Total long-term investments	<u>437,834</u>	<u>219,966</u>	<u>6,885</u>
<b>PROPERTY, PLANT AND EQUIPMENT - NET (Notes 2, 9 and 21)</b>			
Cost			
Land	532,605	532,605	16,670
Buildings and auxiliary equipment	9,473,985	9,371,645	293,322
Machinery and equipment	42,289,143	43,396,295	1,358,256
Furniture and fixtures	1,351,017	1,361,181	42,604
Transportation equipment	44,462	41,720	1,306
Tools	3,045,774	3,123,201	97,753
Leasehold improvements	2,503	2,441	76
Leased equipment (Notes 2, 16 and 21)	—	2,363,168	73,965
Total cost	<u>56,739,489</u>	<u>60,192,256</u>	<u>1,883,952</u>
Accumulated depreciation (Note 9)	(32,310,287)	(38,163,921)	(1,194,489)
Accumulated impairment	(1,472,083)	(1,356,377)	(42,453)
Construction in progress and advance payments	697,821	97,034	3,037
Net Property, Plant and Equipment	<u>23,654,940</u>	<u>20,768,992</u>	<u>650,047</u>
<b>INTANGIBLE ASSETS - NET (Notes 2, 10 and 21)</b>			
	<u>107,797</u>	<u>102,822</u>	<u>3,218</u>
<b>OTHER ASSETS</b>			
Restricted cash and cash equivalents (Note 21)	11,500	—	—
Employee dormitory buildings - net of accumulated depreciation of NT\$174,601 in 2008 and NT\$200,531 in 2009 (Note 2)	325,052	284,029	8,890
Refundable deposits	35,425	33,797	1,058
Prepaid pension (Notes 2 and 17)	12,604	19,784	619
Deferred income tax - net (Note 2 and 19)	—	213,366	6,678
Others (Note 2)	362,180	282,231	8,833
Total Other Assets	<u>746,761</u>	<u>833,207</u>	<u>26,078</u>
<b>TOTAL ASSETS</b>	<u><b>35,441,599</b></u>	<u><b>30,356,220</b></u>	<u><b>950,116</b></u>

The accompanying notes are an integral part of the consolidated financial statements.

**ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (Continued)**  
**December 31, 2008 and 2009 (Notes 1 and 18)**  
(In Thousands of New Taiwan and U.S. Dollars, Except Par Value)

	December 31,		
	2008	2009	
	NT\$	NT\$	US\$ (Note 3)
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Bank loans (Notes 11 and 21)	2,745,390	2,363,319	73,969
Current portion of long-term loans (Notes 15 and 21)	4,603,637	1,553,949	48,637
Convertible notes (Note 14)	1,541,633	—	—
Deferred credit	2,380	2,323	73
Accounts payable	477,873	737,997	23,098
Other payables			
Related parties (Note 20)	13	26	1
Third parties (Note 12)	628,042	696,122	21,788
Income tax payable (Note 2)	1,580	19,658	615
Payables to contractors and equipment suppliers	251,557	201,171	6,297
Capital leases payable (Notes 16 and 21)	—	821,214	25,703
Accrued expenses and other current liabilities (Note 13)	469,437	525,710	16,454
<b>Total Current Liabilities</b>	<b>10,721,542</b>	<b>6,921,489</b>	<b>216,635</b>
<b>LONG-TERM LIABILITIES</b>			
Convertible notes (Note 14)	74,128	554,537	17,356
Derivative liabilities (Note 14)	—	129,967	4,068
Capital leases payable (Notes 16 and 21)	—	1,453,791	45,502
Long-term loans (Notes 15 and 21)	9,758,479	11,239,310	351,778
<b>Total Long-Term Liabilities</b>	<b>9,832,607</b>	<b>13,377,605</b>	<b>418,704</b>
<b>OTHER LIABILITIES</b>			
Deferred income tax – net (Notes 2 and 19)	233,723	—	—
Deferred credit	102,329	97,575	3,054
Accrued pension cost (Notes 2 and 17)	4,775	3,666	115
Guarantee deposits	3,810	3,668	115
<b>Total Other Liabilities</b>	<b>344,637</b>	<b>104,909</b>	<b>3,284</b>
<b>Total Liabilities</b>	<b>20,898,786</b>	<b>20,404,003</b>	<b>638,623</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 22)</b>			
<b>EQUITY (Notes 2 and 18)</b>			
Capital stock NT\$0.328 (US\$0.01) par value			
Authorized 250,000 thousand common shares and 75,000 thousand preferred shares			
Issued 83,971 thousand common shares (2008: 83,971 thousand common shares)			
Outstanding 77,885 thousand common shares (2008: 83,774 thousand common shares)	27,557	27,557	862
Capital surplus	12,784,081	12,860,097	402,507
Deferred compensation	(26,000)	(8,692)	(272)
Accumulated losses	(998,319)	(5,417,002)	(169,546)
Cumulative translation adjustments	433,714	404,517	12,661
Treasury stock	(1,779)	(81,715)	(2,558)
<b>Total Shareholders' Equity</b>	<b>12,219,254</b>	<b>7,784,762</b>	<b>243,654</b>
<b>Noncontrolling interests</b>	<b>2,323,559</b>	<b>2,167,455</b>	<b>67,839</b>
<b>Total Equity</b>	<b>14,542,813</b>	<b>9,952,217</b>	<b>311,493</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>35,441,599</b>	<b>30,356,220</b>	<b>950,116</b>

The accompanying notes are an integral part of the consolidated financial statements.

**ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**For the Years Ended December 31, 2007, 2008 and 2009 (Notes 1 and 18)**  
**(In Thousands of New Taiwan and U.S. Dollars, Except Earnings Per Share)**

	Year Ended December 31,			
	2007	2008	2009	
	NT\$	NT\$	NT\$	US\$ (Note 3)
<b>NET REVENUE (Notes 2, 20 and 25)</b>				
Related parties	6,915,907	3,122,925	668,906	20,936
Third parties	16,681,691	13,887,237	11,481,402	359,355
Total Net Revenues	23,597,598	17,010,162	12,150,308	380,291
<b>COST OF REVENUE (Notes 20 and 25)</b>				
Related parties	5,035,137	3,574,156	885,119	27,703
Third parties	12,408,927	13,395,724	14,776,333	462,483
Total Cost of Revenue	17,444,064	16,969,880	15,661,452	490,186
<b>GROSS PROFIT (LOSS)</b>	6,153,534	40,282	(3,511,144)	(109,895)
<b>OPERATING EXPENSES (Note 20)</b>				
Research and development (Note 2)	322,325	435,583	375,283	11,746
General and administrative	1,070,438	885,645	657,802	20,588
Sales and marketing (Notes 2 and 6)	98,328	2,362,686	561,231	17,566
Total Operating Expenses	1,491,091	3,683,914	1,594,316	49,900
<b>INCOME (LOSS) FROM OPERATIONS</b>	4,662,443	(3,643,632)	(5,105,460)	(159,795)
<b>NON-OPERATING INCOME</b>				
Gain on embedded derivative	—	—	50,740	1,588
Foreign exchange gain - net (Note 2)	71,092	143,932	14,683	460
Rental (Note 20)	28,062	12,099	12,307	385
Interest (Note 20)	117,060	112,132	37,297	1,167
Cash dividend from financial assets	18,662	—	—	—
Fair value gain on financial assets	—	—	62,674	1,962
Subsidy income	6,338	—	4,128	129
Gain on disposal of property, plant and equipment (Note 2)	9,567	38,634	10,274	322
Gain on disposal of financial assets	23,778	5,954	—	—
Gain on redemption on convertible notes	—	66,808	—	—
Gain on extinguishment of convertible notes	—	—	412,337	12,906
Gain on disposal of land use rights	—	69,524	—	—
Other	151,173	105,898	63,751	1,995
Total Non-Operating Income	425,732	554,981	668,191	20,914

The accompanying notes are an integral part of the consolidated financial statements.

**ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)**  
**For the Years Ended December 31, 2007, 2008 and 2009 (Notes 1 and 18)**  
**(In Thousands of New Taiwan and U.S. Dollars, Except Earnings Per Share)**

	Year Ended December 31,			
	2007 NT\$	2008 NT\$	2009 NT\$	US\$ (Note 3)
<b>NON-OPERATING EXPENSES</b>				
Interest	864,949	765,005	439,411	13,753
Financing cost	34,459	35,503	37,081	1,161
Fair value loss on financial assets	84,966	148,569	—	—
Loss on disposal of property, plant and equipment (Note 2)	5,594	2,408	152	5
Loss on redemption of convertible notes	23,384	—	—	—
Impairment loss on long-term investments	8,735	220,183	—	—
Impairment loss on property, plant and equipment	—	1,599,424	25,543	799
Impairment loss on other assets	—	3,460	—	—
Impairment loss on goodwill	—	917,181	—	—
Loss on embedded derivative	18,022	105,110	—	—
Other	54,799	44,889	49,262	1,542
<b>Total Non-Operating Expenses</b>	<b>1,094,908</b>	<b>3,841,732</b>	<b>551,449</b>	<b>17,260</b>
<b>INCOME (LOSS) BEFORE INCOME TAX, NONCONTROLLING INTERESTS AND INTEREST IN BONUSES PAID BY SUBSIDIARIES</b>	<b>3,993,267</b>	<b>(6,930,383)</b>	<b>(4,988,718)</b>	<b>(156,141)</b>
<b>INCOME TAX (EXPENSE) BENEFIT (Notes 2 and 19)</b>	<b>(768,235)</b>	<b>(120,792)</b>	<b>420,662</b>	<b>13,166</b>
<b>INCOME (LOSS) BEFORE NONCONTROLLING INTERESTS AND INTEREST IN BONUSES PAID BY SUBSIDIARIES</b>	<b>3,225,032</b>	<b>(7,051,175)</b>	<b>(4,568,056)</b>	<b>(142,975)</b>
<b>NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INERESTS</b>	<b>(720,007)</b>	<b>143,297</b>	<b>149,373</b>	<b>4,675</b>
<b>INTEREST IN BONUSES PAID BY SUBSIDIARIES</b>	<b>(285,823)</b>	<b>(362,367)</b>	<b>—</b>	<b>—</b>
<b>NET INCOME (LOSS) ATTRIBUTABLE TO ChipMOS</b>	<b>2,219,202</b>	<b>(7,270,245)</b>	<b>(4,418,683)</b>	<b>(138,300)</b>
<b>EARNINGS (LOSS) PER SHARE – BASIC</b>	<b>27.63</b>	<b>(86.66)</b>	<b>(55.84)</b>	<b>(1.75)</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – BASIC</b>	<b>80,305</b>	<b>83,894</b>	<b>79,137</b>	<b>79,137</b>
<b>EARNINGS (LOSS) PER SHARE – DILUTED (Note 2)</b>	<b>24.24</b>	<b>(86.66)</b>	<b>(57.54)</b>	<b>(1.80)</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – DILUTED (Note 2)</b>	<b>108,207</b>	<b>83,894</b>	<b>89,015</b>	<b>89,015</b>

The accompanying notes are an integral part of the consolidated financial statements.

**ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**For the Years Ended December 31, 2007, 2008 and 2009 (Notes 1 and 18)**  
**(In Thousands of New Taiwan Dollars, Except Number of Shares)**

	CAPITAL STOCK ISSUED		CAPITAL SURPLUS NT\$	DEFERRED COMPENSATION NT\$	RETAINED EARNINGS (ACCUMULATED LOSSES) NT\$	CUMULATIVE TRANSLATION ADJUSTMENTS (Note 2) NT\$	TREASURY STOCK NT\$	NON- CONTROLLING INTERESTS NT\$	TOTAL EQUITY NT\$
	Shares (Thousands)	Amount NT\$							
BALANCE, January 1, 2007	70,196	23,022	9,771,876	(56,574)	4,322,151	68,074	—	8,756,318	22,884,867
Exercise of stock Options	867	284	89,566	—	—	—	—	—	89,850
Issue of shares	12,780	4,211	2,599,168	—	—	—	—	—	2,603,379
Issue of option warrants	—	—	36,874	(12,794)	—	—	—	—	24,080
Repurchase of convertible notes	—	—	(2,657)	—	(611)	—	—	—	(3,268)
Net profit for 2007	—	—	—	—	2,219,202	—	—	720,007	2,939,209
Adjustment of equity method for long- term investments	—	—	(18,891)	—	(249,734)	—	—	—	(268,625)
Changes in noncontrolling interests	—	—	—	—	—	—	—	(6,230,754)	(6,230,754)
Translation adjustments	—	—	—	—	—	209,390	—	—	209,390
BALANCE, DECEMBER 31, 2007	83,843	27,517	12,475,936	(69,368)	6,291,008	277,464	—	3,245,571	22,248,128
Exercise of stock options	128	40	4,508	—	—	—	—	—	4,548
Issuance of option warrants	—	—	21,743	43,368	—	—	—	—	65,111
Repurchase of convertible notes	—	—	197,299	—	—	—	—	—	197,299
Net loss for 2008	—	—	—	—	(7,270,245)	—	—	(143,297)	(7,413,542)
Adjustment of equity method for long- term investments	—	—	84,595	—	(19,082)	—	—	—	65,513
Changes in noncontrolling interests	—	—	—	—	—	—	—	(778,715)	(778,715)
Stock purchased by a subsidiary	(197)	—	—	—	—	—	(1,779)	—	(1,779)
Translation adjustments	—	—	—	—	—	156,250	—	—	156,250
BALANCE, DECEMBER 31, 2008	83,774	27,557	12,784,081	(26,000)	(998,319)	433,714	(1,779)	2,323,559	14,542,813
Issue of option warrants	—	—	73,292	17,308	—	—	—	—	90,600
Net loss for 2009	—	—	—	—	(4,418,683)	—	—	(149,373)	(4,568,056)
Adjustment of equity method for long- term investments	—	—	2,724	—	—	—	—	—	2,724
Changes in noncontrolling Interests	—	—	—	—	—	—	—	(6,731)	(6,731)
Stock purchase by a subsidiary	(5,889)	—	—	—	—	—	(79,936)	—	(79,936)
Translation adjustments	—	—	—	—	—	(29,197)	—	—	(29,197)
BALANCE, DECEMBER 31, 2009	<u>77,885</u>	<u>27,557</u>	<u>12,860,097</u>	<u>(8,692)</u>	<u>(5,417,002)</u>	<u>404,517</u>	<u>(81,715)</u>	<u>2,167,455</u>	<u>9,952,217</u>

The accompanying notes are an integral part of the consolidated financial statements.

**ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2007, 2008 and 2009 (Notes 1 and 18)**  
**(In Thousands of New Taiwan and U.S. Dollars)**

	Year Ended December 31,			
	2007	2008	2009	
	NT\$	NT\$	NT\$	US\$ (Note 3)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income (loss) attributable to ChipMOS	2,219,202	(7,270,245)	(4,418,683)	(138,300)
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation	6,718,762	6,999,590	6,340,321	198,445
Amortization of intangible and other assets	116,025	174,934	184,275	5,768
Amortization of discount of convertible notes	178,613	184,829	3,737	117
Allowance for doubtful receivables	130,038	2,292,229	1,064,771	33,326
Recovery of allowance for doubtful receivables	(30,095)	(119,815)	(560,854)	(17,554)
Deferred compensation	24,080	65,111	90,600	2,836
Gain on disposal of property, plant and equipment – net	(3,973)	(36,226)	(10,122)	(317)
Gain on disposal of land use right	—	(69,524)	—	—
Gain on extinguishment of convertible notes	—	—	(412,337)	(12,906)
Loss (gain) on redemption of convertible notes	23,384	(66,808)	—	—
Loss (gain) on embedded derivative	18,022	105,110	(50,740)	(1,588)
Impairment loss on long-term investments	8,735	220,183	—	—
Impairment loss on goodwill	—	917,181	—	—
Impairment loss on property, plant and equipment	—	1,599,424	25,543	799
Impairment loss on other assets	—	3,460	—	—
Fair value loss (gain) on financial assets	84,966	148,569	(62,674)	(1,962)
Accrued pension cost	(35,312)	(7,486)	(8,288)	(259)
Deferred income tax – net	(6,758)	(215,608)	(447,683)	(14,012)
Noncontrolling interests	720,007	(143,297)	(149,373)	(4,675)
Changes in operating assets and liabilities				
Financial assets at fair value through profit and loss	1,288,549	261,564	102,137	3,197
Notes receivable	3,071	(181,142)	181,243	5,672
Accounts receivable	(803,369)	1,175,360	(1,241,354)	(38,853)
Other receivables	552	(146,822)	(399,651)	(12,509)
Inventories	(93,071)	47,533	137,166	4,293
Prepaid expenses and other current assets	(176,977)	71,050	(238)	(8)
Other assets	22,175	449,802	409	13
Accounts payable	167,605	(502,241)	263,564	8,249
Other payables	53,755	22,157	68,422	2,142
Income tax payable	109,028	(401,283)	18,078	566
Accrued expenses and other liabilities	171,309	(409,554)	65,162	2,040
Deferred credit	(25,477)	(3,809)	(2,404)	(75)
Net Cash Provided by Operating Activities	10,882,846	5,164,226	781,027	24,445
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Decrease (increase) in restricted cash and cash equivalents	(20,892)	47,135	(172,804)	(5,408)
Proceeds from sales of property, plant and equipment	42,324	113,595	19,080	597
Proceeds from liquidation of a long-term investment	—	—	105,000	3,286
Proceeds from redemption of held-to-maturity financial assets and financial assets with no active market	—	—	350,000	10,955
Proceeds from sales of intangible assets	—	73,709	—	—
Proceeds from sales of employee dormitory buildings	—	—	7,048	221
Acquisitions of:				
Long-term investments	(10)	—	—	—
Property, plant and equipment	(6,632,887)	(2,390,911)	(1,244,631)	(38,956)
Deferred assets	(269,573)	(139,505)	(107,771)	(3,373)
Employee dormitory building	(20,107)	(2,025)	(82)	(3)
Subsidiary	(5,305,030)	—	—	—
Decrease (increase) in refundable deposits	(5,909)	1,088	1,628	51
Net Cash Used in Investing Activities	(12,212,084)	(2,296,914)	(1,042,532)	(32,630)

**ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
**For the Years Ended December 31, 2007, 2008 and 2009 (Notes 1 and 17)**  
**(In Thousands of New Taiwan and U.S. Dollars)**

	Year Ended December 31,			
	2007	2008	2009	US\$
	NT\$	NT\$	NT\$	(Note 3)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments on:				
Bank loans	(208,982)	(291,444)	(382,071)	(11,958)
Long-term loans	(297,157)	—	(1,572,518)	(49,218)
Convertible notes	(244,466)	(3,498,282)	(681,958)	(21,344)
Treasury stock	—	(1,779)	(25,085)	(785)
Proceeds from:				
Bank loans	395,836	1,787,638	—	—
Convertible notes	—	—	164,710	5,155
Long-term loans	171,730	1,386,370	—	—
Issuance of capital stock	2,693,229	4,548	—	—
Changes in noncontrolling interests	(1,983,687)	(778,715)	(6,731)	(211)
Increase (decrease) in guarantee deposits	1,624	(3,648)	(143)	(4)
Net Cash Provided by (used in) Financing Activities	<u>528,127</u>	<u>(1,395,312)</u>	<u>(2,503,796)</u>	<u>(78,365)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<u>38,787</u>	<u>46,329</u>	<u>(1,780)</u>	<u>(56)</u>
Net Increase (decrease) in Cash and cash equivalents	(762,324)	1,518,329	(2,767,081)	(86,606)
Cash and cash equivalents, beginning of the year	<u>5,895,904</u>	<u>5,133,580</u>	<u>6,651,909</u>	<u>208,197</u>
Cash and cash equivalents, end of the year	<u><u>5,133,580</u></u>	<u><u>6,651,909</u></u>	<u><u>3,884,828</u></u>	<u><u>121,591</u></u>
<b>SUPPLEMENTAL INFORMATION</b>				
Income tax paid	<u>665,691</u>	<u>747,551</u>	<u>10,675</u>	<u>334</u>
Interest paid	<u>818,712</u>	<u>641,727</u>	<u>424,964</u>	<u>13,301</u>
<b>NON-CASH FINANCING ACTIVITIES</b>				
Current portion of long-term loans	3,686,216	4,603,637	1,553,949	48,637
Extinguishment of convertible notes (Note 14)	—	—	503,213	15,750
<b>PARTIAL CASH PAID FOR INVESTING ACTIVITIES</b>				
Cash paid for acquisition of property, plant and equipment				
Total acquisitions	6,093,771	2,188,393	3,479,682	108,910
Increase (decrease) in payables to contractors and equipment suppliers	<u>539,116</u>	<u>202,518</u>	<u>(2,235,051)</u>	<u>(69,954)</u>
	<u><u>6,632,887</u></u>	<u><u>2,390,911</u></u>	<u><u>1,244,631</u></u>	<u><u>38,956</u></u>

The accompanying notes are an integral part of the consolidated financial statements.

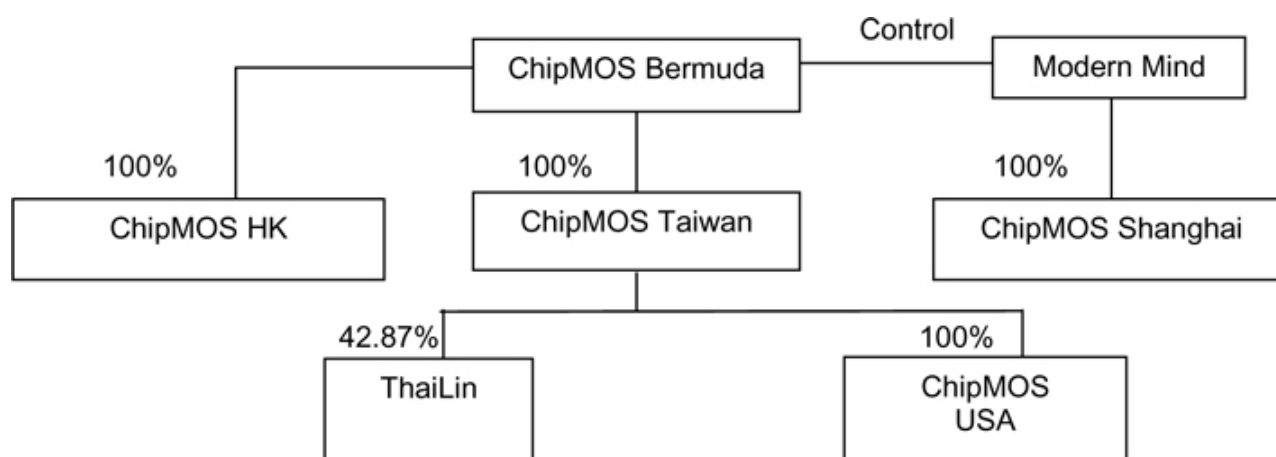


**ChipMOS TECHNOLOGIES (Bermuda) LTD. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. ORGANIZATION AND BUSINESS**

ChipMOS TECHNOLOGIES (Bermuda) LTD. (ChipMOS Bermuda) was incorporated under the laws of Bermuda on August 1, 2000, and its common shares have been traded on the NASDAQ Global Select Market since June 2001. As of December 31, 2009, ChipMOS Bermuda was 13.33% and 14.50% owned by Mosel Vitelic Inc. (MVI) through its wholly-owned subsidiary, Giant Haven Investment Ltd. and its indirectly-owned subsidiary, Mou-Fu Investment Ltd. (Mou-Fu) and Siliconware Precision Industries Co. Ltd (SPIL). As of December 31, 2009, ChipMOS Bermuda owned 100% (2008: 100%) of the outstanding common shares of ChipMOS TECHNOLOGIES INC. (ChipMOS Taiwan).



ChipMOS Taiwan was incorporated in Taiwan on July 28, 1997 as a joint venture company between MVI and 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 58,342 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 holders of the entire outstanding common shares of ChipMOS Bermuda. Because 100% of the outstanding common shares of ChipMOS Bermuda were owned by former shareholders of ChipMOS Taiwan, the exchange of shares has been accounted for as a merger as if ChipMOS Bermuda was the acquirer. Equity and operations attributable to ChipMOS Taiwan shareholders not participating in the exchange offer were reflected as noncontrolling interest 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 12,174,998 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. As of December 31, 2009, ChipMOS Bermuda held a 100% interest in ChipMOS Taiwan.

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, 2009, ChipMOS Taiwan held a 42.87% equity interest in ThaiLin.

ChipMOS Japan Inc. (ChipMOS Japan) was incorporated in Japan in June 1999, and ChipMOS USA Inc. (ChipMOS USA) was incorporated in the United States of America in October 1999. These two companies engage in sales and customer services and all the expenses incurred from these activities are charged to current income. ChipMOS Japan began generating revenue in 2000, while ChipMOS USA began generating revenue in 2001. As of December 31, 2009, ChipMOS Taiwan owned 100% of the outstanding shares of ChipMOS USA. ChipMOS Japan was liquidated in October 2009.

1. ORGANIZATION AND BUSINESS (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 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 that are convertible into a controlling equity interest in Modern Mind if the repayment is not made when due. Accordingly, ChipMOS Bermuda is deemed to have a controlling interest in Modern Mind.

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 controls both Modern Mind and its 100% subsidiary, ChipMOS Shanghai, as ChipMOS Bermuda possesses the power to direct or cause the direction of the management and policies of Modern Mind by contract or otherwise and thereby has established a parent-subsidary relationship over Modern Mind and ChipMOS Shanghai. For this reason, Modern Mind and ChipMOS Shanghai have been consolidated into these financial statements in spite of the fact that ChipMOS Bermuda does not hold an equity interest in Modern Mind.

ChipMOS TECHNOLOGIES (H.K.) Limited (ChipMOS HK) was incorporated in Hong Kong on November 18, 2002. It is engaged in semiconductor testing and assembly services and trading of spare parts and tools. ChipMOS HK is a wholly-owned subsidiary of ChipMOS Bermuda.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements include the accounts of ChipMOS Bermuda and all subsidiaries in which ChipMOS Bermuda (hereinafter, referred to individually or collectively as the "Company") holds a controlling interest or voting interests in excess of 50% in accordance with the requirements of ROC Statement of Financial Accounting Standards ("SFAS No. 7"). All significant intercompany accounts and transactions have been eliminated.

The Company's consolidated financial statements include for 2007, 2008 and 2009, the financial results of ChipMOS Taiwan and its subsidiaries, ThaiLin, ChipMOS Japan and ChipMOS USA, ChipMOS HK and Modern Mind and its wholly-owned subsidiary, ChipMOS Shanghai.

Adoption of revised ROC SFAS

Effective January 1, 2009, the Company adopted the newly revised SFAS No. 10, "Accounting for Inventories." (SFAS No. 10R) The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value on an item-by-item basis except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the year in which they are incurred; and (3) abnormal cost, write-downs of inventories and any reversal of write-downs are recorded as cost of sales for the year. Such changes increased cost of revenue by NT\$68,334 thousand, which represented an increase in allowance of inventories of NT\$68,574 thousand net of a decrease of fixed manufacturing costs of NT\$240 thousand.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash, accounts and other receivables.

At December 31, 2009, the Company had credit risk exposure of uninsured cash in banks of approximately NT\$4,128,677 thousand (US\$129,223 thousand).

A substantial portion of revenue is earned from a small number of customers on credit and generally without any requirement of collateral.

The Company had two and one customers that had balances greater than ten percent of total notes and accounts receivable as of December 31, 2008 and 2009, respectively:

	December 31,	
	2008	2009
<u>Related party</u> (Note 20)		
ProMOS	20%	—
<u>Third party</u>		
Spansion LLC (Spansion)	41%	46%

Full allowance was made against all receivables from ProMOS and Spansion in 2008 and 2009.

Credit evaluation of each customer is performed and reserves for potential credit losses are maintained.

Use of estimates

The preparation of consolidated financial statements requires management to make estimates and judgments that affect the recorded amounts of assets, liabilities, revenue and expenses of the Company. The Company continually evaluates these estimates, including those related to allowances for doubtful amounts, inventories, useful lives of properties, income tax valuation allowances, pension plans and the fair value of financial instruments. The Company 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.

Cash equivalents

Repurchase notes with original maturity dates of three months or less are classified as cash equivalents.

Financial assets/liabilities at fair value through profit and loss

Financial assets and liabilities at fair value through profit and loss include investments and liabilities held for trading purposes and those designated as financial assets/liabilities reported at fair value. Transaction costs directly attributable to the acquisition or issuance of these financial assets and liabilities are expensed immediately as incurred. Subsequent to initial recognition, financial assets and liabilities are remeasured at fair value and the changes shall be recognized in earnings.

Held-to-maturity investments and investments with no active market

Held-to-maturity investments and investments with no active market are carried at amortized cost using the effective interest method. The Company assesses at each balance sheet date whether there is any objective evidence that the investments are impaired. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is recognized and measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the investment's original effective interest rate. The carrying amount of the investment shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the investment that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for doubtful receivables

The allowance for doubtful receivables reflects estimates of the expected amount of the receivables that the Company will not be able to collect. The Company first examines the available information regarding any customer that the Company has reason to believe may be unable to meet its financial obligations. For these customers, the Company uses its judgment, based on the available facts and circumstances, and records a specific allowance for that customer against amounts due to reduce the receivable to the amount that is expected to be collected. These specific allowances are reevaluated and adjusted as additional information is received. Secondly, for all other customers, the Company maintains an allowance based on a range of percentages applied to aging categories. These percentages are based on our historical collection and write-off experience. Additional allowances may be required in the future if the financial condition of our customers or general economic conditions deteriorate, and this additional allowance would reduce the Company's net income.

Allowances for sales returns and discounts

Allowances for sales returns and discounts are provided based on the sales returns from past experience; such provisions are deducted from sales and the related costs of products are deducted from cost of products sold.

Inventories

Inventories are stated at the lower of standard cost (which adjusted to approximate weighted average cost on the balance sheet date) or net realizable value. Inventory write-down is made on an item-by-item basis, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs. Prior to January 1, 2009, inventories were stated at the lower of cost or market value. Any write-down was made on a total-inventory basis. Market value represented replacement cost for raw materials and net realizable value for finished goods and work in progress.

Long-term investments

Investments in shares of stock of companies wherein the Company exercises significant influence on operational or financial decisions are accounted for using the equity method. Under the equity method, the investments are initially carried at cost and subsequently adjusted for the proportionate equity of the Company in the net income or net loss of the investees.

The Company will discontinue its recognition of its equity in the net loss of the investees when the carrying value of the investment (including advances) is reduced to zero. However, in cases where the Company guarantees the obligations or is committed to provide further financial support to an investee, or if the investee's losses are temporary and evidence sufficiently shows imminent return to profitability in the foreseeable future, then the Company continues to recognize its share in the net loss of the investees. (The resulting credit balances of the long-term investments are presented as part of other receivables from related parties.)

Translation adjustments resulting from the process of translating the investees' financial statements into the functional currency of the Company are recorded as cumulative translation adjustments in the statement of changes in equity.

Property, plant and equipment and employee dormitory buildings

Property, plant and equipment and employee dormitory buildings (presented as part of Other Assets) are stated at cost less accumulated depreciation. Major additions, renewals and improvements are capitalized while maintenance and repairs are expensed as incurred.

The initial estimate of the service lives of property, plant and equipment is as follows: machinery and equipment, 1 to 5 years; buildings and auxiliary equipment, 1 to 54 years; furniture and fixtures, 1 to 5 years; tooling, 1 to 2 years; transportation equipment, 5 years; and leasehold improvements, the lower of lease term or 1 to 10 years. Salvage value is considered when determining the basis of depreciated assets. If items of property, plant and equipment and employee dormitory buildings are still in good condition and useful at the end of their original service lives, the salvage value is depreciated over any extended useful life.

Upon sale or disposal of items of properties, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is credited or charged to current income.

Leased assets

Assets under capital leases are recorded at the lower of the fair value of the leased assets and the present value of the minimum lease payments of such assets. The leased assets are depreciated over the shorter of lease terms or the estimated useful life of the leased assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets are recorded at cost except for donation from the government, which is measured at fair value. Subsequent to their initial recognition, the book values are the cost and their incremental value that resulted from revaluation minus accumulated amortization and impairment loss.

Amortization is computed using the straight-line method. The Company reevaluates the residual value, estimated useful lives, and amortization method at least once every year. Changes in the above factors will be regarded as changes in accounting estimate.

Deferred charges

Deferred charges are amortized using the straight-line method over the following periods: technology know-how, 5 years; technology license fees, 5 years; software, 2 to 4 years; bond issuance costs, using the average method.

Goodwill and negative goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Company's interest in the fair value of the identifiable assets and liabilities of an investee company at the date of acquisition. Goodwill is recognized as an asset and carried at cost less accumulated impairment.

Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Negative goodwill arising on consolidation represents the excess of the Company's interest in the fair value of the identifiable assets and liabilities of an investee company over the cost of acquisition at the date of acquisition. Negative goodwill is allocated to the related assets according to the method applied to identify net assets at the process of acquisition.

Goodwill is tested for impairment on an annual basis regardless of whether there is any indication of impairment. Recognized impairment losses of goodwill cannot be reversed.

Asset impairment

The Company reviews its long-lived assets, including properties, assets leased to others and deferred charges, to look for any indication that an asset may be impaired as of the balance sheet date. An impairment loss is recognized whenever the recoverable amount of the asset of the cash-generating unit is below the carrying amount of an asset. If there is an indicator that an asset may be impaired, then the Company calculates the recoverable amount of the asset or the cash-generating unit. Recoverability is determined by comparing the carrying value of the asset (or asset group) on the date it is tested for recoverability to the sum of the undiscounted cash flows expected to result from its use and eventual disposition.

After the recognition of an impairment loss, the depreciation (amortization) charged on the assets is adjusted in future periods by the revised carrying values of the assets (net of accumulated impairment), less their salvage value, on a systematic basis over their remaining useful lives.

If an asset impairment loss (excluding goodwill) is reversed, the increase in the carrying value resulting from the reversal is credited to current income or debited to accumulated impairment to increase the carrying value of the asset to its recoverable amount. However, loss reversal is limited to the carrying value (net of depreciation or amortization) of the asset as if the impairment had not been recognized.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from testing and assembly services is generally recognized upon shipment of tested and assembled semiconductors to locations designated by customers, including the Company's internal warehouse for customers using the Company's warehousing services. Revenue from product sales is recognized when title of products and risks of ownership are transferred to customers, generally upon shipment of the products. Other criteria that the Company uses to determine when to recognize revenue are: (1) existence of persuasive evidence of the services provided, (2) customers' fixed commitment to purchase the products, (3) the selling price is fixed or determinable and (4) collectibility is reasonably assured.

The Company does not take ownership of: (1) bare semiconductor wafers received from customers that it assembles 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.

These policies are consistent with provisions in the Staff Accounting Bulletin No. 101, as revised by No. 104, issued by the United States Securities and Exchange Commission, or U.S. SEC which is now codified as Financial Accounting Statement Board Accounting Standard Codification (FASB ASC) 605.

The Company 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.

Government grant

A government grant is recognized at its fair value and credited to the income statement. Where the grant relates to an asset, the fair value is credited to a deferred income account and is recognized as income over the periods necessary to match the related amortization of the asset, on a systematic basis.

Research and development costs

Research and development costs consist of expenditure incurred during the course of planned research and investigation aimed at discovery of new knowledge which will be useful for developing new products or production processes, or significantly enhancing existing products or production processes, and the implementation of such through design and testing of product alternatives or construction of prototypes. All expenses incurred in connection with the Company's research and development activities are charged to current income.

Pension and retirement costs

Defined benefit pension costs are recorded based on actuarial calculations. Provisions for pension costs are accrued based on actuarially determined amounts which include service cost, interest, amortization of unrecognized net transition obligation and expected return on pension assets. Unrecognized net transition obligation is amortized over 15 years.

Retirement benefit contributions are made to a pension scheme and/or retirement funds, the assets of which are managed by independent investment firms and/or government agencies. Contributions are made based on a percentage of the employees' salaries and bonus, if applicable, and are charged to the income statement as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

The Company has adopted the inter-period income tax allocation method. Deferred income tax assets are recognized for the tax effects of deductible temporary differences, unused tax credits, and operating loss carryforwards and those of taxable temporary differences are recognized as deferred income tax liabilities. A valuation allowance is provided for deferred tax assets that are not certain to be realized. A deferred tax asset or liability is classified as current or non-current based on the classification of the related asset or liability. However, if a deferred asset or liability cannot be related to an asset or liability in the financial statements, then it is classified as current or non-current based on the expected reversal dates of the temporary difference.

Any tax credit arising from the purchase of machinery, equipment and technology, research and development expenditures, personnel training, or investments in important technology-based enterprise is recognized as incurred.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

Income taxes (10%) on unappropriated earnings generated by ChipMOS Taiwan and ThaiLin are recorded as an expense in the year when the stockholders have effectively resolved that earnings shall be retained.

Alternative Minimum Tax (AMT) has been effective in the ROC since January 1, 2006. The calculation base for income tax payment should be either the taxable income calculated by the AMT plus tax exemptions granted under other laws, taxed at the rate of 10% as set by the Executive Yuan of the ROC, or that calculated in accordance with the AMT, whichever is higher. The Company includes the effect of the AMT for ChipMOS Taiwan and ThaiLin in the current income tax provision.

Advertising costs

Advertising costs included in sales and marketing expenses are expensed when incurred.

Foreign-currency transactions

Foreign-currency transactions, except for derivative financial instruments, are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from the application of different foreign exchange rates when cash in foreign currency is converted into New Taiwan dollars, or when foreign-currency receivables or payables are settled, are credited or charged to income in the year of conversion or settlement. On the balance sheet dates, the balances of foreign-currency assets and liabilities are restated at the prevailing exchange rates and the resulting differences are charged to current income except those foreign currencies- denominated investments in shares of stock where such differences are accounted for as translation adjustments under equity. ROC SFAS No. 14, "Accounting for Foreign-Currency Transactions," applies to foreign operations, with the local currency of each foreign subsidiary as its functional currency. The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: assets and liabilities - current rate; equity - historical rates; income and expenses - weighted average rate during the year. The resulting translation adjustment is recorded as a separate component of equity.

Earnings per share

Earnings per share is calculated by dividing net income by the weighted average number of shares outstanding in each period, adjusted retroactively for stock dividends and stock bonuses issued subsequently. Diluted earnings per share reflects the potential dilution of securities by including other potential common stock equivalents, including stock options and warrants, and convertible securities in the weighted average number of common shares outstanding for the year, if dilutive.

The following table reconciles the denominator to calculate basic and diluted earnings (loss) per share:

	December 31,		
	2007	2008	2009
	(in thousands)		
Basic number of shares	80,305	83,894	79,137
Add: stock options	2,174	—	—
convertible notes	25,728	—	9,878
Diluted number of shares	108,207	83,894	89,015



## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The following table reconciles the numerator to calculate basic and diluted earnings per share:

	Year ended December 31,			
	2007	2008	2009	
	NT\$	NT\$	NT\$	US\$
	(in thousands)			
Net income (loss) attributable to ChipMOS	2,219,202	(7,270,245)	(4,418,683)	(138,300)
Add: interest expense and other income/expenses (net of tax)	403,310	—	(703,046)	(22,005)
Income (loss) attributable to ChipMOS adjusted for the effects of assumed exercise of options and conversion of notes	<u>2,622,512</u>	<u>(7,270,245)</u>	<u>(5,121,729)</u>	<u>(160,305)</u>

### Stock-based compensation

Effective January 1, 2008, the Company adopted SFAS No. 39 “Share-based Payment”. Prior to adoption of SFAS No. 39, employee stock-based compensation has been accounted for under the intrinsic value based method. After the adoption of SFAS No. 39, employee stock-based compensation has been measured at the fair value of the options at grant date using an option valuation model. The total stock-based compensation expense resulting from stock options is included in the consolidated statement of operations.

Share appreciation rights have been accounted for using the fair value method. Cash-settled stock appreciation rights have been recognized as a liability.

### Bonuses to employees, directors and supervisors

Effective January 1, 2008, the Company adopted Interpretation No. 96-052 issued by the Accounting Research and Development Foundation (No. 96-052). Prior to adoption of No. 96-052, bonuses to employees, directors and supervisors were recorded as an appropriation of retained earnings when they are paid out. After the adoption of No. 96-052, bonuses to employees, directors and supervisors were accrued and recorded in the consolidated statements of operations according to the Company’s Articles of Incorporation.

### Convertible notes

Convertible notes issued before January 1, 2006 were accounted for in accordance with SFAS No. 21 “Accounting for Convertible Bonds” and thus, the related interest premium payable and amortization of discount or premium should be recognized.

Convertible notes issued after January 1, 2006 are split into liability and equity components. If a convertible debt instrument has an embedded call or put option feature, the assessment of whether the call or put option is closely related to the host debt contract is made in accordance with SFAS No. 34 “Financial Instruments: Recognition and Measurement”. If the derivatives embedded in the convertible notes are not closely related to the host debt contract, the put and call option features are carried at fair value with gains and losses in earnings.

The excess of the stated redemption price over the par value is accrued as compensation interest payable over the redemption period, using the effective interest method.

When holders of convertible notes exercise their conversion right, the book value of the note is credited to common stock at an amount equal to the par value of the common stock and the excess is credited to capital surplus. No gain or loss is recognized upon conversion of notes.

### Treasury stock

The Company’s stock held by its subsidiaries is treated as 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 common stock as well as the capital surplus — additional paid-in capital are reversed on a pro rata basis. When the book value of the treasury stock exceeds the sum of the par value and additional paid-in capital, the difference is charged to capital surplus — treasury stock transactions and to retained earnings for any remaining amount.

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### 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, 2009, which was NT\$31.95 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.

### 4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	December 31,		
	2008	2009	
	NT\$	NT\$	US\$
	(in thousands)		
Stock	102,137	119,027	3,725

As of December 31, 2009, ChipMOS Taiwan held nil (2008: 4,201 thousand) shares of common stock of ProMOS and ThaiLin held nil (2008: 3,600 thousand) shares of common stock of ProMOS. (Note 20)

### 5. HELD-TO-MATURITY INVESTMENTS

	December 31,		
	2008	2009	
	NT\$	NT\$	US\$
	(in thousands)		
Bonds	250,000	—	—

The bonds were acquired from ProMOS to offset the receivables from ProMOS. They carry interest at the average of Chunghua Post and Bank of Taiwan's one year fixed deposit rate plus 1.275% and matured on September 1, 2009. (Note 20)

### 6. ALLOWANCE FOR DOUBTFUL RECEIVABLES AND SALES RETURN ALLOWANCES

The changes in the allowances are summarized as follows:

	Year Ended December 31,			
	2007	2008	2009	
	NT\$	NT\$	NT\$	US\$
	(in thousands)			
Balance, beginning of year	160,656	260,599	2,433,013	76,151
Additions	130,038	2,292,229	1,064,771	33,326
Reversal	(30,095)	(119,815)	(560,854)	(17,554)
Balance, end of year	260,599	2,433,013	2,936,930	91,923

The allowance/reversal of allowance for doubtful receivables was recorded in sales and marketing expenses. The allowance/reversal of allowance for sales return was recorded in sales discount and returns in net revenue.

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7. INVENTORIES - NET

	December 31,		
	2008	2009	
	NT\$	NT\$	US\$
	(in thousands)		
Finished goods	414,166	120,280	3,765
Work in progress	108,787	273,912	8,573
Raw materials	580,718	667,936	20,906
	1,103,671	1,062,128	33,244
Less - allowance for losses	(102,142)	(200,064)	(6,262)
	<u>1,001,529</u>	<u>862,064</u>	<u>26,982</u>

The changes in the inventory valuation allowances are summarized as follows:

	Year Ended December 31,			
	2007	2008	2009	
	NT\$	NT\$	NT\$	US\$
	(in thousands)			
Balance, beginning of year	107,638	63,772	102,142	3,197
Additions	—	41,704	100,150	3,135
Reversals	(43,866)	(3,334)	(2,228)	(70)
Balance, end of year	<u>63,772</u>	<u>102,142</u>	<u>200,064</u>	<u>6,262</u>

8. LONG-TERM INVESTMENTS

	December 31,			
	2008	2009		
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
	NT\$		NT\$	US\$
	(in thousands, except percentage interests)			
Equity method:				
Ultima Technology Corp. (Ultima Technology)	—	30	—	—
Cost method:				
Best Home Corp. Ltd. (Best Home)	—	19	—	—
Sun Fund Securities Ltd. (Sun Fund)	249,167	17	—	—
DigiMedia Technologies Co., Ltd. (DigiMedia Cayman)	198,666	11	198,666	6,218
Validity Sensors Inc. (preferred shares)	19,956	—	19,956	625
Tashee Golf & Country Club	10	—	10	—
Less: Accumulated impairment	(329,965)		(198,666)	(6,218)
	137,834		19,966	625
Investments with no active market:				
Bonds	400,000	—	300,000	9,390
Less: current portion	(100,000)		(100,000)	(3,130)
	<u>437,834</u>		<u>219,966</u>	<u>6,885</u>

The net income of Ultima Technology for the years ended December 31, 2007, 2008 and 2009 was not accounted for by the Company as the investment was fully impaired since 2006.

The summarized financial information for Ultima Technology is not presented as no financial information is available.

The investment in Ultima Technology was fully impaired as of December 31, 2006.

## 8. LONG-TERM INVESTMENTS (continued)

During 2007, impairment losses of NT\$8,735 thousand were recognized in respect of investment in Sun Fund.

During 2008, impairment losses of NT\$21,517 thousand and NT\$198,666 thousand were recognized in respect of investment in Sun Fund and DigiMedia Cayman.

In September 2009, the proceeds of NT\$105,000 thousand were returned from Sun Fund since it commenced liquidation. Sun Fund was still in the process of liquidation as of December 31, 2009.

The bonds were acquired from ProMOS to offset the receivables from ProMOS. They are recoverable in four installments of NT\$100,000 thousand each on June 28 of each year up to June 28, 2012. NT\$100,000 thousand was recovered on June 28, 2009. The portion recoverable on June 28, 2010 was classified as current assets. They carry interest at Chinfon Bank's one year fixed deposit rate plus 1.375%. (Note 20) NT\$201,000 thousand of the bonds were pledged for short-term loans of ChipMOS Taiwan (Note 11).

## 9. PROPERTY, PLANT AND EQUIPMENT – NET

Accumulated depreciation consists of the following:

	December 31,		
	2008 NT\$	2009 NT\$ (in thousands)	US\$
Buildings and auxiliary equipment	2,654,072	3,090,722	96,736
Machinery and equipment	26,572,104	31,448,875	984,315
Furniture and fixtures	796,843	906,323	28,367
Transportation equipment	26,936	28,816	902
Tools	2,259,283	2,635,672	82,494
Leasehold improvements	1,049	53,513	1,675
	<u>32,310,287</u>	<u>38,163,921</u>	<u>1,194,489</u>

As of December 31, 2009, certain of the above buildings and machinery were mortgaged as collateral for long-term loans and capital lease payable (Notes 15, 16 and 21).

## 10. INTANGIBLE ASSETS – NET

	December 31,		
	2008 NT\$	2009 NT\$ (in thousands)	US\$
<u>Land use rights</u>			
Cost	121,787	118,893	3,721
Accumulated amortization	<u>(13,990)</u>	<u>(16,071)</u>	<u>(503)</u>
Carrying value	<u>107,797</u>	<u>102,822</u>	<u>3,218</u>

The amortization charge for 2009 amounted to NT\$2,491 thousand (2008: NT\$2,851 thousand, 2007: NT\$2,848 thousand). The weighted average amortization period is 50 years (2008: 50 years). The estimated aggregate amortization charge for the five years ending December 31, 2010, 2011, 2012, 2013 and 2014 amounts to approximately NT\$2,500 thousand each year.

# 11. BANK LOANS

	December 31,		
	2008	2009	
	NT\$	NT\$	US\$
	(in thousands)		
Unsecured loans:			
Loans for import of machinery:			
US\$101 thousand, repayable by June 2009, annual interest at 2.376% - 2.661734%	3,306	—	—
JPY55,140 thousand, repayable by May 2009, annual interest at 1.449%	20,016	—	—
JPY37,710 thousand, repayable by March 2010, annual interest at 1.42812%	—	13,066	409
JPY4,190 thousand, repayable by April 2010, annual interest at 1.41015%	—	1,452	45
Loans for import :			
NT\$74,530 thousand, repayable by May 2009, annual interest at 1.82% - 2.47%	74,530	—	—
NT\$42,029 thousand, repayable by June 2009, annual interest at 1.82% - 2.488%	42,029	—	—
JPY338,263 thousand, repayable by May 2009, annual interest at 1.41015% - 1.45877%	122,789	—	—
JPY65,343 thousand, repayable by June 2009, annual interest at 1.49683%	23,720	—	—
US\$38 thousand, repayable by June 2010, annual interest at 2.376%	—	1,200	38
JPY183,907 thousand, repayable by January 2010, annual interest at 1.4408% - 1.446%	—	63,724	1,994
JPY183,719 thousand, repayable by March 2010, annual interest at 1.1117% - 1.426%	—	63,659	1,992
JPY104,381 thousand, repayable by May 2010, annual interest at 1.39852% - 1.661%	—	36,168	1,132
Loans for working capital :			
NT\$500,000 thousand, repayable by January 2009, annual interest at 2.0% - 3.0%	500,000	—	—
NT\$699,000 thousand, repayable by February 2009, annual interest at 1.7% - 3.48%	699,000	—	—
NT\$500,000 thousand, repayable by April 2009, annual interest at 2.537%	500,000	—	—
NT\$150,000 thousand, repayable by May 2009, annual interest at 2.8%	150,000	—	—
NT\$360,000 thousand, repayable by June 2009, annual interest at 1.76% - 3.3%	360,000	—	—
NT\$90,000 thousand, repayable by October 2009, annual interest at 2.47%	90,000	—	—
NT\$160,000 thousand, repayable by February 2009, annual interest at 2.51% - 2.53%	160,000	—	—
NT\$227,050 thousand, repayable by January 2010, annual interest at 3.62% - 3.77%	—	227,050	7,106
NT\$142,500 thousand, repayable by February 2010, annual interest at 2.362%	—	142,500	4,460

## 11. BANK LOANS (continued)

	December 31,		
	2008 NT\$	2009 NT\$ (in thousands)	US\$
NT\$323,000 thousand, repayable by March 2010, annual interest at 2.362%	—	323,000	10,110
NT\$114,000 thousand, repayable by June 2010, annual interest at 2.362% - 3.3%	—	114,000	3,568
NT\$85,500 thousand, repayable by October 2010, annual interest at 2.2%	—	85,500	2,676
NT\$190,000 thousand, repayable by December 2010, annual interest at 2.88%	—	190,000	5,947
Secured loans:			
Loans for import :			
NT\$95,000 thousand, repayable by August 2010, annual interest at 2.6%	—	95,000	2,973
Loans for working capital :			
NT\$190,000 thousand, repayable by January 2010, annual interest at 3.75% - 4.0%	—	190,000	5,947
NT\$294,500 thousand, repayable by February 2010, annual interest at 3.48%	—	294,500	9,218
NT\$47,500 thousand, repayable by May 2010, annual interest at 2.6%	—	47,500	1,487
NT\$475,000 thousand, repayable by December 2010, annual interest at 2.3256%	—	475,000	14,867
	<u>2,745,390</u>	<u>2,363,319</u>	<u>73,969</u>

Unused credit lines of short-term bank loans, as of December 31, 2009, totaled approximately NT\$2,020,320 thousand, which will expire from January 2010 to December 2010.

The weighted average interest rate for bank loans was 2.8% per annum in 2009 (2008: 3.9% per annum).

Certain short-term loans were secured by time deposits and bonds with no active market (Notes 8 and 21).

## 12. OTHER PAYABLES – THIRD PARTIES

	December 31,		
	2008 NT\$	2009 NT\$ (in thousands)	US\$
Miscellaneous factory expenses	135,051	384,487	12,034
Others	492,991	311,635	9,754
	<u>628,042</u>	<u>696,122</u>	<u>21,788</u>

## 13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31,		
	2008 NT\$	2009 NT\$ (in thousands)	US\$
Accrued bonus	259,822	281,212	8,801
Others	209,615	244,498	7,653
	<u>469,437</u>	<u>525,710</u>	<u>16,454</u>

#### 14. CONVERTIBLE NOTES AND DERIVATIVE LIABILITIES

	December 31,		
	2008	2009	
	NT\$	NT\$	US\$
	(in thousands)		
Convertible notes	1,615,761	554,537	17,356
Less: current portion	(1,541,633)	—	—
Non-current portion	74,128	554,537	17,356
Derivative liabilities – non-current	—	129,967	4,068

##### Convertible notes due 2009 (CN due 2009)

On November 3, 2004, ChipMOS Bermuda issued US\$85,000 thousand (NT\$2,715,750 thousand) CN due 2009. The CN due 2009 bore interest at 1.75% per annum. The noteholders might convert any outstanding notes into common shares of ChipMOS Bermuda, initially at the conversion price of US\$7.85, at any time during the period from the 41<sup>st</sup> day after the latest original issuance date of the notes to the close of business on the fifth business day before the stated maturity date, subject to prior repurchase or redemption. The conversion price was subject to certain adjustments. On November 3, 2005, the conversion price was adjusted to US\$6.28 per share from the initial conversion price of US\$7.85 per share, pursuant to the terms of the CN due 2009. The market price of the Company's stock on November 3, 2005 was US\$6.00. There was no fixed discount to the common shares' market price in relation to conversion. On December 20, 2004, ChipMOS Bermuda repurchased US\$699 thousand (NT\$22,333 thousand) of the CN due 2009. No conversion had taken place during 2005, 2007 and 2008.

On October 18, 2006, noteholders of CN due 2009 converted US\$7,000 thousand (NT\$223,650 thousand) in aggregate principal amount into 1,114,649 common shares of ChipMOS Bermuda pursuant to ChipMOS Bermuda's induced conversion offer, dated October 17, 2006. Pursuant to the induced conversion offer, ChipMOS Bermuda paid approximately US\$490 thousand (NT\$15,656 thousand) to the converting noteholders.

The noteholders of CN due 2009 had an option to cause ChipMOS Bermuda to repurchase for cash all or a portion of the notes on November 3, 2006 at a repurchase price equal to 100% of the principal amount of the notes plus any accrued and unpaid interest to, but excluding, the date of repurchase (put option). On November 3, 2006, ChipMOS Bermuda repurchased US\$6,300 thousand (NT\$201,285 thousand) CN due 2009 pursuant to the put option. After November 3, 2006, noteholders may cause ChipMOS Bermuda to repurchase the CN due 2009 only upon the occurrence of certain fundamental changes.

During 2008, ChipMOS Bermuda repurchased CN due 2009 US\$2,000 thousand (NT\$63,900 thousand), US\$11,000 thousand (NT\$351,450 thousand), and US\$2,000 thousand (NT\$63,900 thousand) on August 29, September 9, and December 2, respectively.

On October 21, 2009, ChipMOS Bermuda entered into an exchange transaction with a noteholder holding in an aggregate principal amount of US\$45,000 thousand of the CN due 2009 (see CN due 2014 below). The exchange transaction was accounted for as an extinguishment of debt. A gain of NT\$412,337 thousand was recorded as non-operating income in the statement of operations. On November 3, 2009, ChipMOS Bermuda repaid the remaining outstanding CN due 2009 in aggregate principal amount of US\$2,001 thousand (NT\$63,932 thousand) plus accrued and unpaid interest at maturity to the remaining noteholders.

##### Convertible notes due 2011 (CN due 2011)

On September 29, 2006, ChipMOS Bermuda issued US\$100,000 thousand (NT\$3,195,000 thousand) CN due 2011. The CN due 2011 bear interest at 3.375% per annum. The noteholders may convert any outstanding notes into common shares of ChipMOS Bermuda, initially at the conversion price of US\$6.85, at any time during the period from the 41<sup>st</sup> day after the latest original issuance date of the notes to the close of business on the fifth business day before the stated maturity date, subject to prior repurchase or redemption. The conversion price will be subject to certain adjustments. No conversion had taken place during 2006, 2007, 2008 and 2009. On November 29, 2007, ChipMOS Bermuda repurchased US\$1,000 thousand (NT\$31,950 thousand) of CN due 2011.

On May 23, 2008, ChipMOS Bermuda repurchased US\$1,415 thousand (NT\$45,209 thousand) of CN due 2011. On June 2, June 13, June 17, and June 30 2008, ChipMOS Bermuda repurchased US\$5,000 thousand (NT\$159,750 thousand), US\$8,660 thousand (NT\$276,687 thousand), US\$1,000 thousand (NT\$31,950 thousand), and US\$2,000 thousand (NT\$63,900 thousand) of CN due 2011, respectively.



## 14. CONVERTIBLE NOTES AND DERIVATIVE LIABILITIES (continued)

The noteholders of CN due 2011 have an option to cause ChipMOS Bermuda to repurchase for cash all or a portion of the notes on September 29, 2008 at a repurchase price equal to 100% of the principal amount of the notes plus any accrued and unpaid interest to, but excluding, the date of repurchase (put option). On September 29, 2008, ChipMOS Bermuda repurchased aggregate principal US\$78,665 thousand (NT\$2,513,347 thousand) pursuant to the put option offer. After September 29, 2008, noteholders may cause ChipMOS Bermuda to repurchase the CN due 2011 only upon the occurrence of certain fundamental changes.

At any time on or after September 29, 2008, the Company may also at its option redeem the notes for cash at a price equal to 100% of the principal amount of the notes plus accrued and unpaid interest, (a) in whole or in part, if the market price of the Company's common shares has been at least 130% of the conversion price for at least 20 trading days during any 30 consecutive trading day period, or (b) in whole only, if at least 90% of the initial aggregate principal amount of the notes have been converted, repurchased or redeemed (call option).

Convertible notes due 2014 (CN due 2014)

On October 21, 2009, ChipMOS Bermuda completed an exchange transaction with a noteholder of CN due 2009 in an aggregate principal amount of US\$45,000 thousand for US\$15,300 thousand (NT\$488,835 thousand) in cash and US\$15,750 thousand (NT\$503,213 thousand) in new convertible notes of ChipMOS Bermuda due October 21, 2014. The CN due 2014 bear interest at 10% per annum (10%CN due 2014).

In connection with the exchange transaction, the Company recorded a gain of NT\$412,337 thousand. The gain was recorded in non-operating income in the statement of operations.

The noteholder may convert any outstanding notes into common shares of ChipMOS Bermuda, initially at the conversion price of US\$1.50 per share, at any time during the period from the 41<sup>st</sup> day after the closing date to the close of business on the tenth business day prior to the stated maturity date, subject to prior repurchase or redemption (Conversion) The conversion price will be subject to certain adjustment. In addition to the common shares issuable upon conversion, an amount equal to the sum of any make-whole amount and any accrued and unpaid interest relating to the portion of the notes being converted is paid to the converting holder. Make-whole amount is the amount of interest that would have accrued with respect to applicable conversion date, change of control repurchase date or redemption date, as the case may be, until the stated maturity, discounted to present value using the published yield on treasury notes of the U.S. Federal Government having a comparable remaining tenor on the determination date plus 50 basis points; provided, however, the additional 50 basis points shall not be added if the applicable treasury note rate is greater than two percent (2%); in each case, the make-whole amount shall be calculated by the Company. At any time after the issuance date, if (i) the closing sale price of the common shares on an eligible market exceeds two hundred percent (200%) of the conversion price then in effect for a period of 20 consecutive trading days ending on the fifth trading day immediately preceding the company conversion notice date, (ii) the average daily trading volume of the common shares trading on an eligible market over such company conversion measuring period equals or exceeds one percent (1%) of the then outstanding common shares and (iii) no equity conditions failure has occurred and is continuing, the Company shall have the right to convert some or all of the outstanding principal amount of the Convertible Instruments as designated in a company conversion notice on the company conversion date. (Company conversion) At any time prior to the maturity date, the Company may redeem all or part of the outstanding amount in cash. On the applicable redemption date, the Company shall redeem the outstanding principal amount specified in the redemption notice by paying in cash to the trustee as of the date of the redemption notice an amount equal to (a) the Principal amount being redeemed plus (b) the sum of any make-whole amount and any accrued and unpaid interest (to but excluding the redemption date), if any, in each case relating to the outstanding portion of the CN due 2014 being redeemed. If the Company redeems the CN due 2014 of a holder, the holder may nevertheless exercise its right to convert its CN due 2014 until the close of business on the day that is five business days immediately preceding the redemption date. (Redemption)

Interest on the CN due 2014 is payable at the Company's option on each interest payment date (1) in whole in cash, (2) in whole in common shares or (3) in a combination of cash and common shares; provided, however, that in the case of the payment of common shares, in whole or in part, there shall not have been an equity conditions failure.

On December 29, 2009, ChipMOS Bermuda issued US\$5,120 thousand (NT\$164,710 thousand) CN due 2014 which bear interest at 8% per annum (8%CN due 2014). The terms of 8%CN due 2014 are the same as 10%CN due 2014 except the conversion price and coupon rate. The conversion price of 8%CN due 2014 is US\$1.25 per share and the coupon rate is 8%.

In accordance with ROC SFAS No. 34, the notes are recorded as liabilities using the effective interest method. The Company bifurcated the Conversion and Company conversion features from the CN due 2014 and recorded the embedded derivatives as derivative liabilities at fair value. The fair value of the derivative liabilities was determined using the Binomial Lattice model. The Redemption feature is clearly and closely related to the notes as the redemption payoff by the Company is the debt plus unpaid and accrued interest and make-whole amount.

## 15. LONG-TERM LOANS

	December 31,		
	2008 NT\$	2009 NT\$ US\$	
(in thousands)			
Syndicated bank loans within guarantee provided by ChipMOS Taiwan, repayable annually from August 2009 to August 2011, interest at floating rate (3.15313% and 1.26219% as of December 31, 2008 and 2009, respectively)	2,443,600	2,144,929	67,134
Syndicated bank loans collateralized by equipment, repayable quarterly from June 2005 to December 2010, interest at floating rate (2.59% and 1.065% as of December 31, 2008 and 2009, respectively)	215,652	107,826	3,375
Syndicated bank loans collateralized by equipment, repayable semi-annually from November 2006 to May 2012, interest at floating rate (4.00% and 2.85% as of December 31, 2008 and 2009, respectively)	375,000	356,250	11,150
Syndicated bank loans collateralized by buildings, repayable in September 2011, interest at floating rate (3.535% and 2.355% as of December 31, 2008 and 2009, respectively)	500,000	475,000	14,867
Syndicated bank loans repayable quarterly from March 2009 to September 2011, interest at floating rate (3.685% and 2.505% as of December 31, 2008 and 2009, respectively)	375,000	356,250	11,150
Bank loans, repayable quarterly from February 2006 to November 2011, interest at fixed rate of 4.69%	125,000	118,750	3,717
Bank loans collateralized by equipment, repayable quarterly from March 2006 to December 2010, interest at floating rate (2.55% and 1.28% as of December 31, 2008 and 2009, respectively)	176,000	88,000	2,754
Syndicated bank loans collateralized by equipment, repayable semi-annually from April 2008 to April 2013, interest at floating rate (3.15% and 2.2% as of December 31, 2008 and 2009, respectively)	4,285,714	4,071,429	127,431
Syndicated bank loans collateralized by equipment, repayable semi-annually from June 2010 to December 2013, interest at floating rate (3.0127% and 2.2% as of December 31, 2008 and 2009, respectively)	2,100,000	2,100,000	65,728
Bank loans collateralized by equipment, repayable quarterly from September 2008 to June 2013, interest at floating rate (2.4049% and 3.41% as of December 31, 2008 and 2009, respectively)	250,000	237,500	7,433
Bank loans repayable quarterly from December 2008 to September 2013, interest at floating rate (2.48% and 2.2% as of December 31, 2008 and 2009, respectively)	275,000	261,250	8,177
Bank loans collateralized by equipment, repayable quarterly from December 2007 to December 2011, interest at floating rate (2.37% and 2.2% as of December 31, 2008 and 2009, respectively)	177,500	168,625	5,278
Bank loans collateralized by buildings, repayable semi-annually from June 2009 to December 2015, interest at floating rate (2.45% and 2.2% as of December 31, 2008 and 2009, respectively)	800,000	760,000	23,787
Bank loans collateralized by equipment, repayable quarterly from September 2009 to March 2012, interest at floating rate (2.37% and 2.2% as of December 31, 2008 and 2009, respectively)	300,000	285,000	8,920

## 15. LONG-TERM LOANS (continued)

	December 31,		
	2008 NT\$	2009 NT\$ (in thousands)	US\$
Bank loans, repayable quarterly from March 2010 to December 2014, interest at floating rate (3.21% and 2.2% as of December 31, 2008 and 2009, respectively)	100,000	100,000	3,130
Bank loans collateralized by buildings, repayable semi-annually from April 2010 to July 2012, interest at floating rate (2.45% and 2.2% as of December 31, 2008 and 2009, respectively)	300,000	300,000	9,390
Bank loans collateralized by equipment, repayable quarterly from May 2007 to February 2012, interest at floating rate (2.826% - 3.419% and 2.016% - 2.112% as of December 31, 2008 and 2009, respectively)	1,078,579	862,450	26,994
Industrial research and development advancement loan, collateralized by time deposits in amounts of NT\$11,500 thousand, repayable quarterly from January 2006 to April 2010 but early repaid in April 2009, interest at fixed rate of 1%	9,707	—	—
Bank loans collateralized by land and buildings, repayable quarterly from December 2008 to July 2009, interest at floating rate (3.97125% as of December 31, 2008)	3,280	—	—
Bank loans collateralized by land and buildings, repayable quarterly from December 2008 to September 2009, interest at floating rate (3.89688% as of December 31, 2008)	65,600	—	—
Bank loans collateralized by land and buildings, repayable quarterly from December 2008 to August 2009, interest at floating rate (3.915% as of December 31, 2008)	12,300	—	—
Bank loans collateralized by land and buildings, repayable quarterly from March 2009 to September 2009, interest at floating rate (4.265% as of December 31, 2008)	27,880	—	—
Bank loans collateralized by land and buildings, repayable in October 2009, interest at floating rate (4.97875% as of December 31, 2008)	1,312	—	—
Bank loans collateralized by land and buildings, repayable in November 2009 but early repaid in October 2009, interest at floating rate (4.065% as of December 31, 2008)	3,243	—	—
Bank loans collateralized by land and buildings, repayable quarterly from March 2009 to November 2009 but early repaid in October 2009, interest at floating rate (3.49875% as of December 31, 2008)	24,600	—	—
Bank loans collateralized by land and buildings, repayable quarterly from March 2009 to November 2009 but early repaid in October 2009, interest at floating rate (3.42125% as of December 31, 2008)	66,420	—	—
Bank loans collateralized by land and buildings, repayable quarterly from March 2009 to December 2009 but early repaid in October 2009, interest at floating rate (2.66375% as of December 31, 2008)	45,510	—	—
Bank loans collateralized by land and buildings, repayable quarterly from June 2009 to December 2009 but early repaid in October 2009, interest at floating rate (2.65% as of December 31, 2008)	8,200	—	—

## 15. LONG-TERM LOANS (continued)

	December 31,		
	2008 NT\$	2009 NT\$	US\$
(in thousands)			
Bank loans collateralized by land and buildings, repayable in December 2009 but early repaid in October 2009, interest at floating rate (2.63% as of December 31, 2008)	2,395	—	—
Bank loans collateralized by land and buildings, repayable in December 2009 but early repaid in October 2009, interest at floating rate (2.63% as of December 31, 2008)	2,302	—	—
Bank loans collateralized by land and buildings, repayable in January 2010 but early repaid in October 2009, interest at floating rate (3.91313% as of December 31, 2008)	23,144	—	—
Bank loans collateralized by land and buildings, repayable in January 2010 but early repaid in October 2009, interest at floating rate (3.89375% as of December 31, 2008)	21,667	—	—
Bank loans collateralized by land and buildings, repayable in January 2010 but early repaid in October 2009, interest at floating rate (3.88438% as of December 31, 2008)	19,304	—	—
Bank loans collateralized by land and buildings, repayable in January 2010 but early repaid in October 2009, interest at floating rate (3.9% as of December 31, 2008)	29,296	—	—
Bank loans collateralized by land and buildings, repayable in January 2010 but early repaid in October 2009, interest at floating rate (3.97125% as of December 31, 2008)	5,535	—	—
Bank loans collateralized by land and buildings, repayable in January 2010 but early repaid in October 2009, interest at floating rate (3.95688% as of December 31, 2008)	2,521	—	—
Bank loans collateralized by land and buildings, repayable in January 2010 but early repaid in October 2009, interest at floating rate (3.91625% as of December 31, 2008)	32,674	—	—
Bank loans collateralized by land and buildings, repayable in February 2010 but early repaid in October 2009, interest at floating rate (3.91375% as of December 31, 2008)	9,269	—	—
Bank loans collateralized by land and buildings, repayable in March 2010 but early repaid in October 2009, interest at floating rate (3.9175% as of December 31, 2008)	1,122	—	—
Bank loans collateralized by land and buildings, repayable quarterly from June 2009 to March 2010 but early repaid in October 2009, interest at floating rate (3.8875% as of December 31, 2008)	38,212	—	—
Bank loans collateralized by land and buildings, repayable in March 2010 but early repaid in October 2009, interest at floating rate (4.775% as of December 31, 2008)	5,726	—	—
Bank loans collateralized by land and buildings, repayable in March 2010 but early repaid in October 2009, interest at floating rate (4.8525% as of December 31 2008)	481	—	—

## 15. LONG-TERM LOANS (continued)

	December 31,		
	2008 NT\$	2009 NT\$ (in thousands)	US\$
Bank loans collateralized by land and buildings, repayable in April 2010 but early repaid in October 2009, interest at floating rate (5.175% as of December 31 2008)	5,790	—	—
Bank loans collateralized by land and buildings, repayable in April 2010 but early repaid in October 2009, interest at floating rate (4.97875% as of December 31, 2008)	15,689	—	—
Bank loans collateralized by land and buildings, repayable in April 2010 but early repaid in October 2009, interest at floating rate (4.5% as of December 31, 2008)	1,892	—	—
	14,362,116	12,793,259	400,415
Less – current portion	(4,603,637)	(1,553,949)	(48,637)
	<u>9,758,479</u>	<u>11,239,310</u>	<u>351,778</u>

Unused credit lines of long-term bank loans as of December 31, 2009 totaled approximately NT\$527,957 thousand.

Under syndicated bank loans facility agreements, ChipMOS Bermuda, ChipMOS Taiwan and ThaiLin are required to maintain certain financial ratios. ThaiLin was waived from compliance of the times interest earned ratio requirement for 2009, and ChipMOS Taiwan was waived from compliance of the financial ratio requirements for 2008 and 2009. Pursuant to a bank creditors meetings and the approval notice from Standard Chartered Bank on February 9, 2010, ChipMOS Bermuda, as borrower, and ChipMOS Taiwan, as guarantor were waived from compliance of the financial ratio requirements as of December 31, 2008 and December 31, 2009.

As of December 31, 2009, certain land and buildings and machinery were mortgaged as collateral for the long-term loans. (Note 21).

On January 14, 2009 a meeting was arranged by ChipMOS Taiwan with all the banks that have loans due between 2009 to 2013 for an extension of repayments and amendments on other terms and conditions on these loans (“amendments”). A bank creditors’ meeting hosted by Bank of Taiwan, the largest bank creditor, was held on February 13, 2009 to discuss ChipMOS Taiwan’s request for an extension of loan repayment and amendments. At the meeting, it was resolved that the extension of loan repayment and amendments be approved and applicable to all bank creditors with loans due in 2009 to 2013 once the bank creditors with loans due in 2009 to 2013 whose loans aggregated over 50% of the total bank loans due in 2009 to 2013 agreed. On April 6, 2009, Bank of Taiwan issued a letter to ChipMOS Taiwan informing ChipMOS Taiwan that the bank creditors whose loan amounts aggregated over 50% of the total bank loans due in 2009 to 2013 formally agreed to the extension of loan repayment and amendments.

In April 2009, ChipMOS Bermuda applied to Standard Chartered Bank for the waiver of financial covenants of borrower and guarantor. In February 2010, Standard Chartered Bank issued a notice to ChipMOS Bermuda informing ChipMOS Bermuda that majority lenders approval had been obtained to the waiver request.

Future minimum principal payments under the long-term loans as of December 31, 2009 are as follows:

	Amount	
	NT\$ (in thousands)	US\$
2010	1,553,949	48,637
2011	5,803,054	181,629
2012	3,224,113	100,911
2013	1,867,143	58,440
2014	185,000	5,790
After 2014	160,000	5,008
	<u>12,793,259</u>	<u>400,415</u>

## 16. CAPITAL LEASES PAYABLE

	2008 NT\$	December 31, 2009	
		NT\$ (in thousands)	US\$
Capital leases payable	—	2,275,005	71,205
Less: current portion	—	(821,214)	(25,703)
Non-current portion	—	1,453,791	45,502

ChipMOS Taiwan originally leased some equipment under operating leases. As part of the plan to remediate the financial difficulty, ChipMOS Taiwan negotiated with the lessors and converted the leases of certain equipment into capital leases in November 2009. The capital leases mature in 2012-2013 and have buy-out options but they cannot be renewed, terminated or refunded. The leased equipment and the corresponding capital leases payable are recorded at the lower of the fair value of the leased equipment and the present value of the minimum lease payments of such assets. The capital leases are repayable in quarterly instalments and carry interest at floating rates of 3.9567% - 3.9609% as of December 31, 2009.

As of December 31, 2009, the cost and accumulated depreciation of the leased equipment amounted to NT\$2,363,168 thousand and NT\$52,166 thousand, respectively. The depreciation charge for the year amounted to NT\$52,166 thousand.

Future minimum lease payments under the capital leases as of December 31, 2009 are as follows:

	Amount	
	NT\$ (in thousands)	US\$
2010	821,214	25,703
2011	822,047	25,729
2012	573,659	17,955
2013	58,085	1,818
	2,275,005	71,205

Under the capital leases, ChipMOS Taiwan is required to maintain certain financial ratios, starting from 2010.

ChipMOS Taiwan obtained permission from the syndicated loan borrowers (see Note 15 above) and pledged certain land and buildings and equipment to the above lessors. (Note 21) ChipMOS Taiwan also placed 104,695 thousand shares of ThaiLin under the custody of Taiwan Bank.

## 17. PENSION PLAN

ChipMOS Taiwan and ThaiLin have established defined benefit pension plans for all of their regular employees, which provide benefits based on the length of service and the average monthly salary for the six-month period immediately before retirement.

ChipMOS Taiwan and ThaiLin make monthly contributions, equal to 2% of salaries and wages, to a pension fund that is administered by a pension fund monitoring committee and deposited in the Central Trust of China in the Republic of China.

Taiwan has a new pension scheme law effective July 1, 2005. The new pension scheme is a defined contribution scheme. All new employees who join or joined ChipMOS Taiwan and ThaiLin after July 1, 2005 must participate in the new scheme. Existing employees can choose to stay with the old scheme or to join the new scheme. Under the new scheme, ChipMOS Taiwan and ThaiLin are required to contribute 6% of the employees' salary into the employees' own pension fund accounts managed by the government.

The employees of ChipMOS Shanghai are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on a percentage of the employees' salaries and bonuses, if applicable, and are charged to the income statement as incurred.

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### 17. PENSION PLAN (continued)

Certain pension information is as follows:

#### a. Net pension cost

	Year Ended December 31,			
	2007	2008	2009	
	NT\$	NT\$	NT\$	US\$
	(in thousands)			
Service cost	1,662	1,585	1,518	48
Interest cost	8,735	12,395	11,340	355
Projected return on plan assets	(5,500)	(7,865)	(6,857)	(215)
Amortization	53	53	53	2
Curtailment loss	3,429	6,666	7,362	231
	<u>8,379</u>	<u>12,834</u>	<u>13,416</u>	<u>421</u>

#### b. Reconciliation of the fund status of the plan and accrued pension cost

	Year Ended December 31,			
	2007	2008	2009	
	NT\$	NT\$	NT\$	US\$
	(in thousands)			
Actuarial present value of benefit obligations				
Vested benefit obligation	1,081	506	506	16
Nonvested benefit obligation	226,673	236,480	245,276	7,677
Accumulated benefit obligation	227,754	236,986	245,782	7,693
Additional benefits based on future salaries	239,946	261,269	300,603	9,408
Projected benefit obligation	467,700	498,255	546,385	17,101
Plan assets at fair value	(249,637)	(291,532)	(314,992)	(9,859)
Projected benefit obligation in excess of plan assets	218,063	206,723	231,393	7,242
Unrecognized net transition obligation	(557)	(504)	(451)	(14)
Unrecognized prior service cost	—	4,617	4,411	138
Unrecognized net gain	(205,245)	(218,665)	(251,471)	(7,870)
Accrued pension cost (prepaid pension)	<u>12,261</u>	<u>(7,829)</u>	<u>(16,118)</u>	<u>(504)</u>

#### c. Actuarial assumptions

	2007	2008	2009
Discount rate used in determining present values	2.88%	2.38%	2.38%
Future salary increase rate	4.25%	4.25%	4.25%
Expected rate of return on plan assets	3.00%	2.38%	1.88%

#### d. Changes in pension fund

	Year Ended December 31,			
	2007	2008	2009	
	NT\$	NT\$	NT\$	US\$
	(in thousands)			
Company contributions	<u>43,706</u>	<u>32,780</u>	<u>21,705</u>	<u>679</u>
Payment of benefits	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

### 18. SHAREHOLDERS' EQUITY

Under ROC Company Law, capital surplus can only be used to offset deficits, except that capital surplus generated from (1) donations (donated capital) or (2) the excess of the issue price over the par value of capital stock (including stocks issued for new capital and mergers, and the purchase of treasury stock) can be transferred to capital as stock dividends when no deficit remains and shareholders approve such distribution.

ChipMOS Taiwan's Articles of Incorporation provide that the following may be appropriated from the accumulated net income, after deducting any previously accumulated deficit and 10% legal reserve, subject to shareholders' approval: (a) 10% as bonuses to employees, (b) not more than 0.5% as remuneration to directors and supervisors, (c) a special reserve, if deemed necessary, and (d) dividends to shareholders.

# 18. SHAREHOLDERS' EQUITY (continued)

ThaiLin's Articles of Incorporation provide that the following may be appropriated from the accumulated net income, after deducting any previously accumulated deficit and 10% legal reserve, subject to shareholders' approval: (a) not more than 0.5% as remuneration to directors and supervisors, (b) not less than 10% as bonuses to employees, and (c) dividends to shareholders but not less than 50% should be distributed as cash dividends to shareholders.

These appropriations and the disposition of the remaining net income shall be resolved by the shareholders in the following year and given effect in the financial statements of that year.

The aforementioned appropriation for legal reserve shall be made until the reserve equals the aggregate par value of ChipMOS Taiwan's and ThaiLin's outstanding capital stock. The reserve can only be used to offset a deficit, or when its balance has reached 50% of the aggregate par value of the outstanding capital stock of ChipMOS Taiwan and ThaiLin, and up to 50% thereof can be distributed as stock dividends.

## Stock Options

The Share Option plan provides that the directors, officers, employees and consultants of ChipMOS Bermuda and its affiliates may be granted options to purchase common shares of ChipMOS Bermuda at specified exercise prices.

The following table summarizes information about stock options outstanding at December 31, 2009.

Year of Grant	Exercise Price US\$	Number Outstanding	Market Price at Grant US\$	Market Price at Year End US\$	Number Exercisable on or after	Number Exercisable on or after	Number Exercisable on or after	Number Exercisable on or after	Number Exercisable on or after
2004	3.60 ~ 6.63	1,448,600	3.60 ~ 7.80	0.71	266,275 April ~ August 2005	337,125 April ~ August 2006	417,825 April ~ August 2007	427,375 April ~ August 2008	
2006	4.8110 ~ 5.7205	1,688,050	5.66 ~ 6.73	0.71	63,000 August, 2006	419,309 August ~ December 2007	409,997 August ~ December 2008	400,997 August ~ December 2009	394,747 August ~ December 2010
2007	3.6380 ~ 6.4770	1,507,051	4.28 ~ 7.63	0.71	63,000 August, 2007	367,145 January ~ December 2008	366,018 January ~ December 2009	355,445 January ~ December 2010	355,443 January ~ December 2011
2008	0.1870 ~ 2.9750	3,547,980	0.22 ~ 3.50	0.71	80,000 August ~ November 2008	884,388 January ~ December 2009	864,353 January ~ December 2010	864,186 January ~ December 2011	855,053 January ~ December 2012
2009	0.2132 ~ 0.6375	1,962,277	0.2508 ~ 0.75	0.71	100,387 August ~ November 2009	465,474 January ~ November 2010	465,474 January ~ November 2011	465,472 January ~ November 2012	465,470 January ~ November 2013
		<u>10,153,958</u>							

Commencing from January 1, 2008, the Company has applied SFAS No. 39 for stock options issued to employees in accounting for its stock option plans. Therefore, NT\$327,221 thousand (US\$10,242 thousand) of compensation expense has been recognized with NT\$90,600 thousand (US\$2,836 thousand) (2008: NT\$63,131 thousand) being accounted for through the statement of operations. The Company issued 1,977,577 (2008: 3,981,487) stock options in 2009 to its employees. In 2009, 697,181 (2008: 763,229) stock options were forfeited, 385,001 (2008: 1,180,738) stock options were expired and nil (2008:127,850) stock options were exercised, leaving 10,153,958 (2008: 9,258,563) stock options outstanding at December 31, 2009.

## Share Appreciation Rights

The share appreciation rights plan provides that the directors, officers and employees of ChipMOS Bermuda and its affiliates may be granted cash-settled share appreciation rights.



# 18. SHAREHOLDERS' EQUITY (continued)

The following table summarizes information about share appreciation rights outstanding at December 31, 2009.

Year of Grant	Exercise Price	Number Outstanding	Market Price at Grant	Market Price at Year End	Number Exercisable on Or after	Number Exercisable on or after	Number Exercisable on or after	Number Exercisable on or after
2006	4.8110 ~ 5.7205	851,290	5.66 ~ 6.73	0.71	214,114 August ~ December 2007	214,092 August ~ December 2008	213,342 August ~ December 2009	209,742 August ~ December 2010
2007	3.6380 ~ 6.4770	391,500	4.28 ~ 7.62	0.71	98,250 January ~ December 2008	98,250 January ~ December 2009	97,500 January ~ December 2010	97,500 January ~ December 2011
2008	0.1870 ~ 2.9750	479,078	0.22 ~ 3.50	0.71	121,338 January ~ December 2009	119,264 January ~ December 2010	119,238 January ~ December 2011	119,238 January ~ December 2012
2009	0.2210 ~ 0.6375	1,132,060	0.26 ~ 0.75	0.71	283,015 January ~ August 2010	283,015 January ~ August 2011	283,015 January ~ August 2012	283,015 January ~ August 2013
		<u>2,853,928</u>						

During the year, 1,173,060 (2008: 623,285) rights were granted, 204,662 (2008: 367,890) rights were forfeited and nil (2008: nil) rights were exercised. As of December 31, 2009, there were 2,853,928 (2008: 1,885,530) share appreciation rights outstanding.

The Company recognized compensation expense of NT\$11,025 thousand (US\$345 thousand) (2008: a reversal of NT\$52,371 thousand) in respect of share appreciation rights at fair value.

# 19. INCOME TAX EXPENSE (BENEFIT)

- a. A reconciliation of income tax expense – current before tax credits and income tax expense on income (loss) before income tax at statutory rates is shown below:

	Year Ended December 31,			
	2007 NT\$	2008 NT\$	2009 NT\$	US\$
	(in thousands)			
Tax on pretax income (loss) at 0%	—	—	—	—
Tax on pretax income (loss) at applicable statutory rates	1,459,397	(1,117,426)	(1,322,415)	(41,390)
Tax effect:				
Losses carried forward	(4,125)	227,739	1,088,819	34,079
Tax exempt income	(35,068)	134,173	—	—
Permanent differences	(58,424)	460,272	(105,083)	(3,289)
Temporary differences	(126,130)	647,470	346,995	10,861
Income tax expense – current before tax credits	<u>1,235,650</u>	<u>352,228</u>	<u>8,316</u>	<u>261</u>

The ROC statutory tax rate for 2007, 2008 and 2009 was 25%.

The PRC statutory rate for 2007 was 33% and for 2008 onwards was 25%.

## 19. INCOME TAX EXPENSE (BENEFIT) (continued)

## b. Income tax expense consists of:

	Year Ended December 31,			
	2007	2008	2009	
	NT\$	NT\$	NT\$	US\$
	(in thousands)			
Income tax expense – current before tax credits	1,235,650	352,228	8,316	261
Additional 10% on the unappropriated earnings	171,597	166,318	—	—
Income tax credits	(723,594)	(165,909)	—	—
Separate and foreign income tax	44	—	—	—
Income tax for the current year	683,697	352,637	8,316	261
Net change in deferred income tax assets (liabilities) for the year				
Tax credits	172,174	(22,867)	4,080	128
Temporary differences	126,130	(647,470)	(310,264)	(9,711)
Losses recognized	4,125	(227,739)	(1,088,819)	(34,079)
Valuation allowances	(250,859)	867,948	804,420	25,177
Deferred tax effect of change in tax rate	—	—	139,526	4,367
Adjustment of prior years' taxes	32,968	(201,717)	22,079	691
Income tax expense	768,235	120,792	(420,662)	(13,166)

Since the Company is an exempted company incorporated in Bermuda, a tax-free country, tax on pretax income is calculated at the Bermuda statutory rate of 0% for each year.

ChipMOS Taiwan, under Science Park Regulations, is entitled to an exemption from ROC income taxes for a period of four years on income attributable to the expansion of its production capacity as a result of purchases of new equipment funded by capital increases. Such tax exemption expired on December 31, 2008.

In accordance with the relevant tax rules and regulations in the PRC, ChipMOS Shanghai enjoys income tax exemptions for the first two profitable years and 50% reductions for the following three years. Tax losses can only be carried forward for five years. ChipMOS Shanghai is subject to PRC income tax at 25%.

## c. Deferred income tax assets and liabilities are summarized as follows:

	December 31,		
	2008	2009	
	NT\$	NT\$	US\$
	(in thousands)		
Net current deferred income tax assets:			
Unrealized foreign exchange losses	(1,203)	3,200	100
Tax credits	302,778	552,781	17,302
Loss of market price decline and obsolete and slow-moving inventories	21,174	36,969	1,157
Unrealized loss on sale allowances	26,683	22,791	713
Allowance for doubtful receivables	573,004	554,152	17,344
Others	12,699	7,406	232
	935,135	1,177,299	36,848
Less: Valuation allowances	(579,419)	(820,989)	(25,696)
	355,716	356,310	11,152
Net non-current deferred income tax (liabilities) assets:			
Losses carried forward	612,329	1,445,742	45,250
Tax credits	666,391	412,308	12,905
Depreciation differences	(667,730)	(368,862)	(11,545)
Unrealized impairment loss on idle fixed assets	150	8,387	262
Others	398,323	294,474	9,217
	1,009,463	1,792,049	56,089
Less: Valuation allowances	(1,243,186)	(1,578,683)	(49,411)
	(233,723)	213,366	6,678

## 19. INCOME TAX EXPENSE (BENEFIT) (continued)

The deferred income tax components are measured at respective applicable statutory rates as of December 31, 2008 and 2009, except for ChipMOS Taiwan and ThaiLin. According to the new income tax rules, ChipMOS Taiwan and ThaiLin are subject to income tax at a reduced rate of 20% commencing from January 1, 2010. Therefore, deferred income tax components of ChipMOS Taiwan and ThaiLin are measured using the reduced rate of 20%.

- d. The balance and year of expiry of unused investment tax credits and losses carried forward as of December 31, 2009 are as follows:

<u>Year of expiry</u>	<u>R &amp; D expenditures</u> NT\$	<u>Machinery and equipment</u> NT\$ (in thousands)	<u>Losses carried forward</u> NT\$
2010	26,413	526,368	25,702
2011	65,571	220,301	90,941
2012	52,448	30,003	120,358
2013	32,291	11,694	138,301
2014	—	—	104,592
After 2014	—	—	965,848
	<u>176,723</u>	<u>788,366</u>	<u>1,445,742</u>

The deferred tax assets relate to investment tax credits on research and development expenditure and purchases of machinery and equipment which will expire from 2010 to 2013. Under ROC tax regulations, tax credits can be utilized to reduce current income tax obligations only to the extent of 50% of such income tax obligations except in the year when such tax credits will expire, in which case, the entire amount of expiring tax credits may be utilized to reduce the current income tax obligation. The foregoing limitation on the utilization of tax credits, the expiry dates of the tax credits, the level of tax credits expected to be generated from future operations and the level of non-taxable income attributable to the four-year income tax holiday on capacity expansion led management to conclude that it is unlikely that these investment tax credits will be fully realized. Losses carried forward can be used to deduct current income tax obligations up to the extent of taxable income and will expire after ten years if not fully utilized by the Company. Accordingly, a valuation allowance on deferred tax assets is recognized as of December 31, 2008 and 2009.

The tax losses of ChipMOS Shanghai will expire after five years.

- e. According to ROC tax law, ChipMOS Taiwan's and ThaiLin's unappropriated earnings generated in 1998 and thereafter are subject to a tax of 10% in the year when the shareholders resolve that such earnings shall be retained. The retained earnings as of December 31, 2008 and 2009 consist of:

	<u>December 31,</u>		
	<u>2008</u> NT\$	<u>2009</u> NT\$ (in thousands)	US\$
Before 1998	—	—	—
1998 and thereafter	1,756,607	(2,815,527)	(88,123)
	<u>1,756,607</u>	<u>(2,815,527)</u>	<u>(88,123)</u>

The income tax returns of ChipMOS Taiwan and ThaiLin through 2007 have been assessed by the tax authorities.

## 20. RELATED PARTY TRANSACTIONS

The Company engages in business transactions with the following related parties:

- MVI: A major shareholder.
- DenMOS Technology Inc. (DenMOS): An investee of MVI.
- ProMOS: An investee of MVI.
- SPIL: A major shareholder.

## 20. RELATED PARTY TRANSACTIONS (continued)

The significant transactions with the aforementioned parties, other than those disclosed in other notes, are summarized as follows:

		Year Ended December 31,			
		2007	2008	2009	
		NT\$	NT\$	NT\$	US\$
(in thousands)					
During the year					
Revenue					
ProMOS		6,883,749	3,114,149	667,800	20,901
DenMOS		32,158	8,776	911	29
SPIL		—	—	195	6
		<u>6,915,907</u>	<u>3,122,925</u>	<u>668,906</u>	<u>20,936</u>
Rental revenue					
ProMOS		<u>15,600</u>	<u>—</u>	<u>—</u>	<u>—</u>
Purchases of materials					
ProMOS		—	164,609	—	—
SPIL		<u>53</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>53</u>	<u>164,609</u>	<u>—</u>	<u>—</u>
Other expenses					
MVI		148	148	148	5
DenMOS		<u>13</u>	<u>—</u>	<u>1</u>	<u>—</u>
		<u>161</u>	<u>148</u>	<u>149</u>	<u>5</u>
Other revenue					
ProMOS		<u>1,969</u>	<u>—</u>	<u>26,800</u>	<u>839</u>
Interest income					
ProMOS		<u>—</u>	<u>252</u>	<u>1,183</u>	<u>37</u>
				December 31,	
			2008	2009	
			NT\$	NT\$	US\$
(in thousands)					
At the end of year					
Financial assets at fair value through profit and loss					
Stock					
ProMOS			<u>18,957</u>	<u>—</u>	<u>—</u>
Notes receivable					
ProMOS			<u>195,000</u>	<u>—</u>	<u>—</u>
Accounts receivable					
ProMOS			578,120	—	—
DenMOS			359	—	—
SPIL			—	205	6
Less: Allowances for doubtful receivables					
			<u>(578,120)</u>	<u>—</u>	<u>—</u>
			<u>359</u>	<u>205</u>	<u>6</u>
Other receivables					
ProMOS			36,265	463,536	14,508
Less: Allowances for doubtful receivables					
			<u>(6,265)</u>	<u>(463,536)</u>	<u>(14,508)</u>
			<u>30,000</u>	<u>—</u>	<u>—</u>
Advance receipts					
ProMOS			<u>—</u>	<u>1,947</u>	<u>61</u>
Other payables					
MVI			13	26	1

## 20. RELATED PARTY TRANSACTIONS (continued)

In the period from July to December 2003, MVI transferred its DRAM business to ProMOS. As a result, 29%, 18% and 5% of the Company's 2007, 2008 and 2009 sales were made to ProMOS. The price was agreed upon quarterly, based on the then fair market price. The collection term for ProMOS was 75 days after month end. On November 13, 2008, ChipMOS Taiwan and ProMOS revised the subcontracting contract by requiring ProMOS to provide wafers with a value of 80% of the subcontracting fee as collateral. Effective March 2009, the Company started to request prepayments from ProMOS while other related parties have normal collection terms of 60 days after month end. The selling price is the same as for other customers.

The payment terms for purchases from related parties are the same as those from other suppliers.

In 2007, ChipMOS Taiwan sold tooling to ProMOS at NT\$6,528 thousand.

In 2008, ProMOS used its machinery of NT\$407,460 thousand, and bonds of NT\$250,000 thousand and NT\$400,000 thousand, to settle the payable to ChipMOS Taiwan.

The other receivables from ProMOS of NT\$30,000 thousand carried an interest of 3.51% per annum and was secured by 4,061 thousand shares of ChipMOS Bermuda. In 2009, ProMOS used 4,061 thousand shares of ChipMOS Bermuda to settle the other receivables of NT\$30,000 thousand and accounts receivable of NT\$24,851 thousand.

On December 29, 2009, a director of the Company purchased NT\$31,990 thousand (US\$1,000 thousand) 8%CN due 2014 (Note 14).

The Company consults its ROC counsel on certain related party transactions and obtains legal opinions, as appropriate, to ensure that such transactions do not violate relevant ROC laws and regulations.

## 21. PLEDGED OR MORTGAGED ASSETS

The Company provided certain assets as collateral mainly for short and long-term bank loans, capital leases and customs duty guarantee, which were as follows:

	December 31,		
	2008 NT\$	2009 NT\$ (in thousands)	US\$
Restricted cash and cash equivalent - current	59,485	243,849	7,632
Restricted cash and cash equivalent - noncurrent	11,500	—	—
Investments with no active market - current	—	67,000	2,097
Investments with no active market - noncurrent	—	134,000	4,194
Land	163,367	452,738	14,170
Buildings	3,407,903	5,447,920	170,514
Machinery and Equipment	10,594,450	10,086,997	315,712
Leased equipment	—	2,363,168	73,965
Land use right	49,082	—	—
	<u>14,285,787</u>	<u>18,795,672</u>	<u>588,284</u>

## 22. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

- a. As of December 31, 2009, ChipMOS Taiwan leased parcels of land from the Hsinchu and Tainan Science Park under several agreements expiring on various dates from 2017 to 2026, with renewal options.

The future minimum lease payments under the above-mentioned leases as of December 31, 2009 are as follows:

<u>Year</u>	<u>Amount</u>	
	<u>NT\$</u>	<u>US\$</u>
	<u>(in thousands)</u>	
2010	22,908	717
2011	22,908	717
2012	22,908	717
2013	22,908	717
Thereafter	162,653	5,091
Total minimum lease payments	254,285	7,959

- b. As of December 31, 2009, ChipMOS USA leased its office under an agreement expiring in 2010. The future minimum lease payments as of December 31, 2009 amounted to NT\$3,068 thousand (US\$96 thousand).
- c. As of December 31, 2009, ChipMOS Taiwan leased machinery under an agreement expiring in 2010. The future minimum lease payments as of December 31, 2009 amounted to NT\$90,904 thousand (US\$2,845 thousand).
- d. As of December 31, 2009, ChipMOS Taiwan had capital commitments in relation to purchase of plant and machinery in the amount of NT\$787,379 thousand (US\$24,644 thousand).
- e. As of December 31, 2009, ThaiLin had capital commitments in relation to purchase of plant and machinery in the amount of NT\$168,715 thousand (US\$5,281 thousand).
- f. As of December 31, 2009, ChipMOS Shanghai had capital commitments in relation to purchase of plant and machinery in the amount of NT\$8,778 thousand (US\$275 thousand).
- g. On April 1, 1999, Motorola, Inc. ("Motorola") and ChipMOS Taiwan entered into an immunity agreement (the "Agreement"), that each party covenanted not to sue each other for the use of certain Ball Grid Array ("BGA") patents pursuant to the Agreement. In December 2004, Motorola spun off its semiconductor division and thereby formed Freescale Semiconductor, Inc. ("Freescale"). Subsequently, Freescale assumed Motorola's rights and obligations under the Agreement. On October 16, 2006, Freescale unilaterally terminated the Agreement, alleging ChipMOS Taiwan breach of the Agreement. Under the Agreement, ChipMOS Taiwan agreed to pay running royalties for its manufacturing of certain BGA packages covered by Motorola (now Freescale) patents pursuant to the Agreement. As such, ChipMOS Taiwan argued Freescale's unilateral termination of the Agreement has no legal effect. ChipMOS Taiwan has continued to accrue royalty payments for products it believes are covered by the Agreement. The payments previously returned by Freescale and accrued by ChipMOS Taiwan have been deposited in a separate escrow account. On July 13, 2009, Freescale alleged that ChipMOS Taiwan breached the Agreement by failing to pay royalties on certain BGA packages assembled by ChipMOS Taiwan. Freescale claims that such packages are covered by one or more Freescale patents identified in the Agreement while ChipMOS Taiwan contends that such packages are not covered by any of Freescale's patents in the Agreement. ChipMOS Taiwan filed an answer to deny all allegations and also filed counterclaims against Freescale alleging Freescale for engaging in patent misuse by seeking to obtain royalties on certain of ChipMOS Taiwan's BGA products that were not covered by any Freescale patent included under the Agreement, and for declaratory judgment of patent non-infringement and invalidity. In response, on December 11, 2009, Freescale filed a motion to dismiss the declaratory judgment counterclaims filed by ChipMOS Taiwan and to stay all other patent related claims and issues until its breach of contract claims could be decided. That motion and the initial case management conference were held on March 5, 2010 and the motions were deemed submitted. A further case management conference is scheduled for June 11, 2010. No trial date has been scheduled. The Company's counsel has not formed any opinion as to the outcome of the case.

22. SIGNIFICANT COMMITMENTS AND CONTINGENCIES (continued)

- h. On April 20, 1999, ChipMOS Taiwan entered into a semiconductor packaging technology license agreement with Tessera Technologies, Inc. (Tessera). In February 2006, ChipMOS Taiwan and ChipMOS USA received notice of a patent infringement lawsuit brought by Tessera, alleging infringement of several Tessera patents and breach of an existing license agreement with ChipMOS Taiwan. The fact discovery has been stayed in accordance with a Northern District of California Court order issued on May 24, 2007. On April 21, 2008, Tessera requested that the International Trade Commission (ITC) investigate ChipMOS Bermuda, ChipMOS Taiwan and ChipMOS USA (collectively referred to as the Companies) on the basis of alleged violations of Section 337 of the Tariff Act of 1930. In its request for investigation ("ITC-649 Investigation"), Tessera alleged that the Companies infringed certain patents among which are three that were the subject of the stayed litigation in the Northern District of California. Tessera also requested that the ITC issue an exclusion order to enjoin the importation of accused products into the United States. On September 30, 2008, Judge of Northern District of California Court ("Judge") granted a motion to extend the hearing date from March 16 to March 24, 2009 and target date from August 28 to November 2, 2009. On February 10, 2009, the Judge ordered the procedural schedule in the ITC-649 Investigation be stayed until the ITC issues its Final Determination in the ITC-605 Investigation. The target date of Initial Determination was also extended from December 7, 2009 to February 8, 2010. On March 13, 2009, after the close of discovery, Tessera submitted a request to terminate the ITC-649 Investigation. On July 17, 2009, the Judge issued an order granting the request to terminate the ITC-649 Investigation. No petitions for review were filed. The ITC had determined not to review the Initial Determination and issued an order to terminate the investigation on August 7, 2009. The stayed litigations may resume once the ITC completes a companion investigation against other companies in the ITC-605 Investigation. The Company's counsel has not formed an opinion as to the outcome of the case.

23. POST BALANCE SHEET EVENTS

- a. On December 28, 2009, Fulcrum Credit Partners LLC (Fulcrum) filed a complaint in Texas state court against ChipMOS Taiwan, ChipMOS USA, and Citigroup, alleging (1) breach of contract, (2) promissory estoppel, (3) unjust enrichment, and (4) a claim for declaratory judgment, arising from Fulcrum's alleged oral agreement to purchase ChipMOS Taiwan's claims against Spansion. Though ChipMOS Taiwan was named in the complaint, ChipMOS Taiwan was not served. ChipMOS USA, however, was served. ChipMOS Taiwan was of the opinion that Fulcrum did not follow the offer procedures and therefore ChipMOS Taiwan has no obligation to sell the claim to Fulcrum. On January 22, 2010, ChipMOS USA responded by removing the complaint to the US District Court for the Western District of Texas (Austin Division) (the "Federal Court"). On January 29, 2010, ChipMOS USA file a motion to transfer venue to the Delaware Bankruptcy Court. Fulcrum filed its opposition to the transfer motion on February 8, 2010 and argument was held in the Western District of Texas (Austin Division) on February 11, 2010. On February 17, 2010, Fulcrum filed an amended complaint in Federal Court alleging (1) breach of contract and (2) unjust enrichment claims against ChipMOS Taiwan and ChipMOS USA. Fulcrum has requested (1) all actual, consequential, and exemplary damages to which Fulcrum is entitled; (2) all costs of the action and reasonable attorney fees that Fulcrum incurs in prosecuting that action; (3) pre- and post-judgment interest as permitted by law; (4) all other and additional relief to which Fulcrum may show itself to be justly entitled, whether at law or in equity. On March 3, 2010, ChipMOS USA moved for dismissal from the Federal Court, asserting, inter alia, a complete defense in that the alleged contract does not exist and, even if it did, ChipMOS USA was not a party, since ChipMOS Taiwan was not served with the amended complaint. Fulcrum filed its response to the motion to dismiss on March 15, 2010. No decision has been issued by the court at this time. No provision for loss contingencies was made as Fulcrum has no valid grounds for its claim.

23. POST BALANCE SHEET EVENTS (continued)

- b. On January 25, 2010, ChipMOS Taiwan entered into a definitive Transfer Of Claim Agreement (TOC Agreement) to sell to Citigroup Financial Products Inc. ("Citigroup") the general unsecured claim reflected in the proof of claim against Spansion filed by ChipMOS Taiwan in United States Bankruptcy Court. The claim that is the subject of the TOC Agreement includes accounts receivable for testing and assembly services provided to Spansion in the amount of approximately NT\$2,108,700 thousand to NT\$2,236,500 thousand (US\$66,000 thousand to US\$70,000 thousand) (Undisputed Claim). The purchase price for the Undisputed Claim is approximately NT\$1,054,350 thousand (US\$33,000 thousand). In February 2010, Citigroup paid the initial purchase price for the Undisputed Claim of NT\$1,054,350 thousand (US\$33,000 thousand) to the escrow agent and the escrow agent released the initial purchase price to ChipMOS Taiwan. The TOC Agreement also includes the sale of breach of contract and liquidated damages rights against Spansion in the amount of approximately NT\$7,476,300 thousand (US\$234,000 thousand) (Damages Claim). The purchase price for the Damages Claim is expected to be an amount that would be determined based on a Purchase Rate of 50.2% multiplied by the portion of the Damages Claim that is allowed by a final adjudication of the United States Bankruptcy Court. The purchase price for the Damages Claim is payable to ChipMOS Taiwan to the extent that the Court allows this claim. If an objection to the claim transfer is filed in the Spansion bankruptcy proceeding prior to the end of the escrow period, the agreement to sell the Damages Claim to Citigroup will terminate and the Damages Claim will not be transferred to Citigroup. In furtherance of the TOC Agreement, ChipMOS Taiwan has also 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 United States Bankruptcy Court. This agreement provides that Citigroup will pay to Spansion the amount of the rights offering shares purchase price.
- c. On February 26, 2010 ChipMOS Bermuda entered into a share purchase agreement (Share Purchase Agreement) with SPIL to sell to SPIL its holding of 133,000 thousand common shares of ChipMOS Taiwan with a consideration of approximately NT\$1,630,000 thousand (approximately US\$51,000 thousand). The purchased shares represent approximately 15.8% of the total number of ChipMOS Taiwan's outstanding shares. Under the terms and conditions of the Share Purchase Agreement, SPIL will pay the purchase price in four installments to ChipMOS Bermuda with the final installment scheduled to be paid on or about March 31, 2011.
- d. On February 26, 2010, ChipMOS Taiwan has entered into an equipment purchase agreement (the Equipment Purchase Agreement) with SPIL to purchase SPIL's DRAM testers and LCD driver assembly and test equipment with purchase price of approximately NT\$1,630,000 thousand (approximately US\$51,000 thousand). Under the terms and conditions of the Equipment Purchase Agreement, ChipMOS Taiwan will pay the purchase price in four installments to SPIL with the final installment scheduled to be paid on or before March 31, 2011. All the purchased equipments will be shipped to and installed at ChipMOS' plant by no later than July 31, 2010.
- e. On March 8 and 16, 2010, ChipMOS Bermuda issued US\$1,500 thousand (NT\$ 47,925 thousand) and US\$3,000 thousand (NT\$95,850 thousand) convertible notes due 2015 (CN due 2015) to an existing shareholder and an individual, respectively. The convertible notes are due on March 8 and 16, 2015, respectively and bear interest at 8% per annum. The noteholders may convert any outstanding notes into common shares of ChipMOS Bermuda, initially at the conversion price of US\$1.25 per share. The other terms of the CN due 2015 are the same as the CN due 2014.



24. DERIVATIVE FINANCIAL INSTRUMENTS

ChipMOS Taiwan has entered into forward exchange contracts and foreign currency options for the years ended December 31, 2007, 2008 and 2009 to hedge its exchange rate risk on foreign-currency assets or liabilities and anticipated transactions. No derivative financial instrument was used during 2009. Information on the derivative transactions is as follows:

a. Forward exchange contracts

As of December 31, 2008 and 2009, there were no outstanding forward contracts.

Net exchange gains on forward exchange contracts were NT\$123 thousand, nil and nil for the years ended December 31, 2007, 2008 and 2009, respectively.

b. Financial risk information

- 1) 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 Company is exposed to credit risk from its operating activities (primarily for trade and other receivables). The Company performs ongoing credit evaluation of the debtors' financial condition and maintains an allowance for doubtful receivables based on historical collection, write-off experience and individual examination of available information regarding the customers. The banks with which the Company has entered into the above contracts are reputable and, therefore, the Company is not expected to be exposed to significant credit risks.
- 2) Market risk and hedge strategy. The Company's financial assets at fair value through profit and loss are stated at market value, which is affected by the stock prices in the open stock market. The financial assets with no active market and held-to-maturity financial assets held by the Company are mainly fixed-interest-rate debt securities; therefore, the fluctuations in market interest rates will result in changes in fair values of these debt securities. Subject to turmoil in the global financial market, the Company had evaluated its financial instruments and the Company believed the exposure to market risk as of December 31, 2009 was not significant. The Company is exposed to market risks arising from changes in currency exchange rates due to U.S. dollar denominated accounts receivable, Yen denominated accounts payable and U.S. dollar denominated debt. In order to manage these exposures, the Company sometimes enters into forward contracts and option contracts.
- 3) Liquidity risk. Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash. The Company monitors and maintains a level of bank balances deemed adequate to finance its operations. The Company employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the working capital of the group to ensure that all liabilities due and known funding requirements could be met. In addition, there are unused credit lines for contingency purposes.
- 4) Cash flow 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 Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short and long term bank loans with floating interest rates. At 31 December 2009, it is estimated that a general increase or decrease of 1% in interest rates, with all other variables held constant, would increase the Company's cash outflow by NT\$142,867 thousand.

## 24. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The estimated fair values of the Company's financial instruments are as follows:

	December 31,				
	2008		2009		
	Carrying Value	Fair Value	Carrying Value	Fair Value	US\$
	NT\$	NT\$	NT\$	NT\$	
(in thousands)					
<u>Assets</u>					
Cash and cash equivalents	6,651,909	6,651,909	3,884,828	3,884,828	121,591
Restricted cash and cash equivalents	59,485	59,485	243,849	243,849	7,632
Financial assets at fair value through profit and loss	102,137	102,137	119,027	119,027	3,725
Held-to-maturity financial assets	250,000	250,000	—	—	—
Notes receivable:					
Related parties	195,000	195,000	—	—	—
Third parties	14,174	14,174	27,931	27,931	874
Accounts receivable:					
Related parties	359	359	205	205	6
Third parties	1,296,525	1,296,525	2,441,765	2,441,765	76,425
Other receivables:					
Related parties	30,000	30,000	—	—	—
Third parties	172,239	172,239	130,131	130,131	4,073
Long-term investments	137,834	137,834	19,966	19,966	625
Investments with no active market	400,000	400,000	300,000	300,000	9,390
Restricted cash and cash equivalents	11,500	11,500	—	—	—
Refundable deposits	35,425	35,424	33,797	33,797	1,058
<u>Liabilities</u>					
Bank loans	2,745,390	2,745,390	2,363,319	2,363,319	73,969
Accounts payable:					
Third parties	477,873	477,873	737,997	737,997	23,098
Other payables:					
Related parties	13	13	26	26	1
Third parties	628,042	628,042	696,122	696,122	21,788
Payables to contractors and equipment suppliers	251,557	251,557	201,171	201,171	6,297
Capital leases payable (including current portion)	—	—	2,275,005	2,275,005	71,205
Convertible notes (including current portion)	1,615,761	1,438,182	554,537	596,227	18,661
Derivative liabilities	—	—	129,967	129,967	4,068
Long-term loans (including current portion)	14,362,116	14,362,116	12,793,259	12,793,259	400,415
Guarantee deposits	3,810	3,810	3,668	3,668	115

Fair values of financial instruments were determined as follows:

- 1) Short-term financial instruments – market values.
- 2) Financial assets at fair value through profit and loss – market values.
- 3) Held-to-maturity investments – amortized cost.
- 4) Long-term investments – market value for listed companies and net equity value for the others.
- 5) Investments with no active market – amortized cost.
- 6) Refundable deposits and guarantee deposits – future values.
- 7) Long-term liabilities – based on forecasted cash flows discounted at current interest rates of similar long-term liabilities. The fair value of convertible notes in 2008 and 2009 is determined by option pricing models. Other long-term liabilities are their carrying values as they use floating interest rates.

The fair value of non-financial instruments was not included in the fair values disclosed above. Accordingly, the sum of the fair values of the financial instruments listed above does not equal the fair value of the Company.

## 25. SEGMENT AND GEOGRAPHIC INFORMATION

The Company engages mainly in the research and development, manufacturing, assembly and testing of semiconductors. In accordance with Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information", which is now codified as Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 280-10-50, the Company's chief operating decision maker has been identified as the Chief Executive Officer, who reviews these segment results by Testing, Assembly, Testing and Assembly for LCD and other Flat-Panel Display Driver Semiconductors when making decisions about allocating resources and assessing the performance of the Company. Financial segment information required by FASB ASC 280-10-50 is as follows:

- a. Semiconductor testing, assembly and LCD and other flat-panel display driver semiconductors services.

	2007				Corporate & Other Assets NT\$	Consolidated Totals NT\$
	Testing NT\$	Assembly NT\$	LCD NT\$	Segment Totals NT\$		
	(in thousands)					
Revenue from customers	11,502,373	8,099,620	3,995,605	23,597,598	—	23,597,598
Cost of revenues	7,127,346	6,627,463	3,689,255	17,444,064	—	17,444,064
Segment gross profit	4,375,027	1,472,157	306,350	6,153,534	—	6,153,534
Depreciation and amortization	3,939,196	1,163,274	1,702,966	6,805,436	29,351	6,834,787
Segment assets	15,239,767	7,506,816	7,269,080	30,015,663	15,300,422	45,316,085
Expenditure for segment assets	3,057,523	2,066,121	968,946	6,092,590	1,181	6,093,771
	2008				Corporate & Other Assets NT\$	Consolidated Totals NT\$
	Testing NT\$	Assembly NT\$	LCD NT\$	Segment Totals NT\$		
	(in thousands)					
Revenue from customers	8,787,047	5,417,621	2,805,494	17,010,162	—	17,010,162
Cost of revenues	7,926,469	5,741,513	3,301,898	16,969,880	—	16,969,880
Segment gross profit (loss)	860,578	(323,892)	(496,404)	40,282	—	40,282
Depreciation and amortization	4,051,282	1,392,195	1,680,046	7,123,523	51,001	7,174,524
Segment assets	12,400,520	5,964,952	5,289,467	23,654,939	11,786,660	35,441,599
Expenditure for segment assets	1,234,483	739,019	212,161	2,185,663	2,730	2,188,393
Impairment loss on fixed and other assets recognized during the year	381,564	965,281	256,039	1,602,884	—	1,602,884

## 25. SEGMENT AND GEOGRAPHIC INFORMATION (continued)

	2009					
	Testing NT\$	Assembly NT\$	LCD NT\$	Segment Totals NT\$ (in thousands)	Corporate & Other Assets NT\$	Consolidated Totals NT\$ US\$
Revenue from customers	5,171,207	4,352,836	2,626,265	12,150,308	—	12,150,308 380,291
Cost of revenues	7,362,399	5,111,252	3,187,801	15,661,452	—	15,661,452 490,186
Segment gross loss	(2,191,192)	(758,416)	(561,536)	(3,511,144)	—	(3,511,144) (109,895)
Depreciation and amortization	3,779,168	1,206,440	1,491,615	6,477,223	47,373	6,524,596 204,213
Segment assets	12,160,688	4,790,237	3,818,067	20,768,992	9,587,228	30,356,220 950,116
Expenditure for segment assets	3,188,750	233,298	57,634	3,479,682	—	3,479,682 108,910
Impairment loss on fixed and other assets recognized during the year	28,144	(7,154)	4,553	25,543	—	25,543 799

The corporate and other assets consist of the total current assets, long-term investments, property and equipment located in the U.S. and Japan, intangible assets and other assets.

## b. Net revenue:

Area	Year Ended December 31,			
	2007 NT\$	2008 NT\$	2009 NT\$	US\$
	(in thousands)			
ROC	16,965,381	10,304,575	7,330,964	229,451
U.S.	5,058,246	5,773,109	3,998,989	125,164
Korea	599,448	468,967	352,642	11,037
Japan	223,095	111,774	167,475	5,242
Others	751,428	351,737	300,238	9,397
	23,597,598	17,010,162	12,150,308	380,291

## c. Net sales to customers representing at least 10% of net total sales:

	Year Ended December 31,						
	2007		2008		2009		
	Amount	%	Amount	%	Amount	%	Amount
	NT\$		NT\$		NT\$		US\$
Customer	(in thousands)						
Spansion	3,698,010	16	3,927,770	23	1,867,515	15	58,451
ProMOS	6,883,749	29	3,114,149	18	667,800	5	20,901
Powerchip Semiconductor Corp.	2,378,538	10	697,524	4	171,209	1	5,359
Novatek Microelectronics Corp., Ltd.	2,120,568	9	1,596,596	9	1,403,887	12	43,940
Micron Semiconductor Asia Pte. Ltd.	875,512	4	1,063,241	6	1,252,507	10	39,202

26. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES FOLLOWED BY THE COMPANY AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the Republic of China ("ROC GAAP"), which differ in the following respects from accounting principles generally accepted in the United States of America ("U.S. GAAP"):

a. Bonuses to employees, directors and supervisors

According to ROC regulations and the Articles of Incorporation of ChipMOS Taiwan and ThaiLin, a portion of distributable earnings should be appropriated as bonuses to employees and remuneration to directors and supervisors of ChipMOS Taiwan and ThaiLin. The remuneration to directors and supervisors is paid in cash, while bonuses to employees may be granted in cash or stock or both. ChipMOS Bermuda's portion of these appropriations is charged to earnings of ChipMOS Bermuda under ROC GAAP based on the amount to be paid as provided by ChipMOS Taiwan and ThaiLin's Articles of Incorporation and is presented as a separate line item below noncontrolling interest in the accompanying consolidated statements of operations. During 2009, ChipMOS Taiwan and ThaiLin did not pay any bonuses to directors, supervisors and employees. During 2008, NT\$386,698 thousand and NT\$57,908 thousand, respectively were paid to directors, supervisors and employees as bonuses. Commencing from January 1, 2009, bonuses to employees, directors and supervisors were accrued according to the Articles of Incorporation. As ChipMOS Taiwan and ThaiLin incurred losses for the year ended December 31, 2008 and 2009, no bonuses were accrued. There are no difference between ROC GAAP and U.S. GAAP effective January 1, 2008.

b. Technologies transferred in payment of capital stock

Pursuant to a Joint Venture Agreement entered into between MVI and SPIL on July 28, 1997, MVI and SPIL contributed, as payment for their subscription in the shares of stock of ChipMOS Taiwan, technologies relating to the testing and assembly of semiconductors at an agreed value of NT\$750,000 thousand. Under ROC GAAP, such technology transfers in payment of capital stock are recorded as an intangible asset, and amortized by systematic charges to income over the periods estimated to be benefited. As permitted under ROC GAAP, the Company uses a five-year amortization period. Under U.S. GAAP, the technology contribution cannot be recognized due to the unavailability of a fair value for the technologies. Therefore, the carrying value of the technologies has been adjusted to zero under U.S. GAAP.

c. Start-up costs

ROC GAAP requires start-up costs to be deferred and amortized in a systematic manner over its estimated useful beneficial life. Start-up costs include all costs incurred prior to production readiness. On the other hand, U.S. GAAP primarily requires that start-up costs be expensed as incurred. Some of the expenses were recorded in manufacturing expenses and therefore also affect ending inventory balances under U.S. GAAP.

d. Depreciation of property, plant and equipment and employee dormitory building

Under ROC GAAP, the estimated life of a building can be as long as 55 years based on the ROC Internal Revenue Code. For U.S. GAAP purposes, building lives are estimated to be 25 years. Some of the depreciation expenses were recorded in manufacturing expenses and therefore also affect ending inventory balances under U.S. GAAP.

e. Transfer of building and facilities from MVI

The Company purchased buildings and facilities from MVI in 1997. The costs of assets purchased from MVI were based on MVI's book value of such building and facilities on a specified cut-off date plus an additional payment of NT\$173,174 thousand representing compensation to MVI. This additional payment of NT\$173,174 thousand was capitalized by the Company as allowed under ROC GAAP. Under U.S. GAAP, assets acquired are recorded at amounts that do not exceed their fair values. Also, generally under U.S. GAAP, the transferee should record the assets transferred from related parties with significant influence at the predecessor's basis. Therefore, the transfer of assets from MVI was recorded at MVI's predecessor cost basis and NT\$173,174 thousand was deducted from the capital surplus and building and facilities for the purposes of U.S. GAAP. Some of the related depreciation expenses were recorded in manufacturing expenses and therefore also affect ending inventory balances under U.S. GAAP.

f. Impairment of long-lived assets

Impairment assessments are made by the Company when events and circumstances exist that indicate the carrying value of these assets may not be recoverable. In view of the sustained losses incurred by ChipMOS Shanghai, the Company reviewed ChipMOS Shanghai's property, plant and equipment and land use rights for potential impairment as at December 31, 2008 and 2009.

26. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES FOLLOWED BY THE COMPANY AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES (continued)

Under U.S. GAAP, impairment losses for assets to be held and used are recorded in current period earnings and create a new cost basis for related assets going forward, and cannot be reversed subsequently. Under U.S. GAAP, in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which is now codified as FASB ASC 360, long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized only if the carrying amount of a long-lived asset (asset group) is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset (asset group) is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset (asset group). That assessment shall be based on the carrying amount of the asset (asset group) at the date it is tested for recoverability, whether in use or under development. An impairment loss shall be measured as the amount by which the carrying amount of a long-lived asset (asset group) exceeds its fair value. Fair value is determined by the Company using future cash flows discounted at current rates. There are no differences in impairment losses recognized under ROC GAAP and U.S. GAAP in 2007, 2008 and 2009.

g. Earnings per share (EPS)

In calculating the weighted average number of shares outstanding for EPS purposes under ROC GAAP, employee bonus shares have been treated as outstanding for all periods in a manner similar to a stock split or stock dividend. Under U.S. GAAP, employee bonus shares have been considered separately from the stock dividend or split and have been treated as outstanding from the date of shareholder approval.

h. Interest capitalization

Under ROC GAAP, interest on borrowings during construction conceptually should be capitalized in the assets that are constructed or produced for a company's own use. However, if equity capital is raised during a year, no capitalization interest is recorded for the amount of property acquired up to the equity capital raised in that year. Under U.S. GAAP, SFAS No. 34 "Capitalization of Interest Cost", interest is generally capitalized on assets until they are available and ready for use.

i. Inventories stated at lower of cost or market

ROC GAAP allows assessment of carrying values of inventories on an aggregate basis. An allowance was made when the aggregate carrying values of inventories were higher than market.

Under U.S. GAAP, the Company's assessed inventories at the lower of cost or market on an item-by-item basis. This resulted in an additional write-off of NT\$36,818 thousand which was charged to the consolidated statement of operations a component of cost of revenue in 2008.

Under ROC GAAP and effective January 1, 2009, the Company adopted the revised SFAS No. 10R. The Company is required to assess inventories at the lower of cost or market on an item-by-item basis. Therefore, there are no difference between ROC GAAP and U.S. GAAP effective January 1, 2009. The adjustment in 2009 relates to reversal of the allowance made under U.S. GAAP in 2008.

j. Convertible notes

Under ROC GAAP, there is no requirement to account for the fair value of a conversion feature embedded in CN due 2009 as it was issued before January 1, 2006. Under U.S. GAAP, the Company accounts for the fair value of the conversion feature of its convertible notes in accordance with SFAS No. 133, "Accounting For Derivative Instruments And Hedging Activities" and related pronouncements, which is now codified as FASB ASC 815, which require the Company to bifurcate and separately account for the conversion feature as embedded derivatives contained in the Company's convertible notes. The Company carried these embedded derivatives on its balance sheet at fair value and changes in fair values of these embedded derivatives are reflected in the consolidated statement of operations. Commencing January 1, 2006, ROC GAAP requires the Company to bifurcate and separately account for put and call option features contained in the Company's convertible notes issued after 2005. The Company issued convertible notes (CN due 2011) on September 29, 2006. The Company carried the put and call options of the CN due 2011 on the balance sheet at fair value with changes in fair values reflected in the consolidated statement of operations. The other conversion features are recorded in equity. (See Note 27 i.)

Commencing from January 1, 2006, under ROC GAAP, the issue costs of convertible notes are recorded as a reduction of the convertible notes. Under U.S. GAAP the issue costs are capitalized as deferred assets and amortized over the period of the convertible notes.

There is no difference under ROC GAAP and U.S. GAAP in accounting for the CN due 2014 (See Note 14).

## 26. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES FOLLOWED BY THE COMPANY AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES (continued)

### k. Share-based payments

Under ROC GAAP, the Company followed Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” (“APB No. 25”), in accounting for its employee stock option plans prior to January 1, 2008. Under APB No. 25, when the exercise price of the Company’s stock options is less than the market price of the underlying shares on the date of grant, compensation expense is recognized. Under U.S. GAAP, commencing from January 1, 2006, the Company applies SFAS No. 123(R), “Share-Based Payment”, Emerging Issues Task Force No. 96-18, “Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services”, which is now codified as FASB ASC 718, with respect to options and warrants issued to non-employees. FASB ASC 718 requires the use of option valuation models to measure the fair value of the options and warrants at the measurement date. The total stock-based compensation expense resulting from stock options was included in general and administrative expenses in the consolidated statements of operations. As explained in Note 2 above, there is no difference between ROC GAAP and U.S. GAAP effective January 1, 2008 upon adoption of ROC SFAS No. 39 for options granted since January 1, 2008.

### l. Defined Benefit Pension Plans

Under U.S. GAAP, commencing from January 1, 2006, the Company applies SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans”, which is now codified as FASB ASC 715. FASB ASC 715 requires an employer that sponsors one or more defined benefit pension plans or other postretirement plans to 1) recognize the funded status of a plan, measured as the difference between plan assets at fair value and the benefit obligation, in the balance sheet; 2) recognize in equity as a component of accumulated other comprehensive loss, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not yet recognized as components of net periodic benefit cost; 3) measure defined benefit plan assets and obligations as of the date of the employer’s fiscal year-end balance sheet; and 4) disclose in the notes to the financial statements additional information about the effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition asset or obligation. Under ROC GAAP, there is no such requirement for recognition.

### m. Income tax expense

Effective January 1, 2007, the Company adopted Financial Interpretation No. 48, “Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109”, which is now codified as FASB ASC 740. FASB ASC 740 prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions and income tax disclosures.

Uncertain tax positions have been classified as non-current income tax liabilities unless these are expected to be paid in one year. The Company’s policy for interest and penalties related to income tax exposure is to recognize interest and penalties as a component of the provision of income taxes in the consolidated statement of operations.

The Company is potentially subject to income tax audits in the ROC and internationally until the applicable statute of limitations expire. Tax audits by their nature are often complex and can require several years to complete. The following is a summary of tax years, potentially subject to examination, in the significant tax and business jurisdictions in which the Company operates:

<u>Jurisdiction</u>	<u>Tax Years Subject to Examination</u>
Republic of China	5 Years
United States	3 Years
Hong Kong	6 Years
People’s Republic of China	Unlimited

As of December 31, 2009, the allowance for current tax assets was decreased by NT\$1,960 thousand (US\$61 thousand) and the long-term tax payable was decreased by NT\$18,268 thousand (US\$572 thousand).

26. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES FOLLOWED BY THE COMPANY AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES (continued)

The Company's subsidiaries are currently under examination by the relevant tax authorities for various tax years. The Company regularly assesses the potential outcome of these examinations in each of the taxing jurisdictions when determining the adequacy of the amount of unrecognized tax benefit recorded. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, the Company believes it has appropriately accrued for uncertain tax benefits. However, audit outcomes and timing of audit settlements and future events that would impact the previously recorded unrecognized tax benefits and the range of anticipated increases or decreases in unrecognized tax benefits are subject to significant uncertainty. It is possible that the ultimate outcome of current or future examinations may exceed current unrecognized tax benefits in amounts that could be material, but cannot be estimated as of December 31, 2009. The effective tax rate and net income in any given future period could therefore be materially impacted.

There are no such provisions under ROC GAAP.

n. Investments with no active market

Under U.S. GAAP, the NT\$ 300,000 thousand bonds are classified as available-for-sale investments. Changes in fair value are recorded in equity. Investment with no active market is not a category of investment under U.S. GAAP.

o. Cash and cash equivalents

Under ROC GAAP, cash and cash equivalents include time deposits regardless of its maturity date. Under U.S. GAAP, cash equivalents are short-term, highly liquid investments that are readily convertible to cash with original maturities of three months or less. Thus, time deposits with original maturities of more than three months are classified as cash equivalents under ROC GAAP but should be included in other current assets under U.S. GAAP.

p. Classification of non-operating income/expenses

Under ROC GAAP, gains on disposal of plant and equipment, land use rights, scrap material and tooling are recorded as non-operating income; and impairment losses on property and equipment, other assets, and goodwill are recorded as non-operating expenses as these items represent revenue and expenses not arising from ordinary operating activities.

Under U.S. GAAP, gains on disposal of plant and equipment, land use rights, scrap material and tooling are recorded as other operating income; and impairment losses on property and equipment, other assets, and goodwill are recorded as operating expenses.



26. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES FOLLOWED BY THE COMPANY AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES (continued)

The following reconciles net income (loss) and equity under ROC GAAP as reported in the accompanying consolidated financial statements to net income and equity amounts determined under U.S. GAAP, giving effect to adjustments for the differences listed above.

	Year Ended December 31,			
	2007 NT\$	2008 NT\$	2009 NT\$	US\$
(in thousands)				
<u>Net income (loss) attributable to ChipMOS</u>				
Net income (loss) based on ROC GAAP	2,219,202	(7,270,245)	(4,418,683)	(138,300)
Adjustments:				
Amortization of deferred charge	(19,722)	(13,719)	(446)	(14)
Amortization of start-up costs	2,198	1,694	1,597	50
Pension expenses	(10,773)	(11,797)	(17,358)	(543)
Depreciation of property, plant and equipment and employee dormitory building	(48,681)	(56,169)	(56,430)	(1,766)
Transfer of building and facilities from MVI	289	196	160	5
Marketable securities – trading	—	—	—	—
Interest capitalization	(17,592)	(15,539)	(14,064)	(440)
(Accrual) reversal of accrual for bonuses to employees, directors and supervisors	(143,952)	368,945	—	—
Loss on inventory valuation	—	(36,818)	36,818	1,152
Impairment loss on goodwill	—	(52,007)	—	—
Effect of U.S. GAAP adjustments on income taxes	11,547	29,608	12,319	386
Adjustment for uncertain tax positions	(35,260)	10,785	20,228	633
Stock-based compensation	(173,501)	(257,460)	(40,705)	(1,274)
Amortization of discount on convertible notes	(114,132)	(95,468)	(88,603)	(2,773)
Gain (loss) on embedded derivative liabilities	1,180,834	306,701	—	—
Loss on redemption of convertible notes	(21,523)	(97,227)	—	—
Noncontrolling interests	72,736	10,859	14,880	465
Net increase (decrease) in net income	682,468	92,584	(131,604)	(4,119)
Net income (loss) based on U.S. GAAP	2,901,670	(7,177,661)	(4,550,287)	(142,419)
Earnings (loss) per share – basic	36.13	(85.56)	(57.50)	(1.80)
Earnings (loss) per share – diluted	21.07	(85.56)	(59.15)	(1.85)
Number of weighted average shares outstanding – basic	80,305	83,894	79,137	79,137
Number of weighted average shares outstanding – diluted	108,207	83,894	82,996	82,996

The following table reconciles the denominator to calculate basic and diluted earnings (loss) per share:

	December 31,		
	2007	2008 (in thousands)	2009
Basic number of shares	80,305	83,894	79,137
Add: Stock options	2,174	—	—
Convertible notes	25,728	—	3,859
Diluted number of shares	108,207	83,894	82,996

## 26. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES FOLLOWED BY THE COMPANY AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES (continued)

The following table reconciles the numerator to calculate basic and diluted earnings (loss) per share:

	Year Ended December 31,			
	2007 NT\$	2008 NT\$ (in thousands)	2009 NT\$	US\$
Net income (loss) based on U.S. GAAP	2,901,670	(7,177,661)	(4,550,287)	(142,419)
Add: Amortization of discount on convertible notes	357,472	—	3,737	117
Interest expense (net of tax)	151,897	—	(309,298)	(9,681)
Gains on embedded derivative	(1,191,838)	—	(50,740)	(1,588)
Loss on redemption of convertible notes	21,523	—	—	—
Amortization of deferred charge on convertible notes	38,799	—	—	—
Foreign exchange gain	—	—	(2,658)	(83)
Income (loss) attributable to ChipMOS adjusted for the effects of assumed exercise of options and conversion of notes	<u>2,279,523</u>	<u>(7,177,661)</u>	<u>(4,909,246)</u>	<u>(153,654)</u>

	Year Ended December 31,			
	2007 NT\$	2008 NT\$ (in thousands)	2009 NT\$	US\$
<u>Equity</u>				
Equity based on ROC GAAP	<u>22,248,128</u>	<u>14,542,813</u>	<u>9,952,217</u>	<u>311,493</u>
Adjustments:				
Technology transfer in payment of capital stock				
Original cost	(750,000)	(750,000)	(750,000)	(23,474)
Accumulated amortization of technology transfer in payment of capital stocks	750,000	750,000	750,000	23,474
Start-up costs				
Original cost	(51,408)	(51,283)	(49,825)	(1,559)
Accumulated amortization of start-up costs	48,107	49,705	49,825	1,559
Net effect on inventories	(25)	(54)	(35)	(1)
Depreciation of property, plant and equipment and employee dormitory building	(171,269)	(227,438)	(283,868)	(8,885)
Transfer of building and facilities from MVI				
Original cost	(173,174)	(173,174)	(173,174)	(5,420)
Depreciation and gain on disposal of building and facilities from MVI	170,163	170,361	170,519	5,337
Net effect on inventories	(4)	(6)	(4)	—
Accrual for bonuses to employees, directors and supervisors	(434,261)	—	—	—
Pension expenses	(226,896)	(237,321)	(278,795)	(8,726)
Loss on inventory valuation	—	(36,818)	—	—
Impairment loss on goodwill	—	(52,007)	(52,007)	(1,628)
Interest capitalization	118,757	118,757	118,757	3,717
Amortization of interest capitalization	(114,178)	(129,717)	(143,781)	(4,500)
Effect of U.S. GAAP adjustments on income taxes	33,360	62,968	75,287	2,356
Adjustment for uncertain tax positions	(35,260)	(24,475)	(4,247)	(133)
Equity component of convertible notes	(268,852)	(466,151)	(466,151)	(14,590)
Loss on redemption of convertible notes	(32,072)	(129,299)	(129,299)	(4,047)
Amortization of deferred charge	(24,657)	(38,376)	(38,822)	(1,215)
Amortization of discount on convertible notes	(423,498)	(518,966)	(607,569)	(19,016)
Gain on embedded derivative liabilities	935,920	1,242,621	1,242,621	38,893
Noncontrolling interests	52,007	52,007	52,007	1,628
Net decrease in equity	<u>(597,240)</u>	<u>(388,666)</u>	<u>(518,561)</u>	<u>(16,230)</u>
Equity based on U.S. GAAP	<u>21,650,888</u>	<u>14,154,147</u>	<u>9,433,656</u>	<u>295,263</u>

## 26. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES FOLLOWED BY THE COMPANY AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES (continued)

	Year Ended December 31,			
	2007 NT\$	2008 NT\$	2009 NT\$	US\$
	(in thousands)			
Changes in equity based on U.S. GAAP				
Balance, beginning of the year	21,430,719	21,650,888	14,154,147	443,009
Stock purchased by a subsidiary	—	(1,779)	(79,936)	(2,502)
Issuance of shares	2,603,379	—	—	—
Issuance of option warrants	24,080	65,111	90,600	2,836
Exercise of option warrants	89,850	4,548	—	—
Stock-based compensation	173,501	257,460	40,705	1,274
Cumulative translation adjustments	209,390	156,250	(29,197)	(914)
Net income (loss) for the year	2,901,670	(7,177,661)	(4,550,287)	(142,419)
Adjustment of equity method for long-term Investment	(268,625)	95,186	2,724	85
Unrecognized pension expenses	(161,134)	952	(20,760)	(650)
Noncontrolling interests	(5,351,942)	(896,808)	(174,340)	(5,456)
Balance, end of the year	<u>21,650,888</u>	<u>14,154,147</u>	<u>9,433,656</u>	<u>295,263</u>

A reconciliation of the significant balance sheet accounts to the approximate amounts determined under U.S. GAAP is as follows:

	December 31,		
	2008 NT\$	2009 NT\$	US\$
	(in thousands)		
<u>Current assets</u>			
As reported	10,494,267	8,431,233	263,888
U.S. GAAP adjustments			
Effect of inventory adjustments:			
Start-up costs	(54)	(35)	(1)
Depreciation of fixed assets	1,449	1,101	34
Transfer of building and facilities from MVI	(6)	(4)	—
Inventory valuation	(36,818)	—	—
Adjustment for uncertain tax positions	(6,207)	(6,207)	(194)
As adjusted	<u>10,452,631</u>	<u>8,426,088</u>	<u>263,727</u>
<u>Property, plant and equipment – net</u>			
As reported	23,654,940	20,768,992	650,047
U.S. GAAP adjustments			
Start-up costs	(1,578)	—	—
Depreciation of fixed assets	(237,486)	(266,913)	(8,354)
Transfer of building and facilities from MVI	(2,813)	(2,655)	(83)
Interest capitalization	14,064	(25,024)	(783)
As adjusted	<u>23,427,127</u>	<u>20,474,400</u>	<u>640,827</u>
<u>Other assets</u>			
As reported	746,761	833,208	26,078
U.S. GAAP adjustments			
Depreciation of employee dormitory building	(16,425)	(18,056)	(565)
Deferred charge	1,226	780	25
Effect of U.S. GAAP adjustment on income tax	—	75,287	2,356
Adjustments for uncertain tax position	—	1,960	61
As adjusted	<u>731,562</u>	<u>893,179</u>	<u>27,955</u>

## 26. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES FOLLOWED BY THE COMPANY AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES (continued)

	December 31,		
	2008 NT\$	2009 NT\$ (in thousands)	US\$
<u>Current liabilities</u>			
As reported	10,721,542	6,921,489	216,635
U.S. GAAP adjustments			
Discount on convertible notes	(88,603)	—	—
As adjusted	<u>10,632,939</u>	<u>6,921,489</u>	<u>216,635</u>
<u>Long-term liabilities</u>			
As reported	9,832,607	13,377,605	418,704
U.S. GAAP adjustments			
Loss on redemption of convertible notes	193,634	—	—
Equity component of convertible notes	273,866	—	—
Fair value of embedded derivative liabilities	(475,821)	—	—
Amortization of discount on convertible notes	8,321	—	—
As adjusted	<u>9,832,607</u>	<u>13,377,605</u>	<u>418,704</u>
<u>Other liabilities</u>			
As reported	344,637	104,909	3,284
U.S. GAAP adjustments			
Pension	237,321	278,795	8,726
Effect of U.S. GAAP adjustments on income taxes	(55,694)	—	—
Adjustments for uncertain tax positions	10,994	—	—
As adjusted	<u>537,258</u>	<u>383,704</u>	<u>12,010</u>

As a result of the adjustments presented above, the approximate amounts of total assets under U.S. GAAP were NT\$35,156,951 thousand and NT\$30,116,454 thousand as of December 31, 2008, and 2009, respectively.

The following U.S. GAAP condensed statements of operations for the years ended December 31, 2007, 2008 and 2009 have been derived from the audited financial statements and reflect the adjustments presented above. Certain accounts have been reclassified to conform to U.S. GAAP.

	Year Ended December 31,			
	2007 NT\$	2008 NT\$ (in thousands)	2009 NT\$	US\$
Net revenue	23,597,598	17,010,162	12,150,308	380,291
Cost of revenue	(17,496,720)	(17,068,345)	(15,690,962)	(491,110)
Gross profit (loss)	6,100,878	(58,183)	(3,540,654)	(110,819)
Other operating income	149,444	193,955	97,265	3,044
Operating expenses	(2,171,153)	(6,571,724)	(1,726,537)	(54,039)
Income (loss) from operations	4,079,169	(6,435,952)	(5,169,926)	(161,814)
Non-operating income (expenses) – net	261,720	(815,465)	2,176	68
Income (loss) before income tax	<u>4,340,889</u>	<u>(7,251,417)</u>	<u>(5,167,750)</u>	<u>(161,746)</u>
Net income (loss) attributable to ChipMOS	<u>2,901,670</u>	<u>(7,177,661)</u>	<u>(4,550,287)</u>	<u>(142,416)</u>

## 27. ADDITIONAL DISCLOSURES REQUIRED BY U.S. GAAP

### a. Recent accounting pronouncements

In June 2009, the FASB issued FASB ASC 105, which establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied in the preparation of financial statements in conformity with generally accepted accounting principles. ASC No. 105 explicitly recognizes rules and interpretive releases of the Securities and Exchange Commission ("SEC") under federal securities laws as authoritative GAAP for SEC registrants. FASB ASC 105 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Codification is effective for the Company for the year ended December 31, 2009. Adoption of FASB ASC 105 did not have a material impact on the Company's consolidated financial statements.

In September 2006, the FASB issued guidance in FASB ASC 820 which defines fair value, establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements. The guidance was effective for the Company's financial assets and liabilities on January 1, 2008. Effective January 1, 2009, the Company adopted FASB ASC 820 for the Company's non-financial assets and liabilities. The adoption did not have a material impact on the consolidated financial statements upon adoption. FASB ASC 820 establishes a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and the Company's assumptions (unobservable inputs). The hierarchy consists of three broad levels as follows:

Level 1—Quoted market prices in active markets for identical assets or liabilities

Level 2—Inputs other than level 1 that are either directly or indirectly observable

Level 3—Unobservable inputs developed using the Company's estimates and assumptions, which reflect those that market participants would use.

The following table sets forth the assets measured at fair value on a recurring basis, by input level, as of December 31, 2009:

	Level 1 NT\$	Level 2 NT\$ (in thousands)	Level 3 NT\$	Total NT\$
Financial assets at fair value through profit and loss	119,027	—	—	119,027
Available-for-sale investments	—	—	300,000	300,000
	<u>119,027</u>	<u>—</u>	<u>300,000</u>	<u>419,027</u>

Financial assets at fair value through profit and loss include investments in stocks and open-ended funds, which are measured using quoted price in active markets and are classified as Level 1.

Available-for-sale investments are comprised of bonds. The fair values are based on future cash flows discounted at current rates as the bonds are trading in an inactive market.

In February 2007, the FASB issued guidance in FASB ASC 825 which allows entities to choose, at specified election dates, to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. If a company elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in earnings. FASB ASC 825 also establishes presentation and disclosure requirements designed to draw comparison between entities that elect different measurement attributes for similar assets and liabilities. FASB ASC 825 is effective for the year ended December 31, 2009. The adoption has no impact on the consolidated financial statements.

In December 2007, the FASB issued guidance in FASB ASC 810 which requires that a noncontrolling interest in a subsidiary be reported as equity and the amount of consolidated net income specifically attributable to the noncontrolling interest be identified in the consolidated financial statements. It also calls for consistency in the manner of reporting changes in the parent's ownership interest and requires fair value measurement of any noncontrolling equity investment retained in a deconsolidation. FASB ASC 810 is effective for the year ended December 31, 2009. The adoption has no impact on the Company's consolidated financial condition, results of operations, and cash flows as noncontrolling interest was reported as equity prior to adoption of FASB ASC 810.

In December 2007, the FASB issued guidance in FASB ASC 805, extending the applicability to all transactions and other events in which one entity obtains control over one or more other businesses. It broadens the fair value measurement and recognition of assets acquired, liabilities assumed, and interests transferred as a result of business combinations. The guidance expands on required disclosures to improve the statement users' abilities to evaluate the nature and financial effects of business combinations. FASB ASC 805 is effective for the year ended December 31, 2009. The adoption did not have any significant impact on the Company's consolidated financial statements for the year ended December 31, 2009 but may have impact for any future acquisitions.

27. ADDITIONAL DISCLOSURES REQUIRED BY U.S. GAAP (continued)

a. Recent accounting pronouncements (continued)

In March 2008, the FASB issued guidance in FASB ASC 815 which requires enhanced disclosures about an entity's derivative and hedging activities, including (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. FASB ASC 815 is effective for the year ended December 31, 2009. The adoption did not have any impact on the Company's consolidated financial statements.

In April 2008, the FASB issued guidance in FASB ASC 350 which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. FASB ASC 350 is intended to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure the fair value of the asset under other applicable accounting literature. FASB ASC 350 is effective for the year ended December 31, 2009. The adoption had no material effect on the Company's consolidated financial statements.

In May 2008, the FASB issued guidance in FASB ASC 470 and 815 which requires cash settled convertible debt to be bifurcated into debt and equity components and accounted for separately at issuance. The value assigned to the debt component would be the estimated fair value, as of the issuance date, of a similar bond without the conversion feature. The difference between the bond cash proceeds and this estimated fair value would be recorded as a debt discount and amortized to interest expense over the life of the bond. The equity component of the convertible debt securities would be included in the paid-in-capital section of equity on the Company's consolidated balance sheets and the initial carrying values of these debt securities would be correspondingly reduced. Management does not expect that the application of this standard will have any significant effect on the Company's consolidated financial statements.

In December 2008, the FASB issued guidance in FASB ASC 715 requiring enhanced disclosures about the plan assets of defined benefit pension and other postretirement plans. The enhanced disclosures are intended to provide users of financial statements with a greater understanding of: (1) how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies; (2) the major categories of plan assets; (3) the inputs and valuation techniques used to measure the fair value of plan assets; (4) the effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period; and (5) significant concentrations of risk within plan assets. The enhanced disclosures are effective for the financial statements for the year ended December 31, 2009. The enhanced disclosures are included in note 27 d.

In April 2009, the FASB issued three related staff positions to clarify the application of FASB ASC 820 to fair value measurements in the current economic environment, modify the recognition of other-than-temporary impairments of debt securities, and require companies to disclose the fair value of financial instruments in interim periods. The final staff positions are effective for interim and annual periods ending after March 15, 2009. The adoption of FASB ASC 820 had no material effect on the Company's consolidated financial statements.

In April 2009, the FASB issued guidance in FASB ASC 820 which clarifies when markets are illiquid or that market pricing may not actually reflect the "real" value of an asset. If a market is determined to be inactive and market price is reflective of a distressed price then an alternative method of pricing can be used, such as a present value technique to estimate fair value. FASB ASC 820 identifies factors to be considered when determining whether or not a market is inactive. FASB ASC 820 is effective for interim and annual periods ending after June 15, 2009. The adoption of FASB ASC 820 had no material effect on the Company's consolidated financial statements.

In May 2009, the FASB issued guidance in FASB ASC 855 on subsequent events that establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but prior to the issuance of the financial statements. The guidance requires disclosure of the date through which subsequent events were evaluated and the basis for that date. The guidance sets forth the following: (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This guidance is effective for the year ended December 31, 2009. Effective February 24, 2010, the Company adopted Accounting Standards Update (ASU) No. 2010-09 "Subsequent Events (Topic 855): Amendment to Certain Recognition and Disclosure Requirements", which removes the requirement to disclose the date through which subsequent events have been evaluated. Please refer to note 23 for disclosure of subsequent events.

## 27. ADDITIONAL DISCLOSURES REQUIRED BY U.S. GAAP (continued)

## a. Recent accounting pronouncements (continued)

In June 2009, the FASB issued FASB ASC 860 which eliminates the concept of a qualifying special-purpose entity, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies other sale-accounting criteria, and changes the initial measurement of a transferor's interest in transferred financial assets. ASC No. 860 will be effective for transfers of financial assets in fiscal years beginning after November 15, 2009, and in interim periods within those fiscal years with earlier adoption prohibited. The Company is currently evaluating the impact of the adoption of FASB ASC 860 on its consolidated financial statements.

In June 2009, the FASB issued FASB ASC 810 which address the elimination of the concept of a qualifying special purpose entity. ASC No. 810 also replaces the quantitative-based risks and rewards calculation for determining which enterprise has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity and the obligation to absorb losses of the entity or the right to receive benefits from the entity. Additionally, FASB ASC 810 provides more timely and useful information about an enterprise's involvement with a variable interest entity. FASB ASC 810 will be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company is currently evaluating the impact of the adoption of FASB ASC 810 on its consolidated financial statements.

In August 2009, the FASB issued Accounting Standards Update No. 2009-02 ("ASU 2009-02"), SEC update – Amendments to various topics containing SEC Staff Accounting Bulletins to update cross-references to Codification test. ASU 2009-03 did not have a material effect on the Company's consolidated financial position or results of operations.

In August 2009, the FASB issued Accounting Standard Update No. 2009-05 ("ASU 2009-05") which applies to all entities that measure liabilities at fair value within scope of ASC No. 820. ASU 2009-05 provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more valuation techniques. The amendments in ASU 2009-05 also clarify that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. It also clarifies that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. The guidance provided in ASU 2009-05 is effective for the first reporting period beginning after issuance. The Company is currently evaluating the impact of the adoption of ASU 2009-05 on its consolidated financial statements.

In September 2009, the FASB issued Accounting Standards Update No. 2009-07 ("ASU 2009-07"), Accounting for Various Topics. ASU 2009-07 represents technical corrections to various topics containing SEC guidance based on external comments received. The adoption of this guidance did not have a material effect on the Company's consolidated financial condition or results of operations.

In September 2009, the FASB issued Accounting Standards Update No. 2009-12 ("ASU 2009-12"), which provides amendments to Subtopic 820-10, Fair Value Measurements and Disclosures — Overall, for the fair value measurement of investments in certain entities that calculate net asset value per share. This ASU also requires disclosures by major category of investment about the attributes of investments within the scope of the amendments in this Update. The amendments in this Update are effective for interim and annual periods after December 15, 2009. The Company is currently evaluating the impact of the adoption of ASU 2009-12 on its consolidated financial statements.

In December 2009, the FASB issued ASU No. 2009-17. The amendments in this update are the result of FASB Statement No. 167 "Amendments to FASB Interpretation No. 46 (R)", which is now codified as FASB ASC 810-10-50-2A "Consolidation – Overall – Disclosure—Variable Interest Entities". The adoption of FASB ASU No. 2009-17 did not have a material impact on the Company's financial position, results of operations and cash flows.

In January 2010, the FASB issued ASU No. 2010-02, in which it clarifies that the scope of the decrease in ownership provision of ASC 810-10 and related guidance applies to a subsidiary or group of assets that is a business or nonprofit activity, but does not apply to sales of in-substance real estate and conveyances of oil and gas mineral rights. The adoption of ASU No. 2010-02 did not have a material impact on the Company's financial position, results of operations and cash flows.

## 27. ADDITIONAL DISCLOSURES REQUIRED BY U.S. GAAP (continued)

## b. Goodwill

	December 31,		
	2008	2009	
	NT\$	NT\$	US\$
	(in thousands)		
Balance, January 1, 2009	969,188	—	—
Impairment loss recognized	(969,188)	—	—
Balance, December 31, 2009	—	—	—

The Company tests goodwill for impairment annually as of December 31 and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of goodwill is measured at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit, which is measured based upon, among other factors, market multiples for comparable companies as well as a discounted cash flow analysis. The goodwill is allocated to two reporting units: ChipMOS Taiwan and ThaiLin. If the recorded value of the assets, including goodwill, and liabilities ("net book value") of the reporting unit exceeds its fair value, an impairment loss may be required to be recognized.

Pursuant to the guidance in SFAS 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), the measurement of impairment of goodwill consists of two steps. In the first step, the fair value of the reporting unit is compared to its carrying value. In connection with the preparation of the financial statements for the year ended December 31, 2008, management made a determination of the fair value of the two reporting units. Fair value is determined using a combination of an income approach, which estimates fair value based upon future revenue, expenses and cash flows discounted to their present value, and a market approach, which estimates fair value using market multiples to various financial measures compared to a set of comparable public companies in listed on the Taiwan Stock Exchange. Management concluded the estimated fair values of the reporting units were less than their net book values. Accordingly the guidance in SFAS 142 requires a second step to determine the implied fair value of the Company's goodwill, and to compare it to the carrying value of the Company's goodwill. This second step includes valuing all of the tangible and intangible assets and liabilities of the reporting unit as if it had been acquired in a business combination, including valuing all of its intangible assets even if they were not currently recorded to determine the implied fair value of goodwill. Based on management's analysis incorporating the declining market capitalization in 2008, as well as the significant market deterioration and economic uncertainties impacting expected future demand, management concluded that the entire goodwill balance of NT\$969,188 thousand was impaired. As a result, the Company recognized a non-cash impairment charge of approximately NT\$969,188 thousand for the year ended December 31, 2008 to write-off the entire carrying value of its goodwill.

## c. Income tax expense

Income (loss) before income tax, noncontrolling interest and interest in bonuses paid by subsidiaries consists of the following:

	Year Ended December 31,			
	2007	2008	2009	
	NT\$	NT\$	NT\$	US\$
	(in thousands)			
Bermuda	328,336	(1,359,727)	80,964	2,534
ROC	4,533,334	(3,782,118)	(5,170,100)	(161,818)
Others	(520,781)	(2,109,572)	(78,614)	(2,461)
	<u>4,340,889</u>	<u>(7,251,417)</u>	<u>(5,167,750)</u>	<u>(161,745)</u>



## 27. ADDITIONAL DISCLOSURES REQUIRED BY U.S. GAAP (continued)

## c. Income tax expense (continued)

Income tax expense consists of:

	Year Ended December 31,			
	2007 NT\$	2008 NT\$ (in thousands)	2009 NT\$	US\$
Income tax for the current year				
Bermuda	347,107	346,754	6,267	196
ROC	406,463	4,867	—	—
Others	(69,873)	1,016	2,049	64
	<u>683,697</u>	<u>352,637</u>	<u>8,316</u>	<u>260</u>
Deferred income tax				
Bermuda	—	—	—	—
ROC	18,062	(332,955)	(483,604)	(15,136)
Others	57,221	262,435	(1)	—
	<u>75,283</u>	<u>(70,520)</u>	<u>(483,605)</u>	<u>(15,136)</u>
Adjustment of prior years' income taxes	<u>32,968</u>	<u>(201,717)</u>	<u>22,080</u>	<u>691</u>
Income tax expense	<u>791,948</u>	<u>80,400</u>	<u>(453,209)</u>	<u>(14,185)</u>

Reconciliation between the income tax calculated on pre-tax financial statement income based on the statutory tax rate and the income tax expense which conforms to U.S. GAAP is as follows:

	Year Ended December 31,			
	2007 NT\$	2008 NT\$ (in thousands)	2009 NT\$	US\$
Tax on pretax income (loss) at 0%	—	—	—	—
Tax on pretax income (loss) at applicable statutory rates	1,447,850	(1,147,034)	(1,334,734)	(41,776)
Additional 10% on the unappropriated earnings	171,597	166,318	—	—
Tax effects of:				
Tax-exempt (income) loss	(59,661)	134,173	—	—
Permanent differences				
Non-taxable (gain)/loss on sales of investment	(9,748)	(2,153)	358	11
Non-deductible investment losses	(25,439)	74,792	(17,167)	(537)
Non-deductible expense	(1,027)	378,483	(91,828)	(2,874)
Other	—	9,150	3,554	111
Temporary differences	2,427	—	28,026	877
Tax credits - utilized	(723,594)	(165,909)	—	—
- deferred	172,174	(22,867)	4,080	128
Valuation allowance	(248,472)	871,769	703,359	22,014
Loss recognized	4,125	—	—	—
Losses carried forward	(4,125)	227,739	1,088,819	34,079
Losses carried forward – deferred	—	(227,739)	(981,013)	(30,704)
Deferred tax effect of change in tax rate	—	—	139,526	4,367
Adjustment of prior year's income tax	<u>65,841</u>	<u>(216,322)</u>	<u>3,811</u>	<u>119</u>
Income tax expense	<u>791,948</u>	<u>80,400</u>	<u>(453,209)</u>	<u>(14,185)</u>

## 27. ADDITIONAL DISCLOSURES REQUIRED BY U.S. GAAP (continued)

The components of net deferred income tax assets (liabilities) were as follows:

	December 31,		
	2008	2009	
	NT\$	NT\$	US\$
(in thousands)			
<u>Deferred income tax assets</u>			
Current			
Unrealized foreign exchange loss	(1,203)	3,200	100
Tax credits	302,778	552,781	17,302
Loss of market price decline and obsolete and slow-moving inventories	21,174	36,969	1,157
Unrealized loss on sale allowances	26,684	22,791	713
Allowance for doubtful receivables	573,004	554,152	17,344
Others	5,425	(450)	(14)
	927,862	1,169,443	36,602
Valuation allowance	(578,352)	(819,340)	(25,644)
	349,510	350,103	10,958
Non-current			
Unrealized impairment loss on idle fixed assets	—	—	—
Tax credits	666,391	412,308	12,905
Losses carried forward	612,329	1,445,742	45,250
Impairment loss	150	8,387	263
Building	705	665	20
Start-up costs	407	8	—
Others	402,030	302,521	9,469
	1,682,012	2,169,631	67,907
Valuation allowances	(1,243,186)	(1,576,724)	(49,349)
	438,826	592,907	18,558
<u>Deferred income tax liabilities</u>			
Non-current			
Depreciation differences	(615,269)	(302,294)	(9,462)
Interest capitalization	(3,516)	—	—
Inventory valuation	9,205	—	—
	(609,580)	(302,294)	(9,462)
	(170,754)	290,613	9,096

## 27. ADDITIONAL DISCLOSURES REQUIRED BY U.S. GAAP (continued)

## d. Pension plans

The impact of the adoption of SFAS No.158 has been reflected within the consolidated financial statements as follows:

	Year Ended December 31,			
	2007 NT\$	2008 NT\$ (in thousands)	2009 NT\$	US\$
Components of net periodic benefit cost				
Service cost	1,662	1,579	1,518	48
Interest cost	8,735	12,463	11,340	355
Project return on plan assets	(5,500)	(7,910)	(6,857)	(215)
Net amortization and deferral:				
Unrecognized net transition obligation	(293)	(293)	53	2
Curtailment loss	4,191	7,295	7,568	237
Net prior service cost	—	(56)	(206)	(6)
Net periodic benefit cost	<u>8,795</u>	<u>13,078</u>	<u>13,416</u>	<u>421</u>
Recognized in other comprehensive income:				
Unrecognized net transition obligation	(1,225)	(62)	66	2
Net prior service cost	—	(4,149)	8,978	281
Unrecognized actuarial loss	<u>162,359</u>	<u>3,259</u>	<u>15,329</u>	<u>480</u>
Total recognized in other comprehensive income	<u>161,134</u>	<u>(952)</u>	<u>24,373</u>	<u>763</u>
Total recognized in total benefit cost and other comprehensive income	<u>169,929</u>	<u>12,126</u>	<u>37,789</u>	<u>1,184</u>

The estimated net transition assets and actuarial loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into benefits cost in 2010 is NT\$136 thousand (US\$4 thousand) and NT\$7,304 thousand (US\$229 thousand), respectively.

	Year Ended December 31,			
	2007 NT\$	2008 NT\$ (in thousands)	2009 NT\$	US\$
Changes in benefit obligation				
Benefit obligation at beginning of Year	317,646	475,794	496,548	15,541
Service cost	1,662	1,579	1,518	48
Interest cost	8,735	12,463	11,340	355
Plan amendments	—	(3,581)	—	—
Actuarial loss	<u>147,751</u>	<u>10,293</u>	<u>36,979</u>	<u>1,157</u>
Benefit obligation at end of year	<u>475,794</u>	<u>496,548</u>	<u>546,385</u>	<u>17,101</u>
Changes in plan assets				
Fair value of plan assets at beginning of year	199,991	249,596	291,532	9,125
Actual return on plan assets	5,955	9,156	1,755	55
Employer contribution	<u>43,691</u>	<u>32,780</u>	<u>21,705</u>	<u>679</u>
	<u>249,637</u>	<u>291,532</u>	<u>314,992</u>	<u>9,859</u>
Funds status	<u>(226,157)</u>	<u>(205,016)</u>	<u>(231,393)</u>	<u>(7,242)</u>
Unrecognized actuarial loss	<u>(13,000)</u>	<u>(24,476)</u>	<u>(31,285)</u>	<u>(979)</u>
Net amount recognized (recognized as accrued pension cost)	<u>(239,157)</u>	<u>(229,492)</u>	<u>(262,678)</u>	<u>(8,221)</u>

## 27. ADDITIONAL DISCLOSURES REQUIRED BY U.S. GAAP (continued)

## d. Pension plans (continued)

Amounts recognized in accumulated other comprehensive income, net of noncontrolling interests, consist of:

	2008	2009	
	NT\$	NT\$	US\$
		(in thousands)	
Unrecognized net transition obligation (asset)	(3,004)	(2,685)	(84)
Net prior service cost	(3,525)	(3,436)	(108)
Unrecognized loss	219,382	243,090	7,608
Gross amount recognized	212,853	236,969	7,416
Noncontrolling interests	(8,028)	(11,384)	(356)
Total recognized in total benefit cost and other comprehensive income	204,825	225,585	7,060
	2007	2008	2009
Actuarial assumptions			
Discount rate	2.75%	2.75%	2.25%
Rate of compensation increase	4.25%	4.25%	4.25%
Expected return on plan assets	2.75%	3.00%	1.5%

The accumulated benefit obligation for all defined benefit pension plans was NT\$240,221 thousand and NT\$247,402 thousand at December 31, 2008 and 2009, respectively.

There were no pension plans with an accumulated benefit obligation in excess of plan assets as of December 31, 2008 and 2009.

The plan assets are all invested in the Bank of Taiwan (previously known as Central Trust of China). The plan benefits are based on employees' years of service and compensation. The plan assets primarily consist of cash, government loans, equity securities, notes and bonds.

The fair value of the plan assets was NT\$291,532 thousand and NT\$314,992 thousand (US\$9,859 thousand) at December 31, 2008 and 2009, respectively. As of December 31, 2008 and 2009, these assets were allocated among asset categories as follows:

Asset category	2008	2009	Current maximum allocation policy
Equity securities	31%	24%	40%
Bonds	15%	28%	
Notes	12%	5%	
Government loans	2%	1%	
Cash	40%	42%	
Total	100%	100%	

Under ROC regulation, government authority will collect the fund as Labor Retirement Fund and determine the assets allocation and investment policy.

ChipMOS Taiwan and ThaiLin anticipate contributing NT\$22,630 thousand to their pension plans during 2010.

The Company has no other post-retirement or post-employment benefit plans.

## 27. ADDITIONAL DISCLOSURES REQUIRED BY U.S. GAAP (continued)

## e. Statements of cash flows

ROC SFAS No. 17, "Statement of Cash Flows" has been applied. Its objectives and principles are similar to those set out in SFAS No. 95, "Statement of Cash Flows" ("SFAS No. 95"). The principal differences between the standards relate to classification. Summarized cash flow data by operating, investing and financing activities in accordance with FASB ASC 230-10 are as follows:

	Year Ended December 31,			
	2007	2008	2009	
	NT\$	NT\$	NT\$	US\$
	(in thousands)			
Net cash inflow (outflow) from:				
Operating activities	10,322,132	4,890,631	1,633,419	51,124
Investing activities	(12,212,084)	(2,296,914)	(1,042,532)	(32,630)
Financing activities	522,085	(1,405,512)	(2,503,796)	(78,365)
	(1,367,867)	1,188,205	(1,912,909)	(59,871)
Effect of changes in foreign exchange rate	38,787	46,329	(1,780)	(57)
Cash and cash equivalents at the beginning of year	5,685,563	4,356,483	5,591,017	174,993
Cash and cash equivalents at the end of year	4,356,483	5,591,017	3,676,328	115,065

## f. Statements of comprehensive income

	Year Ended December 31,			
	2007	2008	2009	
	NT\$	NT\$	NT\$	US\$
	(in thousands)			
Net income based on U.S. GAAP	2,901,670	(7,177,661)	(4,550,287)	(142,416)
Other comprehensive income (loss):				
Translation adjustment	209,390	156,250	(29,196)	(914)
Comprehensive income	3,111,060	(7,021,411)	(4,579,483)	(143,330)

## g. Statements of accumulated other comprehensive income

	Unrecognized Pension Costs	Translation Adjustment	Accumulated Other Comprehensive Income
	NT\$	NT\$	NT\$
December 31, 2007	(205,777)	277,464	71,687
Addition in 2008	952	156,250	157,202
December 31, 2008	(204,825)	433,714	228,889
Addition in 2009	(20,760)	(29,196)	(49,956)
December 31, 2009	(225,585)	404,518	178,933

## h. Shareholders' equity

Employee stock-based compensation has been accounted for under FASB ASC 715.

The Company has in place a Share Option Plan (2001 Plan). Under the terms of the plan, the exercise price set on the grant of share options may not be less than the par value of a Company Share on the date of grant of such option. In August 2006, the Company adopted a second Share Option Plan (2006 Plan). The number of shares that may be issued under the two plans is 16,000,000 shares and may consist in whole or part of authorized but unissued shares of the Company which are not reserved for any other purpose. No consideration is payable for the grant of an option.

Under the plans, options may be granted to all directors, officers, employees and consultants of the Company and its affiliates. Options are exercisable for a maximum of ten years from the date on which such option is granted and five years from the date on which such option is granted if the holder of the option owns more than 10% of the combined voting power of the Company at the time the option is granted.

## 27. ADDITIONAL DISCLOSURES REQUIRED BY U.S. GAAP (continued)

## h. Shareholders' equity (continued)

In September 2006, the Company adopted a share appreciation rights plan. The share appreciation rights plan provides that the directors, officers and employees of the Company and its affiliates may be granted cash-settled share appreciation rights.

The fair value for options granted has been estimated at the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

<u>Year of grant</u>	<u>Risk free interest rate</u>	<u>Expected life</u>	<u>Expected volatility</u>	<u>Expected dividend yield</u>
2002	4.75%	5 years	114.91%	0%
2003	4.75%	4.25 years	118.07% ~ 148.73%	0%
2004	1.75%	4.25 years	112.40% ~ 123.07%	0%
2006	4.62% ~ 4.74%	4.25 years	102.67% ~ 133.21%	0%
2007	3.32% ~ 5.04%	4.25 years	134.71% ~ 171.09%	0%
2008	1.30% ~ 3.42%	4.25 ~ 6 years	97.83% ~ 188.06%	0%
2009	1.32% ~ 2.39%	4.25 ~ 5 years	139.36% ~ 163.82%	0%

The following table presents the stock option activity for the year ended December 31, 2008 and 2009.

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u> US\$	<u>Aggregate Intrinsic Value</u> US\$ (in thousands)
Outstanding at December 31, 2007	7,348,893	4.48	
Granted	3,981,487	1.92	
Forfeited	(763,229)	4.34	
Exercised	(127,850)	0.81	
Expired	(1,180,738)	2.35	
Outstanding at December 31, 2008	9,258,563	3.71	
Granted	1,977,577	0.63	
Forfeited	(697,181)	3.96	
Exercised	—	—	
Expired	(385,001)	1.74	
Outstanding at December 31, 2009	<u>10,153,958</u>	3.17	218
Exercisable at December 31, 2008	<u>3,501,848</u>	4.77	
Exercisable at December 31, 2009	<u>4,502,454</u>	4.48	25
Vested and expected to vest in 2008	<u>8,970,727</u>	3.73	
Vested and expected to vest in 2009	<u>9,871,383</u>	3.20	208

The aggregate intrinsic value in the table above represents the total intrinsic value (i.e., the difference between the Company's closing stock price of US\$0.71 on December 31, 2009 (December 31, 2008: US\$0.25) and the exercise price, times the number of options) that would have been received by the option holders had all option holders exercised their options on December 31, 2009. The total intrinsic value of options exercised during the year ended December 31, 2009 was nil (2008: nil). The total fair value of options vested and forfeited during the year ended December 31, 2009 was NT\$94,157 thousand (US\$2,947 thousand) (2008: NT\$121,802 thousand). The number of options vested during the year ended December 31, 2009 was nil (2008: 127,850). The weighted average remaining contractual term of the outstanding options at December 31, 2009 was 4 (2008: 4.5) years.

As of December 31, 2009, NT\$12,810 thousand (US\$401 thousand) (2008: NT\$40,878 thousand) of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted average period of 2 years.

## 27. ADDITIONAL DISCLOSURES REQUIRED BY U.S. GAAP (continued)

The Company's employees have the ability to exercise a stock option (i.e., remit cash consideration to the Company for the exercise price) in exchange for stock during the vesting period of the award.

The following table presents a summary of the number of and weighted average grant date fair values regarding the unvested share options as of December 31, 2009 and changes during the year then ended:

	Number of Options	Weighted Average Fair Value US\$
Unvested options outstanding at December 31, 2007	3,810,782	5.06
Granted	3,981,487	1.66
Vested	(1,272,325)	5.63
Forfeited	(763,229)	4.69
Unvested options outstanding at December 31, 2008	5,756,715	3.06
Granted	1,977,577	0.67
Vested	(1,385,607)	2.97
Forfeited	(697,181)	4.23
Unvested options outstanding at December 31, 2009	<u>5,651,504</u>	2.10

The Company's determination of fair value of employee share options on the date of grant using the Black Scholes Option Pricing Model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to the Company's expected stock price volatility over the term of the awards. Option pricing models were developed for use in estimating the value of traded options that have no vesting or hedging restrictions and are fully transferable. Because the Company's employee stock options have certain characteristics that are significantly different from traded options, and because changes in the subjective assumptions can materially affect the estimated value, in management's opinion, the existing valuation models may not provide an accurate measure of the fair value of the Company's employee stock options. Although the fair value of employee stock options is determined in accordance with FASB ASC 715 using an option pricing model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction.

## i. Convertible notes

The Company accounts for the conversion option in the convertible notes as derivative liabilities in accordance with FASB ASC 815. The discount attributable to the issuance date aggregate fair value of the conversion option, totaling NT\$1,380,211 thousand (US\$43,199 thousand), is being amortized using the effective interest method over the term of the convertible notes.

The change in fair value on revaluation of the embedded derivative liabilities represents the difference between the fair value of the embedded derivative liabilities at their original issue date and their fair value on December 31, 2009 using option pricing models. As of December 31, 2009, the fair value of the embedded derivative liabilities amounted to NT\$129,967 thousand (US\$4,068 thousand). The effect of the fair market value adjustment of NT\$50,740 thousand (US\$1,588 thousand) was recorded in the consolidated statement of operations.

The following assumptions were applied to the convertible notes using the option pricing model:

	December 31, 2009 CN due 2011	December 31, 2009 10% CN due 2014	December 31, 2009 8% CN due 2014
Market price	US\$ 0.71	US\$ 0.71	US\$ 0.71
Conversion price	US\$ 6.85	US\$ 1.50	US\$ 1.25
Term	5 years	5 years	5 years
Volatility	29.5248%	70.2600%	69.5700%
Risk-free interest rate	1.3820%	3.5663%	3.6940%

Please refer to Note 14 for details of the terms of the convertible notes.



## MASTER LEASE AGREEMENT

**MASTER LEASE AGREEMENT** dated December 22, 2006 by and between GE Money Taiwan Limited (“Lessor”) and ChipMOS Technologies Inc. (“Lessee”).

IN CONSIDERATION of the mutual agreements described below, the parties agree as follows (all capitalized terms are defined in Section 15.14):

### 1. **Property Leased.**

Lessor leases to Lessee all of the Equipment described on each Schedule. In the event of a conflict, the terms of a Schedule prevail over this Master Lease

### 2. **Term.**

On the Commencement Date Lessee will be deemed to accept the Equipment, will be bound to its rental obligations for each item of Equipment and the term of a Schedule will begin and continue through the Initial Term and thereafter until terminated by either party upon prior written notice received during the Notice Period. No termination may be effective prior to the expiration of the Initial Term.

### 3. **Rent and Payment**

Rent is due and payable in advance, in immediately available funds, on the first day of each Rent Interval to the payee and at the location specified in Lessor’s invoice. Interim Rent is due and payable when invoiced. If any payment is not made when due, Lessee will pay interest at the Overdue Rate. As security for and as evidence of the Lessee’s obligations under a Schedule, the Lessee shall issue a promissory note(s) and associated documentation, whether to Lessor or to a Secured Party, at a time(s), in an amount and in a form and substance as requested by Lessor.

### 4. **Selection and Warranty and Disclaimer of Warranties.**

4.1 *Selection.* Lessee acknowledges that it has selected the Equipment and disclaims any reliance upon statements made by the Lessor.

4.2 *Warranty and Disclaimer of Warranties.* Lessor warrants to Lessee that, so long as Lessee is not in default, Lessor will not disturb Lessee’s quiet and peaceful possession, and unrestricted use of the Equipment. To the extent permitted by the manufacturer, Lessor assigns to Lessee during the term of the Schedule any manufacturer’s warranties for the Equipment. LESSOR MAKES NO OTHER WARRANTY, EXPRESS OR IMPLIED AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE MERCHANTABILITY OF THE EQUIPMENT OR ITS FITNESS FOR A PARTICULAR PURPOSE. Lessor is not responsible for any liability, claim, loss, damage or expense of any kind (including strict liability in tort) caused by the Equipment except for any loss or damage caused by the negligent acts of Lessor. In no event is Lessor responsible for special, incidental or consequential damages.

### 5. **Title and Assignment.**

5.1 *Title.* Lessee holds the Equipment subject and subordinate to the rights of the Owner, Lessor, any Assignee and any Secured Party. Lessee authorizes Lessor, as Lessee’s agent, to prepare, execute and file in Lessee’s name any filing, registration or recordation available in the Republic of China to identify or secure the interest of the Owner, Lessor, and any Assignee or Secured Party in the Equipment and to insert serial numbers in Schedules as appropriate. Lessee will cooperate with Lessor in the perfection of any such security interest in the Equipment. Except as provided in Sections 5.2 and 7.2, Lessee will, at its expense, keep the Equipment free and clear from any liens or encumbrances of any kind (except any caused by Lessor) and will indemnify and hold Lessor, Owner, any Assignee and Secured Party harmless from and against any loss caused by Lessee’s failure to do so.



5.2 *Relocation or Sublease.* Lessee may relocate Equipment to any location within the Republic of China ONLY with the prior written consent of the Lessor which consent shall not be unreasonably withheld provided all additional costs (including any administrative fees, additional taxes, insurance coverage and chattel mortgage re-registration costs) are reconciled and promptly paid by Lessee. Lessee may sublease the Equipment upon the reasonable prior written consent of the Lessor and the Secured Party. Any consent so granted shall be conditional upon the Lessor's receipt of a written acknowledgement from the sub-lessee to Lessor's rights pursuant to the provisions of this Master Lease Agreement. No relocation or sublease will relieve Lessee from any of its obligations under this Master Lease and the relevant Schedule.

5.3 *Assignment by Lessor.* The terms and conditions of each Schedule have been fixed by Lessor in order to permit Lessor to sell and/or assign or transfer its interest or grant a security interest in each Schedule and/or the Equipment to a Secured Party or Assignee. In that event the term Lessor will mean the Assignee and any Secured Party. However, any assignment, sale, or other transfer by Lessor will not relieve Lessor of its obligations to Lessee and will not materially change Lessee's duties or materially increase the burdens or risks imposed on Lessee. The Lessee consents to and will acknowledge such assignments in a written notice given to Lessee. Lessee also agrees that:

- (a) The Secured Party will be entitled to exercise all of Lessor's rights, but will not be obligated to perform any of the obligations of Lessor. The Secured Party will not disturb Lessee's quiet and peaceful possession and unrestricted use of the Equipment so long as Lessee is not in default and the Secured Party continues to receive all Rent payable under the Schedule;
- (b) Lessee will pay all Rent and all other amounts payable to the Secured Party, despite any defense or claim which it has against Lessor. Lessee reserves its right to have recourse directly against Lessor for any defense or claim; and
- (c) Subject to and without impairment of Lessee's leasehold rights in the Equipment, Lessee holds the Equipment for the Secured Party to the extent of the Secured Party's rights in that Equipment.

## **6. Net Lease and Taxes and Fees.**

6.1 *Net Lease.* Each Schedule constitutes a net lease. Lessee's obligation to pay Rent and all other amounts is absolute and unconditional and is not subject to any abatement, reduction, set-off, defense, counterclaim, interruption, deferment or recoupment for any reason whatsoever.

6.2 *Taxes and Fees.* Lessee will pay when due or reimburse Lessor for taxes such as import duties and value added taxes, fees or any other charges (together with any related interest or penalties not arising from the negligence of Lessor) accrued for or arising during the term of each Schedule against Lessor, Lessee or the Equipment by any governmental authority (except only Republic of China or other local taxes on the capital or net income of Lessor but this exception does not include the withholding tax on the rentals). All Rent due under any relevant Schedule will be paid net of any taxes without deduction or withholding for or on account of any such taxes or other charges of whatever nature imposed by Republic of China or any department, agency of other political subdivision or taxing authorities and all interest, penalties or similar liabilities with respect thereto unless deduction or withholding of such taxes is required by law, in which case Lessee shall pay such additional amounts as may be necessary to ensure that Lessor receives the full amount due as if no such deduction of withholding had been made. Lessee shall cooperate with Lessor in obtaining any relevant document necessary to substantiate payment of such tax and in providing originals or certified copies thereof. If any new taxes are imposed by the jurisdiction in which the equipment is located or as a result of relocation or equipment, Lessor reserves the right to adjust the rental to maintain its economic yield.

## **7. Care, Use and Maintenance, Attachments and Reconfigurations and Inspection by Lessor.**

7.1 *Care, Use and Maintenance.* Lessee will maintain the Equipment in good operating order and appearance, protect the Equipment from deterioration, other than normal wear and tear, and will not use the Equipment for any purpose other than that for which it was designed. If commercially available, Lessee will maintain in force a standard maintenance contract with the manufacturer of the Equipment, or another party acceptable to Lessor, and upon request will provide Lessor with a complete copy of that contract. With Lessor's prior written consent, Lessee may have the Equipment maintained by a party other than the manufacturer. Lessee agrees to pay any costs necessary for the manufacturer to bring the Equipment to then current release, revision and engineering change levels, and to re-certify the Equipment as eligible for manufacturer's maintenance at the expiration of the lease term. The lease term will continue upon the same terms and conditions until recertification has been obtained.

7.2 *Attachments and Reconfigurations.* Upon Lessor's prior written consent, Lessee may reconfigure and install Attachments on the Equipment. In the event of such a Reconfiguration or Attachment, Lessee shall upon the return of the Equipment, at its expense, restore the Equipment to the original configuration specified on the Schedule, in accordance with the manufacturer's specifications and in the same operating order, repair and appearance as when installed (normal wear and tear excluded). Alternatively, with Lessor's prior consent, which shall not be unreasonably withheld, Lessee may return the Equipment with any Attachment or upgrade.

7.3 *Inspection by Lessor.* Upon request, Lessee, during reasonable business hours and subject to Lessee's security requirements, will make the Equipment and its related log and maintenance records available to Lessor for inspection.

**8. Representations and Warranties of Lessee.**

Lessee represents and warrants that for the Master Lease and each Schedule:

- (a) The execution, delivery and performance of the Lessee have been duly authorized by all necessary corporate action;
- (b) The individual executing was duly authorized to do so;
- (c) The Master Lease and each Schedule constitute legal, valid and binding agreements of the Lessee enforceable in accordance with their terms; and
- (d) The Equipment is personal property and when subjected to use by the Lessee will not be or become fixtures under applicable law.

**9. Delivery and Return of Equipment.**

Lessee assumes the full expense of transportation of the Equipment to its initial location, installation, deinstallation, and return to a location (including without limitation the expense of in-transit insurance) all pursuant to Lessor's instructions and manufacturer's specifications. In no case shall the expense of return exceed a cost equivalent to that which the Lessee would have incurred had the equipment been returned to the nearest GES Taiwan warehouse facility. Regarding deinstallation, Lessee will assure that the Equipment is deinstalled by the manufacturer in accordance with the manufacturer's recommended procedures and any Environmental Law, and returned in the same operating order, repair, condition and appearance as when originally installed (less normal wear and tear and depreciation) meeting all original equipment manufacturer's specifications for continued manufacturer's maintenance, and accompanied by all associated documents, manuals, maintenance records for the duration of the Initial Term, spare parts and accessories. During the period subsequent to receipt of a notice under Section 2, Lessor may demonstrate the Equipment's operation in place and Lessee will supply any of its personnel as may reasonably be required to assist in the demonstrations.

**10. Labeling.**

Upon request, Lessee will mark the Equipment indicating Lessor's or Secured Party's interest, Lessee will keep all Equipment free from any other marking or labeling which might be interpreted as a claim of ownership.

**11. Indemnity.**

Lessee will indemnify and hold Lessor, any Assignee and any Secured Party harmless from and against any and all claims, costs, expenses, damages and liabilities, including reasonable attorney's fees arising out of the ownership (for strict liability in tort only), selection, possession, leasing, operation, control, use, maintenance, delivery, return or other disposition of the Equipment. However, Lessee is not responsible to a party indemnified hereunder for any claims, costs, expenses, damages and liabilities occasioned by the negligent acts of such indemnified party. Lessee agrees to carry bodily injury and property damage liability insurance during the term of the Master Lease in amounts and against risks customarily insured against by the Lessee on equipment owned by it. Any amounts received by Lessor under that insurance will be credited against Lessee's obligations under this Section.

**12. Risk of Loss.**

Effective upon delivery and until the Equipment is returned, Lessee relieves Lessor of responsibility for all risks of physical damage to or loss or destruction of the Equipment, Lessee will carry casualty insurance with an insurance company acceptable to Lessor and Secured Party for each item of Equipment in an amount not less than the Stipulated Loss Value. All policies for such insurance will name the Lessor and any Secured Party as additional insured and as loss payee, will pay claims in the currency of the rental obligation and will provide for at least thirty (30) days prior written notice to the Lessor of cancellation or expiration. The Lessee will furnish appropriate evidence of such insurance. Lessee shall promptly repair any damaged item of Equipment unless such Equipment has suffered a Casualty Loss. Within fifteen (15) days of a Casualty Loss, Lessee will provide written notice of that loss to Lessor and Lessee will, at Lessor's option, either (a) replace the item of Equipment with Like Equipment and marketable title to the Like Equipment will automatically vest in Lessor or (b) pay the Stipulated Loss Value and after that payment and the payment of all other amounts due and owing, Lessee's obligation to pay further Rent for the item of Equipment will cease.

### 13. Default and Remedies

13.1 *Default.* The occurrence of any one or more of the following Events of Default constitutes a default under a Schedule:

- (a) Lessee's failure to pay Rent or other amounts payable by Lessee when due; or
- (b) Lessee's failure to perform any other term or condition of the Schedule or the material inaccuracy of any representation or warranty made by the Lessee in the Schedule or in any document or certificate furnished to the Lessor hereunder if that failure or inaccuracy continues for fifteen (15) days after written notice; or
- (c) An assignment by Lessee for the benefit of its creditors, the failure by Lessee to pay its debts to any other creditor when due, the insolvency of Lessee, the filing by Lessee or the filing against Lessee of any petition under any bankruptcy or insolvency law or for the appointment of a trustee or other officer with similar powers, the adjudication of Lessee as insolvent, the liquidation of Lessee, or the taking of any action for the purpose of the foregoing; or
- (d) The occurrence of an Event of Default under any Schedule or other agreement between Lessee and Lessor or its Assignee or Secured Party

13.2 *Remedies.* Upon the occurrence of any of the above Events of Default, Lessor, at its option, may:

- (a) enforce Lessee's performance of the provisions of the applicable Schedule by appropriate court action in law or in equity;
- (b) recover from Lessee any damages and or expenses, including all the costs of export of Equipment and Default Costs;
- (c) with notice and demand, recover as liquidated damages for loss of a bargain and not as a penalty, the Stipulated Loss Value of the Equipment (calculated as of the rent payment date prior to the declaration of default), and all currently due rents and other sums under this Agreement and all Schedules.
- (d) with notice and process of law and in compliance with Lessee's security requirements, Lessor may enter on Lessee's premises to remove and repossess the Equipment without being liable to Lessee for damages due to the repossession, except those resulting from Lessor's, its assignees' or agents' or representatives' negligence, and
- (e) pursue any other remedy permitted by law or equity.

The above remedies, in Lessor's discretion and to the extent permitted by law, are cumulative and may be exercised successively or concurrently.

### 14. Environmental Condition.

14.1 *Indemnification.* Lessee shall fully and promptly pay, perform, discharge, defend, indemnify and hold harmless Lessor and its Affiliates, successors and assigns, directors, officers, employees and agents from and against any Environmental Claim or Environmental Loss.

14.2 *Lessee Cooperation.* In the event of an Environmental Claim, Lessee shall, upon request, immediately provide Lessor with copies of all correspondence reports, notices, orders, findings, declarations and other materials pertinent to the Lessee's compliance with and requirements of any Environmental Law.

### 15. Additional Provisions.

15.1 *Entire Agreement.* This Master Lease and associated Schedules supersede all other oral or written agreements or understandings between the parties concerning the Equipment including, for example, purchase orders. ANY AMENDMENT OF THIS MASTER LEASE OR A SCHEDULE, MAY ONLY BE ACCOMPLISHED BY A WRITING SIGNED BY THE PARTY AGAINST WHOM THE AMENDMENT IS SOUGHT TO BE ENFORCED.

15.2 *No Waiver.* No action taken by Lessor or Lessee shall be deemed to constitute a waiver of compliance with any representation, warranty or covenant contained in this Master Lease or a Schedule. The waiver by Lessor or Lessee of a breach of any provision of this Master Lease or a Schedule will not operate or be construed as a waiver of any subsequent breach.

15.3 *Binding Nature.* Each Schedule is binding upon, and inures to the benefit of Lessor and its assigns. LESSEE MAY NOT ASSIGN ITS RIGHTS OR OBLIGATIONS.

15.4 *Survival of Obligations.* All agreements, obligations including, but not limited to those arising under Section 6.2, representations and warranties contained in this Master Lease, any Schedule or in any document delivered in connection with those agreements are for the benefit of Lessor and any Assignee or Secured Party and survive the execution, delivery, expiration or termination of this Master Lease.

15.5 *Notices.* Any notice, request or other communication to be given under this Lease shall be in writing and deemed to have been sufficiently given or served for all purposes if (a) delivered personally; (b) deposited with a prepaid messenger, express or air courier or similar courier for delivery to the address set forth below; (c) deposited in the official certified or registered mail postage prepaid to the address set forth in the Schedule; or (d) transmitted by telecopier or facsimile to the number specified in the Schedule (with originals mailed the same day by official mail, postage prepaid to the address set forth in the Schedule).

Notice shall be deemed to have been received (i) upon receipt in the case of personal delivery; (ii) three (3) business days after being deposited in the case of messenger, express or air courier or similar courier; (iii) seven (7) business days after the date deposited in official certified or registered mail; and (iv) the day of receipt as evidenced by a facsimile confirmation statement in the case of transmittal by facsimile.

15.6 *Governing Law.* THIS MASTER LEASE SHALL BE GOVERNED BY AND CONSTRUED UNDER THE LAWS OF THE REPUBLIC OF CHINA, WITHOUT REFERENCE TO ITS CHOICE OF LAW RULES.

15.7 *Severability.* If any one or more of the provisions of this Master Lease or any Schedule is for any reason held invalid, illegal or unenforceable, the remaining provisions of this Master Lease and any such Schedule will be unimpaired, and the invalid, illegal or unenforceable provision replaced by a mutually acceptable valid, legal and enforceable provision that is closest to the original intention of the parties.

15.8 *Counterparts.* This Master Lease and any Schedule may be executed in any number of counterparts, each of which will be deemed an original, but all such counterparts together constitute one and the same instrument. If Lessor grants a security interest in all or any part of a Schedule. the Equipment or sums payable thereunder, only that counterpart Schedule marked "Secured Party's Original" can transfer Lessor's rights and all other counterparts will be marked "Duplicate".

15.9 *Licensed Products.* Lessee shall obtain no title to Licensed Products which will at all times remain the property of the owner of the Licensed Products. A license from the owner may be required and it is Lessee's responsibility to obtain any required license before the use of the Licensed Products. Lessee agrees to treat the Licensed Products as confidential information of the owner, to observe all copyright restrictions, and not to reproduce or sell the Licensed Products.

15.10 *Additional Documents.* Lessee will, upon execution of this Master Lease and as may be requested thereafter, provide Lessor with a certificate signed by the president of Lessee certifying the incumbency and specimen signatures of the officer or officers of the Lessee duly authorized by the Lessee to execute and deliver this Master Lease and any related Schedules, duly certified copies of all corporate action required to be taken by the Lessee to authorize the execution, delivery and performance by the Lessee of this Master Lease and any related Schedule, including without limitation, board resolutions, duly certified (by the president of the Lessee) copies of the Lessee's articles of incorporation, certificate of incorporation, registration certificate of profit-seeking enterprise, factory licenses and roster of directors and relevant chop specimen certificates and any other documents reasonably requested by Lessor. Lessee will furnish quarterly financial statements within sixty (60) days of each fiscal quarter's end and audited annual financial statements within one hundred twenty (120) days after each fiscal year's end.

15.11 *Electronic Communications.* Each of the parties may communicate with the other by electronic means under mutually agreeable terms.

15.12 *Notarization.* This Master Lease may be notarized by the notary public of the Republic of China and the notarization fee shall be borne by Lessor. Lessee's obligation to return Equipment and to pay the Rent and all other payments under the Master Lease shall be summarily enforced in accordance with the official notarization document.

15.13 *Covenants.* In addition to its other undertakings contained herein, in the Schedules and in any Lessee Acknowledgment, the Lessee agrees to add to this Master Lease such covenants which may be requested by a Secured Party and/or Assignee.

15.14 *Definitions.*

**Adverse Environmental Condition** – means (i) the existence or the continuation of the existence, of an Environmental Emission (including, without limitation, a sudden or non-sudden accidental or non-accidental Environmental Emission), of or exposure to, any substance, chemical, material, pollutant, contaminant, odor or audible noise or other release or emission in, into or onto the environment (including without limitation, the air, ground, water or any surface) at, in, by, from or related to any Equipment, (ii) the environmental aspect of the transportation, storage, treatment or disposal of materials in connection with the operation of any Equipment, or (iii) the violation, or alleged violation of any statutes, ordinances, orders, rules, regulations, permits or licenses of, by or from any governmental authority, agency or court relating to environmental matters connected with any Equipment.

**Affiliate** – means any entity that directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with Lessor.

**Assignee** – means an entity to whom Lessor has sold or assigned its rights as owner and Lessor of Equipment.

**Attachment** – means any accessory, equipment or device and the installation thereof that does not impair the original function or use of the Equipment and is capable of being removed without causing material damage to the Equipment and is not an accession to the Equipment.

**Casualty Loss** – means the irreparable loss or destruction of Equipment.

**Commencement Certificate** – means the Lessor provided certificate which must be signed by Lessee within ten days of the Commencement Date as requested by Lessor.

**Commencement Date** – is defined in each Schedule.

**Contaminant** – means those substances which are regulated by or form the basis of liability under any Environmental Law, including without limitation, asbestos, polychlorinated biphenyls (“PCB”), and radioactive substances, or other material or substance which has in the past or could in the future constitute a healthy, safety or environmental hazard to any person, property or natural resources.

**Default Costs** – means reasonable attorney’s fees and remarketing costs resulting from a Lessee default or Lessor’s enforcement of its remedies.

**Environmental Claim** – means any accusation, allegation, notice of violation, claim, demand, abatement or other order or direction (conditional or otherwise) by an governmental authority or any Person for personal injury (including sickness, disease, or death), tangible or intangible property damage, damage to the environment or natural resources, nuisance, pollution, contamination or other adverse effects on the environment, or for fines, penalties or restrictions, resulting from or based upon any Adverse Environmental Condition.

**Environmental Emission** – means any actual or threatened release, spill, omission, leaking, pumping, injection, deposition, disposal, discharge, dispersal, leaching or migration into the indoor or outdoor environment, or into or out of any of the Equipment, including, without limitation, the movement of any Contaminant or other substance through or in the air, soil, surface water, groundwater or property.

**Environmental Law** – means any Republic of China or local law, rule or regulation pertaining to the protection of the environment applicable to the Equipment in the place of Installation.

**Environmental Loss** – means any loss, cost, damage, liability, deficiency, fine, penalty or expense (including, without limitation, reasonable attorney’s fees, engineering and other professional or expert fees), investigation, removal, cleanup and remedial costs (voluntarily or involuntarily incurred) and damages to, loss of the use of or decrease in value of the Equipment arising out of or related to any Adverse Environmental Condition.

**Equipment** – means the property described on a Schedule and any replacement for that property required or permitted by this Master Lease or a Schedule but not including any Attachment.

**Event of Default** – means the events described in Subsection 13.1.

**Fair Market Value** – means the aggregate amount which would be obtainable in an arm’s-length transaction between an informed and willing buyer/user purchasing the Equipment in place for its originally intended use and an informed and willing seller under no compulsion to sell.

**Initial Term** – means the period of time beginning on the first day of the first full Rent Interval following the Commencement Date for all items of Equipment and continuing for the number of Rent Intervals indicated on a Schedule.

**Installation Date** – means the day on which Equipment is installed and qualified for a commercially available manufacturer’s standard maintenance contract or warranty coverage, if available.

**Interim Rent** – means the pro-rata portion of Rent due for the period from the Commencement Date through but not including the first day of the first full Rent Interval included in the Initial Term.

**Licensed Products** – means any software or other licensed products attached to the Equipment.

**Like Equipment** – means replacement Equipment which is lien free and of the same model, type, configuration and manufacture as Equipment.

**Like Part** – means a substituted part which is lien free and of the same manufacturer and part number as the removed part, and which when installed on the Equipment will be eligible for maintenance coverage with the manufacturer of the Equipment.

**Notice Period** – means the time period described in a Schedule during which Lessee may give Lessor notice of the termination of the term of that Schedule.

**Overdue Rate** – means 2% per month or the maximum allowable rate under the laws of the Republic of China, whichever is the lower.

**Owner** – means the owner of Equipment.

**Person** – means any individual, partnership, corporation, trust, unincorporated organization, government or department or agency thereof and any other entity.

**Reconfiguration** – means any change to Equipment that would upgrade or downgrade the performance capabilities of the Equipment in anyway.

**Rent** – means the rent, including Interim Rent, Lessee will pay for each item of Equipment expressed in a Schedule either as a specific amount or an amount equal to the amount which Lessor pays for an item of Equipment multiplied by a lease rate factor plus all other amounts due to Lessor under this Master Lease or a Schedule.

**Rent Interval** – means a full calendar month or quarter as indicated on a Schedule.

**Schedule** – means an Equipment Schedule which incorporates all of the terms and conditions of this Master Lease and, for purposes of Section 15.8, its associated Commencement Certificate(s).

**Secured Party** – means an entity to whom Lessor has granted a security interest in a Schedule and related Equipment for the purpose of securing a loan.

**STIPULATED LOSS VALUE** – If for any reason any unit of Equipment becomes worn out, lost, stolen, destroyed, irreparably damaged or unusable (**“Casualty Occurrences”**) Lessee shall promptly and fully notify Lessor in writing. On the Payment Date Lessee shall pay Lessor the sum of (i) the Stipulated Loss Value (see Schedule) of the affected unit determined as of the rent payment date prior to the Casualty Occurrence; and (ii) all rent and other amounts which are then due under this Agreement for the affected unit. The Payment Date shall be the next rent payment date after the Casualty Occurrence. Upon payment of all sums due hereunder, the term of this lease as to such unit shall terminate.

IN WITNESS WHEREOF, the parties hereto have executed this Master Lease on or as of the day and year first above written.

ChipMOS Technologies Inc.	GE Money Taiwan Limited.
as Lessee	as Lessor
By: _____	By: _____
Title: _____	Title: _____

**ADDENDUM  
TO MASTER LEASE AGREEMENT  
DATED DECEMBER 22, 2006  
AND CERTAIN SCHEDULES THERETO**

THIS ADDENDUM (this “**Addendum**”) amends and supplements the Master Lease Agreement dated as of December 22, 2006 (“**MLA**”) and its Schedules Nos. 214-0020006-015 and 214-0020006-017 (each, a “**Transferred Schedule**”; collectively, the “**Transferred Schedules**”) by and between **EQUVO Pte. Ltd., Taiwan Branch**, a duly registered branch in the Republic of China (“**R.O.C.**”) with an office at 18F-7, No. 27, Kuan-Hsin Rd., Hsinchu, Taiwan,, R.O.C. of EQUVO Pte. Ltd., a company organized and existing under the laws of the Republic of Singapore, with registered office at 9 Temasek Boulevard #09-01 Suntec Tower Two Singapore 038989 (“**New Lessor**”); and **ChipMOS TECHNOLOGIES, INC.** (“**Lessee**”), a company organized and existing under the laws of the R.O.C., with registered office at No. 1 R&D Rd. 1, Hsinchu Science Park, Hsinchu, Taiwan, R.O.C., and is hereby incorporated into MLA and each Transferred Schedule as though fully set forth therein. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Transferred Schedules or MLA.

**WHEREAS**, Lessee entered into the MLA and the Transferred Schedules with GE Money Taiwan, Ltd., a company organized and existing under the laws of the R.O.C., with registered office at 6<sup>th</sup> Fl., No. 8, Ming Sheng E. Rd., Sec. 3, Taipei, Taiwan, R.O.C. (“**GEMT**”) for the lease of the Equipment described in each of the Transferred Schedules;

**WHEREAS**, by an agreement for the assignment and assumption of leases and the sale of equipment dated November 9, 2009 (“**Lease Assignment and Equipment Sale Agreement**”), GEMT has transferred all its rights, title and interest in Equipment under the Transferred Schedules to New Lessor, and has assigned to New Lessor all rights and obligations of GEMT under the Transferred Schedules to the MLA, together with all such rights and obligations from the MLA as have been incorporated into such schedules

**WHEREAS**, due to the recent economic downturn, Lessee suffers certain losses and therefore desires to restructure and extend the payment schedules of each of the Transferred Schedules (“**Restructure Plan**”); and

**WHEREAS**, in order to meet Lessee’s financial need, New Lessor is willing to accept certain amendments to MLA and Transferred Schedules under the terms and conditions set forth below.

**NOW THEREFORE**, in consideration of the foregoing recitals and other good and valuable consideration, the parties hereto agree to amend and modify the terms and conditions of the MLA and the Transferred Schedules as follows:

1. Waiver and Release
- 1.1 New Lessor hereby irrevocably, unconditionally and forever waives, releases and discharges Lessee from any and all claims, demands, liabilities, obligations, damages, and causes of action (personal, statutory or otherwise) which GEMT or New Lessor may have or assert against Lessee for or arising out of the following breaches of MLA or any of the Transferred Schedules by Lessee:
  - 1.1.1 breaches, committed on or prior to the execution of this Addendum, of any “**Financial Covenant**” provisions of any of the Transferred Schedules;

- 1.1.2 breaches, committed on or prior to the execution of this Addendum, of the “Cross Default” provision of any of the Transferred Schedules, to the extent arising out of:
  - 1.1.2.1 an underlying breach described in Section 1.1.1 hereof;
  - 1.1.2.2 an underlying breach described in Section 1.1.3.2 hereof; or
  - 1.1.2.3 a breach of a financial covenant contained in any loan or credit agreement to which Lessee is a party as a borrower or debtor; and
- 1.1.3 breaches, committed on or prior to the execution of this Addendum, of the following Sections provided under MLA:
  - 1.1.3.1 Section 13.1 (b), Lessee’s failure to perform any obligations under other terms or conditions of the Transferred Schedules, to the extent arising out of an underlying breach described in Section 1.1.1 or Section 1.1.3.2 hereof;
  - 1.1.3.2 Section 13.1 (c), failure by Lessee to pay its debts to any other creditors when due, or the insolvency of Lessee; and
  - 1.1.3.3 Section 13.1 (d), occurrence of any Event of Default under any Transferred Schedule or other agreement between GEMT/New Lessor and Lessee or its Assignee or Secured Party, to the extent arising out of an underlying breach described in Section 1.1.1 or Section 1.1.3.2 hereof.
- 1.2 New Lessor hereby irrevocably and unconditionally covenants and agrees not to make or otherwise pursue any claims, proceedings or other actions against Lessee for or arising out of the breaches set forth in Section 1.1 hereof.
- 1.3 New Lessor hereby exempts Lessee’ financial statements for the year ending December 31, 2009 from application of the “Financial Covenant” provisions of any of the Transferred Schedules.
- 1.4 Notwithstanding any provision to the contrary, the waivers, releases, discharges, exemptions provided in Section 1 above do not apply to any claims, proceedings or other actions which GEMT or New Lessor may have or assert against Lessee for or arising out of Lessee’s own fraud or willful misconduct with respect to MLA or any of the Transferred Schedules.



2. Financial Covenant
- 2.1 The ratio in the “Financial Covenant” provisions of any of the Transferred Schedules that are applicable to 2010 full year financial reports is hereby adjusted as follows:
- 2.1.1 Minimum Current Ratio (which is defined as total current assets on the reporting date over total current liabilities on the reporting date) of 50%; and
- 2.1.2 Maximum Leverage Ratio (which is defined as total liabilities on the reporting date over total shareholder equity on the reporting date minus total intangible assets on the reporting date) of 250%.
- 2.2 The ratio in the “Financial Covenant” provisions of any of the Transferred Schedules that are applicable to 2011 full year financial reports is hereby adjusted as follows:
- 2.2.1 Minimum Current Ratio of 60%; and
- 2.2.2 Maximum Leverage Ratio of 150%.
- 2.3 For avoidance of doubt, the Minimum Interest Coverage (which is defined as earning before interest, taxes, depreciation and amortization over the reporting period over Interest Expenses over the period) remains unchanged for years 2010 and 2011 at 250%. From 2012 onwards, the covenants are back to the original levels:
- 2.3.1 Minimum Current Ratio of 100%;
- 2.3.2 Maximum Leverage Ratio of 120%; and
- 2.3.3 Minimum Interest Coverage of 250%.
3. Rental Payment and Purchase Options
- 3.1 The rental payment schedules of the Transferred Schedules shall be respectively extended for two (2) years as set forth in Attachment A, which shall replace, substitute and supersede the payment schedules in the Transferred Schedules. The total rental payments payable by Lessee to New Lessor in each Transferred Schedule as set forth in Attachment A shall be calculated as the sum of the agreed amortization of outstanding principal amounts under each Transferred Schedule as of the date hereof (excluding any interest to be accrued) and the purchase prices of the Equipment as set forth in Section 3.3 hereof (“Rental Payments”).

- 3.2 Each Rental Payment in each Transferred Schedule shall be paid quarterly on or prior to the respective payment date as set forth in Attachment A and shall be paid into the bank account (account no.: 1233106) of New Lessor maintained with ABN AMRO Bank N.V., Taipei Branch.
- 3.3 Lessee shall be deemed to have exercised its purchase option to purchase the Equipment described in each Transferred Schedule on an “AS IS” or “WHERE IS” basis and with consideration payable by Lessee to New Lessor for each Equipment on each expiry date set forth in each Transferred Schedule, which has been added to and included and amortized in the Rental Payments as set forth in Attachment A. The title to the Equipment in each Transferred Schedule shall be deemed to have passed by New Lessor to Lessee on each of the foregoing expiry date against Lessee’s full payment of all Rental Payments and all accrued Interests payable to New Lessor in such Transferred Schedule in accordance with Section 4.2 hereof.
- 3.4 Lessee shall not have the “Renewal Option”, “Termination Option,” or “Return Option” under each of the Transferred Schedules. The other clauses under either the Transferred Schedules or the MLA relevant to the exercise of “Renewal Option”, “Termination Option”, “Return Option” or in contravention with the effect of exercising “Purchase Option”, including without limitation “Notice Period” clause, shall not apply.
- 3.5 Lessee may in its sole discretion prepay all or part of the outstanding Rental Payments and the Interest thereof on any due date for Rental Payments and thereafter the Interest for any Rental Payments prepaid shall cease to accrue, provided that Lessee shall notify New Lessor of its decision to prepay the Rental Payments with a fifteen-day prior written notice. Any break costs suffered by the New Lessor as a result of prepayment shall be borne by Lessee.

4. Interest

- 4.1 The interest to be accrued for the outstanding principal amounts (“Interest”) shall not be calculated at the fixed rates as set forth in the original Transferred Schedules but the floating rate which is the aggregate of the Applicable Interest Margin (determined based on Lessee’s net margin performance as set out below) plus the benchmark interest rate which shall mean the ninety (90) day secondary market NTD Commercial Paper underwriting fixing rate shown on Reuters page “6165” at 11:30 a.m. two business days prior to each quarterly interest period. Interest shall be calculated on the actual number of days elapsed and a 365 day year, and payable together with the corresponding Rental Payment.

<u>Criteria</u>	<u>Applicable Interest Margin (bps)</u>
Net margin <0%	325
5% > Net margin ≥ 0%	310
10% > Net margin ≥ 5%	285
15% > Net margin ≥ 10%	255
Net margin ≥ 15%	225

Net Margin = net income of Lessee divided by net sales of Lessee based on the most recent annual consolidated audited financial statements of the Lessee or semi-annual audited financial statements of the Lessee.

Applicable Interest Margin shall be adjusted semi-annually based on the semi-annual audited financial statements or annual audited consolidated financial statements of Lessee. Adjustment of Applicable Interest Margin shall become effective on the first day of the next quarterly interest period after New Lessor's receipt and acceptance within five (5) business days of a written notice and financial statements (semi-annually or annually) from Lessee certifying the achievement of such ratio.

4.2 Lessee shall repay NT\$92,863,333 to New Lessor in order for New Lessor to repay such sum to ABN AMRO Bank N.V., Taipei Branch ("ABN AMRO"), a financial institution providing the finance to the New Lessor for the lease of the Equipment in the Transferred Schedules in accordance with certain Limited Recourse Loan Agreement dated as of November 23, 2007 and the amendments thereto ("ABN AMRO Loan Agreement"), in each case payable over the course of a 12-month period, as set forth in Attachment A. Such repayment amounts will be deducted from the relevant Transferred Schedules in an inverse order of maturity.

4.3 For the avoidance of doubt, the Interest Rate Adjustment clause in any Transferred Schedules shall not apply.

## 5. Other Fees

5.1 Lessee shall pay to New Lessor the fees as set forth below:

5.1.1 The upfront arrangement fee pursuant to a fee letter dated November 9, 2009 ("**Upfront Fee Letter**") between the New Lessor and Lessee, due and payable within five (5) business days after the date hereof;

5.1.2 The annual administration fee calculated based on the total Rental Payment as set forth in Attachment A times five (5) basis points due and payable within thirty (30) days after the date hereof and each anniversary until all Rental Payments have been paid. For the fractional year, the annual administration fee shall be computed proportionately; and

5.1.3 The additional fee pursuant to an additional fee letter dated November 9, 2009 ("**Additional Fee Letter**") between the New Lessor and Lessee, due and payable on the date hereof.

5.2 New Lessor acknowledges that the administration fee set forth in Section 5.1.2 hereof has included the inspection fee of inspection of the Equipment and shall not charge Lessee with any inspection fee.

6. Lessee's Covenants
- 6.1 Lessee agrees to provide its factory located in Chupei and the land where the foregoing factory is located as set forth in Attachment B (the "**Real Estate**") as additional collateral to ABN AMRO, ING Bank N.V., Taipei Branch and its syndicated lenders, comprised of Bank of Panshin, Far Eastern International Bank, Jisun International Bank, Mega Bank, Shin Kong Bank, and Yuanta Bank (collectively, "ING"), the financial institutions providing the finance to the New Lessor for the lease of the Equipment in the Transferred Schedules in accordance with certain Limited Recourse Loan Agreement dated as of April 24, 2008 and certain Limited Recourse Loan Agreement dated as of June 21, 2007 and the amendments thereto (ING referred to as "Lenders" or a "Lender", and the foregoing two Limited Recourse Loan Agreements and the amendments thereto collectively as "ING Loan Agreements"), on a pro rata basis (as provided in an intercreditor agreement dated November 9, 2009 ("**Intercreditor Agreement**") entered into between ING and ABN AMRO and acknowledged and agreed to by the New Lessor and Lessee) ("**Pro Rata Basis**") to secure the payments by New Lessor to ING and ABN AMRO under the ING Loan Agreements and ABN AMRO Loan Agreement upon execution of this Addendum.
- 6.2 Lessee agrees to reimburse all costs and expenses (including legal fees) reasonably incurred by New Lessor and Lenders in connection with the preparation, negotiation, printing, execution of the Settlement Agreements (defined below) and any ancillary acts required to be completed by New Lessor and Lenders therein; and all such costs and expenses shall be paid no later than five (5) business days after Lessee's receipt of the invoices in relation thereto, provided however that the invoices shall be provided by relevant party within thirty (30) days after the execution by relevant party of all the settlement agreements required to be signed for the contemplation of the Restructure Plan ("Settlement Agreements"); provided further that the total amount shall not exceed NT\$2,250,000, plus the expenses to be incurred in connection with the registration and perfection of the Equipment mortgage and the real estate mortgage as set forth in Section 6.1 hereof.
- 6.3 Lessee agrees, by no later than the end of each calendar month, to provide New Lessor and each Lender with its unaudited balance sheet, income statements and the monthly verification report for the cashflow by PricewaterhouseCoopers Taipei Office for the previous calendar month and such other reports as New Lessor or each Lender may reasonably request, provided however that Lessee's obligation to provide such information to New Lessor or a Lender shall cease upon its fulfillment of all of its obligations to the New Lessor under the MLA, the Transferred Schedules and this Addendum. For avoidance of any doubt, New Lessor and ING shall be subject to the confidentiality obligations set forth in the MLA, the Transferred Schedules, the ING Loan Agreements or the related documents.
- 6.4 Prior to Lessee's fulfillment of its payment obligations under the MLA and Transferred Schedules, Lessee shall not resolve to distribute any cash dividend or remit out any cash dividend to its shareholders.

- 6.5 Lessee agrees to issue the undertaking requested by the Lenders in the form set forth in Attachment C ("**Lessee's Undertaking**") on the date hereof.
- 6.6 Lessee shall defend, indemnify and hold New Lessor and its affiliates and each of their shareholders, directors, officers, employees, partners, successors, assigns and agents harmless from and against any claims, losses, damages, bodily and/or personal injuries, liabilities, penalties, fines, judgments, taxes, governmental charges, expenses and costs, (including reasonably attorneys fees) which New Lessor may incur as a result of, or in any manner relating to Section 3(c) of Lease Assignment and Equipment Sale Agreement by GEMT and New Lessor in respect of any of the Transferred Schedules, or relating to the financing arrangement New Lessor enters into to obtain the funds used for acquiring the Equipment from GEMT or New Lessor's leasing of the Equipment to Lessee.
- 6.7 Lessee agrees to issue a new promissory note in the amount of NT\$731,715,318 and note authorization in favor of ABN AMRO. Thereafter, upon request of ABN AMRO through the New Lessor, the Lessee shall issue new promissory note in the amount of the total loans under the ABN AMRO Loan Agreement and note authorization in exchange for the promissory note and note authorization previously delivered to ABN AMRO.

7. Assignment by New Lessor

Unless prescribed under the Settlement Agreements or otherwise agreed between Lessee and ING and ABN AMRO in advance, New Lessor shall not assign any and all of its rights and obligations of and title to the MLA, any Transferred Schedule and this Addendum or title to the Equipment.

8. Conditions

8.1 The obligations of each party hereof under this Addendum are subject to the following conditions precedent set out below:

- (a) The execution of this Addendum by the Lessee;
- (b) The execution of Lease Assignment and Equipment Sale Agreement by GEMT and New Lessor, with notice of assignment to the Lessee, ING and ABN AMRO and acknowledged and consented to by such parties;
- (c) The execution of Assignment and Assumption Agreement in respect of ING Loan Agreements and ABN AMRO Loan Agreement between ING or ABN AMRO, as applicable, and GEMT by GEMT and New Lessor, with notice of assignment to ING, ABN AMRO, as applicable, and acknowledged and consented to by such party;
- (d) The execution of the Amendment of the ING Loan Agreements and ABN AMRO Loan Agreement by ING or ABN AMRO, as applicable, and New Lessor, reflecting changes including the extension of final maturity, change of lease rental payment, purchase of equipment, change in financial covenants, restriction of dividend payment and provision of additional collateral and the fulfillment of its conditions precedents;

- (e) The execution of the Lessee's Undertaking by the Lessee;
  - (f) The issuance by Lessee of new Promissory Note in the amount of NT\$731,715,318 and Note Authorization in favor of ING;
  - (g) The execution of the real estate mortgage agreement by the Lessee and submission of application for registration of first priority mortgage over the Real Estate in favor of the ING and ABN AMRO on Pro Rata Basis with registered maximum mortgage amount of NT\$1,719,000,000;
  - (h) The execution of the assignment of real estate insurances by the Lessee, with notice of assignment issued by Lessee to the relevant insurer;
  - (i) The execution of the assignment of equipment insurances by Lessee, with notice of assignment issued by Lessee to the relevant insurer;
  - (j) The acknowledgement of and agreement to the Intercreditor Agreement by the Lessee and New Lessor;
  - (k) The Upfront Fee Letter executed by the Lessee;
  - (l) The Additional Fee Letter executed by the Lessee and payment of the additional fee;
  - (m) The New Lessor having taken all necessary corporate actions to approve the transaction documents contemplated herein to which it is a party;
  - (n) The Lessee's board of directors having approved the execution of this Addendum, the Lessee's Undertaking and the transaction documents contemplated herein to which it is a party; and
  - (o) GEMT's board of directors having approved the execution of the Lease Assignment and Equipment Sale Agreement and the Assignment and Assumption Agreement in respect of ING Loan Agreements and ABN AMRO Loan Agreement.
- 8.2 The obligations of each party hereof under this Addendum are subject to the following conditions subsequent set out below:
- (a) Completion of registration of first priority mortgage over the Real Estate in favor of ING and ABN AMRO on Pro Rata Basis with registered maximum mortgage amount of NT\$1,719,000,000 within five (5) Business Days from the date hereof;

- (b) Completion of ownership registration of the Unregistered Structure (as defined in Attachment B) and amendment of registration of the first priority mortgage over the Real Estate to identify the Unregistered Structure within twenty-five (25) Business Days from the date hereof;
- (c) The notice of assignment of equipment insurances acknowledged and consented to by the relevant insurer, together with letter of undertaking from the relevant insurer satisfactory to ING and evidence showing ING being listed as loss payee under the relevant insurance policies within five (5) Business Days from the date hereof;
- (d) The notice of assignment of real estate insurances acknowledged and consented to by the relevant insurer, together with letter of undertaking from the relevant insurer satisfactory to ING and evidence showing ING being listed as loss payee under the relevant insurance policies within five (5) Business Days from the date hereof;
- (e) payment of the upfront fee pursuant to the Upfront Fee Letter within five (5) Business Days from the date hereof; and
- (f) payment of all reasonable costs relating to the preparation of all documentation mentioned herein and registration costs within five (5) Business Days from receipt of invoice for such fees.

9. Representations and Warranties

Either party hereto represents and warrants to the other party on the date hereof that it has the full power, capacity and authority to enter into, execute and deliver this Addendum, and the execution and delivery by it of this Addendum has been duly authorized by all necessary corporate or other action.

10. Address for Notices

The address and contact information shall be amended as follows:

New Lessor: 14th Floor, No. 8 Hsin Yi Road, Section 5, Hsin Yi District, Taipei, Taiwan, R.O.C.

Attention: Jolene Chang

Fax Number: 886-3-5647348

Lessee: No. 1, R&D Rd. 1, Hsinchu Science Park, Hsinchu, Taiwan, R.O.C.

Attention: Vice President of Finance, Dr. S. K. Chen

Phone: 886-3-5770055, #6050

11. Effect

This Addendum shall take effect upon the execution by both parties.

12. Taxes

Any and all goods and services tax, value added tax, turnover tax, stamp tax or similar tax arising from the MLA, this Addendum or ABN AMRO Loan Agreement, if any, imposed hereof shall be borne by Lessee. Lessee shall prepay to New Lessor on the date hereof all value added taxes of all Rental Payments and subsequent Rental Payments to be paid by Lessee to New Lessor will not include the value added taxes.

In the event any of discrepancy or conflict between MLA and this Addendum, this Addendum shall prevail. Except as expressly modified hereby, all terms and provisions of the Transferred Schedules and MLA shall remain in full force and effect.

IN WITNESS WHEREOF, Lessee and New Lessor have caused this Addendum to be executed by their duly authorized representatives on this            day of November, 2009.

EQUVO Pte. Ltd., Taiwan Branch

ChipMOS TECHNOLOGIES, INC.

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:



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Attachment A  
Payment Schedules of each of the Transferred Schedules

Attachment B  
Real Estate Subject to Mortgage

Hsinchu County, Chubei City, Taiho Section, land code 1072, 1073, 1074, 1077 ( 新竹縣竹北市泰和段 1072, 1073, 1074, 1077 地號 )

Hsinchu County Chubei City, Hsintai Road No. 37, building code 251-1, 251-2, 251-3 and unregistered structure 95 Fu Shi Zhi Di 750 Hao (“**Unregistered Structure**”) ( 新竹縣竹北市新泰路 37 號 , 251-1 建號 , 251-2 建號 , 251-3 建號 ) 及未辦保存登記建物 95 府使字第 750 號 )

**Letter of Undertaking**

To: ING Bank N.V., Taipei Branch  
ABN AMRO Bank N.V., Taipei Branch

November 9, 2009

Whereas, ING Bank N.V., Taipei Branch (“**ING**”) and GE Money Taiwan Limited (“**GEMT**”) have entered into a Limited Recourse Loan Agreement dated as of April 24, 2008 and a Limited Recourse Loan Agreement dated as of June 21, 2007 (collectively the “**ING LRLs**” and individually the “**ING LRL**”), whereby ING has made available the Loan (as defined in each ING LRL) to GEMT as borrower;

Whereas, ING has assigned part of the commitment to fund the Loan to other lenders, comprised of Bank of Panshin, Far Eastern International Bank, Jisun International Bank, Mega International Commercial Bank, Shin Kong Commercial Bank and Yuanta Commercial Bank (together with ING shall collectively hereinafter be referred to as the “**Lenders**”) and serves as agent for the Lenders with the rights of ING and the Lenders being joint and several;

Whereas, ABN AMRO Bank N.V., Taipei Branch (“**ABN AMRO**”) and GEMT have entered into a Limited Recourse Loan Agreement dated as of November 23, 2007 (the “**ABN AMRO LRL**”, together with ING LRLs shall collectively be referred to as the “**LRLs**”), whereby ABN AMRO has made available the Loan (as defined in the LRL) to GEMT as borrower;

Whereas, by a master lease agreement dated December 22, 2006 (“**MLA**”) and the schedules thereto, GEMT has leased to ChipMOS TECHNOLOGIES INC. (“**Lessee**”) all of the equipment described on each of the schedules (“**Equipment**”);

Whereas, by the Lease Assignment Agreements dated June 22, 2007, July 2, 2007, July 27, 2007, August 27, 2007, September 27, 2007, April 25, 2008 and April 25, 2008 between GEMT and ING and the Lease Assignment Agreements dated November 27, 2007 and December 26, 2007 between GEMT and ABN AMRO in respect of lease receivables under the MLA, GEMT has assigned lease receivables in favor of ING or ABN AMRO, as applicable;

Whereas, by an agreement for the assignment and assumption of leases and the sale of equipment dated November 9, 2009 (“**Lease Assignment and Equipment Sale Agreement**”), GEMT has transferred all its rights, title and interest in certain of Equipment to EQUVO Pte. Ltd., Taiwan Branch (“**Equvo**”), and has assigned to Equvo all rights and obligations of GEMT under certain schedules (“**Transferred Schedules**”) to the Master Lease Agreement dated December 22, 2006, which include the Lease Agreements (as defined in each LRL), together with all such rights and obligations from the Master Lease Agreement as have been incorporated into such schedules; and by an assignment and assumption agreement dated November 9, 2009 in respect of the ING LRLs or ABN AMRO LRL, as applicable, GEMT has assigned and Equvo has assumed, all rights and obligations of GEMT under the ING LRLs and ABN AMRO LRL respectively;

Whereas, by an addendum to the MLA & Lease Agreements dated November 9, 2009 (“**Addendum to MLA & Lease Agreements**”), Equuvo and Lessee have agreed to certain amendments to the MLA & Lease Agreements;

Whereas, by a restated Assignment dated November 9, 2009 and made between ING (for itself and as agent for the Lenders) and Equuvo, Equuvo has assigned and agreed to assign absolutely, for purposes of security, to ING (for and on behalf of the Lenders under ING LRLs) the right, title and interest (present and future) in and to all moneys payable by Lessee under the Lease Agreements as specified therein.

Whereas, by a restated Assignment dated November 9, 2009 and made between ABN AMRO and Equuvo, Equuvo has assigned and agreed to assign absolutely, for purposes of security, to ABN AMRO the right, title and interest (present and future) in and to all moneys payable by Lessee under the Lease Agreements as specified therein.

The undersigned, as the Lessee mentioned above, to the greatest extent permitted and enforceable under the applicable laws and regulations, hereby irrevocably undertakes that:

1. The Lessee’s Ratio of Repayment to Bank Lenders shall at any point of time be less than the Lessee’s Ratio of Repayment to Equuvo. The term “Ratio of Repayment to Bank Lenders” hereof refers to a ratio of payment amount to outstanding exposure for total indebtedness owed to all of Lessee’s bank lenders (short term and long term facilities in the aggregate) (“Bank Lenders”). For the avoidance of doubt, ING and ABN AMRO under the LRLs shall not be included in the Bank Lenders. The term “Ratio of Repayment to Equuvo” hereof refers to a ratio of payment amount to outstanding exposure for total indebtedness owed to Equuvo for the Rental Payments and Interest under Addendum to MLA & Lease Agreements, the payment of which will be applied towards repayment by Equuvo to Lenders and ABN AMRO, as applicable, pursuant to ING LRLs and ABN AMRO LRL.
2. The Lessee’s payment obligations to ING and ABN AMRO through Equuvo under the Addendum to MLA and Lease Agreements shall rank pari passu with each other and allocate on Pro Rata Basis. In addition, Lessee’s such obligations shall rank ahead of the debts owed to all of the Lessee’s Bank Lenders as mentioned in the preceding paragraph. The term “Pro Rata Basis” hereof is defined under the Intercreditor Agreement executed by ING and ABN AMRO on November 9, 2009, 2009 and acknowledged and agreed to by Equuvo and Lessee.
3. After the undersigned’s fulfillment of its obligations with GEMT under the MLA and its schedules other than Transferred Schedules (including its addendum with GEMT), any and all Quarterly Excess Cash (defined below) will be applied towards prepayment of the Rental Payments under the Addendum to MLA & Lease Agreements, so as to reduce Lenders’ and ABN AMRO’s restructured principal outstanding on a Pro Rata Basis based on an inverse order of maturity under (i) the Amendment dated November 9, 2009 to ING LRLs between ING and Equuvo, and (ii) the Amendment dated November 9, 2009 to ABN AMRO LRL between Equuvo and ABN AMRO.

Quarterly Excess Cash =

[cash (including all bank deposit without any lien or withdrawal restriction) at the end of each calendar quarter based on the verification report provided by PricewaterhouseCoopers Taipei Office]

- (repayments to the Bank Lenders and Equvo for the next quarter)
- (Required Working Capital)
- (  $\frac{1}{4}$  of Annual CapEx Plan)

Required Working Capital = total revenue of the undersigned in that quarter

The Annual CapEx Plan for the coming three years (i.e. from 2010 to 2012) is NT\$1,200 million for 2010, NT\$500 million for 2011, and NT\$500 million for 2012 and may be further adjusted from time to time by the agreement among Lessee, ING and ABN AMRO.

The above calculations are based on the unaudited financial statements provided by the undersigned.

4. The governing law of this Undertaking is the laws of the Republic of China. If any dispute arises from this Undertaking, the undersigned agrees that the Taiwan Taipei District Court shall be the court for the first instance.

The undersigned

ChipMOS TECHNOLOGIES INC.

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Name:

Title:

**ADDENDUM  
TO MASTER LEASE AGREEMENT  
DATED DECEMBER 22, 2006  
AND CERTAIN SCHEDULES THERETO**

THIS ADDENDUM (this “**Addendum**”) amends and supplements the Master Lease Agreement dated as of December 22, 2006 (“**MLA**”) and its Schedules Nos. 214-0020006-005, 214-0020006-007, 214-0020006-009, 214-0020006-011, 214-0020006-013, 214-0020006-018 and 214-0020006-019 (each, a “**Transferred Schedule**”; collectively, the “**Transferred Schedules**”) by and between **EQUVO Pte. Ltd., Taiwan Branch**, a duly registered branch in the Republic of China (“R.O.C.”) with a registered office at 14<sup>th</sup> Floor, No. 8 Hsin Yi Road, Section 5, Hsin Yi District, Taipei, , Taiwan, R.O.C. of EQUVO Pte. Ltd., a company organized and existing under the laws of the Republic of Singapore, with registered office at 9 Temasek Boulevard #09-01 Suntec Tower Two Singapore 038989 (“**New Lessor**”); and **ChipMOS TECHNOLOGIES, INC. (“Lessee”)**, a company organized and existing under the laws of the R.O.C., with registered office at No. 1 R&D Rd. 1, Hsinchu Science Park, Hsinchu, Taiwan, R.O.C., and is hereby incorporated into MLA and each Transferred Schedule as though fully set forth therein. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Transferred Schedules or MLA.

**WHEREAS**, Lessee entered into the MLA and the Transferred Schedules with GE Money Taiwan, Ltd., a company organized and existing under the laws of the R.O.C., with registered office at 6<sup>th</sup> Fl., No. 8, Min Sheng E. Rd., Sec. 3, Taipei, Taiwan, R.O.C. (“**GEMT**”) for the lease of the Equipment described in each of the Transferred Schedules;

**WHEREAS**, by an agreement for the assignment and assumption of leases and the sale of equipment dated November 9, 2009 (“**Lease Assignment and Equipment Sale Agreement**”), GEMT has transferred all its rights, title and interest in Equipment under the Transferred Schedules to New Lessor, and has assigned to New Lessor all rights and obligations of GEMT under the Transferred Schedules to the MLA, together with all such rights and obligations from the MLA as have been incorporated into such schedules

**WHEREAS**, due to the recent economic downturn, Lessee suffers certain losses and therefore desires to restructure and extend the payment schedules of each of the Transferred Schedules (“**Restructure Plan**”); and

**WHEREAS**, in order to meet Lessee's financial need, New Lessor is willing to accept certain amendments to MLA and Transferred Schedules under the terms and conditions set forth below.

**NOW THEREFORE**, in consideration of the foregoing recitals and other good and valuable consideration, the parties hereto agree to amend and modify the terms and conditions of the MLA and the Transferred Schedules as follows:

1. Waiver and Release
- 1.1 New Lessor hereby irrevocably, unconditionally and forever waives, releases and discharges Lessee from any and all claims, demands, liabilities, obligations, damages, and causes of action (personal, statutory or otherwise) which GEMT or New Lessor may have or assert against Lessee for or arising out of the following breaches of MLA or any of the Transferred Schedules by Lessee:
  - 1.1.1 breaches, committed on or prior to the execution of this Addendum, of any “Financial Covenant” provisions of any of the Transferred Schedules;

- 1.1.2 breaches, committed on or prior to the execution of this Addendum, of the “Cross Default” provision of any of the Transferred Schedules, to the extent arising out of:
  - 1.1.2.1 an underlying breach described in Section 1.1.1 hereof;
  - 1.1.2.2 an underlying breach described in Section 1.1.3.2 hereof; or
  - 1.1.2.3 a breach of a financial covenant contained in any loan or credit agreement to which Lessee is a party as a borrower or debtor; and
- 1.1.3 breaches, committed on or prior to the execution of this Addendum, of the following Sections provided under MLA:
  - 1.1.3.1 Section 13.1 (b), Lessee's failure to perform any obligations under other terms or conditions of the Transferred Schedules, to the extent arising out of an underlying breach described in Section 1.1.1 or Section 1.1.3.2 hereof;
  - 1.1.3.2 Section 13.1 (c), failure by Lessee to pay its debts to any other creditors when due, or the insolvency of Lessee; and
  - 1.1.3.3 Section 13.1 (d), occurrence of any Event of Default under any Transferred Schedule or other agreement between GEMT/New Lessor and Lessee or its Assignee or Secured Party, to the extent arising out of an underlying breach described in Section 1.1.1 or Section 1.1.3.2 hereof.
- 1.2 New Lessor hereby irrevocably and unconditionally covenants and agrees not to make or otherwise pursue any claims, proceedings or other actions against Lessee for or arising out of the breaches set forth in Section 1.1 hereof.
- 1.3 New Lessor hereby exempts Lessee' financial statements for the year ending December 31, 2009 from application of the “Financial Covenant” provisions of any of the Transferred Schedules.
- 1.4 Notwithstanding any provision to the contrary, the waivers, releases, discharges, exemptions provided in Section 1 above do not apply to any claims, proceedings or other actions which GEMT or New Lessor may have or assert against Lessee for or arising out of Lessee's own fraud or willful misconduct with respect to MLA or any of the Transferred Schedules.

2. Financial Covenant
- 2.1 The ratio in the “Financial Covenant” provisions of any of the Transferred Schedules that are applicable to 2010 full year financial reports is hereby adjusted as follows:
- 2.1.1 Minimum Current Ratio (which is defined as total current assets on the reporting date over total current liabilities on the reporting date) of 50%; and
- 2.1.2 Maximum Leverage Ratio (which is defined as total liabilities on the reporting date over total shareholder equity on the reporting date minus total intangible assets on the reporting date) of 250%.
- 2.2 The ratio in the “Financial Covenant” provisions of any of the Transferred Schedules that are applicable to 2011 full year financial reports is hereby adjusted as follows:
- 2.2.1 Minimum Current Ratio of 60%; and
- 2.2.2 Maximum Leverage Ratio of 150%.
- 2.3 For avoidance of doubt, the Minimum Interest Coverage (which is defined as earning before interest, taxes, depreciation and amortization over the reporting period over Interest Expenses over the period) remains unchanged for years 2010 and 2011 at 250%. From 2012 onwards, the covenants are back to the original levels:
- 2.3.1 Minimum Current Ratio of 100%;
- 2.3.2 Maximum Leverage Ratio of 120%; and
- 2.3.3 Minimum Interest Coverage of 250%.
3. Rental Payment and Purchase Options
- 3.1 The rental payment schedules of the Transferred Schedules shall be respectively extended for two (2) years as set forth in Attachment A, which shall replace, substitute and supersede the payment schedules in the Transferred Schedules. The total rental payments payable by Lessee to New Lessor in each Transferred Schedule as set forth in Attachment A shall be calculated as the sum of the agreed amortization of outstanding principal amounts under each Transferred Schedule as of the date hereof (excluding any interest to be accrued) and the purchase prices of the Equipment as set forth in Section 3.3 hereof (“Rental Payments”).
- 3.2 Each Rental Payment in each Transferred Schedule shall be paid quarterly on or prior to the respective payment date as set forth in Attachment A and shall be paid into the bank account (account no.: 512050430281) of New Lessor maintained with ING Bank N.V. Taipei Branch.



- 3.3 Lessee shall be deemed to have exercised its purchase option to purchase the Equipment described in each Transferred Schedule on an “AS IS” or “WHERE IS” basis and with consideration payable by Lessee to New Lessor for each Equipment on each expiry date set forth in each Transferred Schedule, which has been added to and included and amortized in the Rental Payments as set forth in Attachment A. The title to the Equipment in each Transferred Schedule shall be deemed to have passed by New Lessor to Lessee on each of the foregoing expiry date against Lessee’s full payment of all Rental Payments and all accrued Interests payable to New Lessor in such Transferred Schedule in accordance with Section 4.2 hereof.
- 3.4 Lessee shall not have the “Renewal Option”, “Termination Option,” or “Return Option” under each of the Transferred Schedules. The other clauses under either the Transferred Schedules or the MLA relevant to the exercise of “Renewal Option”, “Termination Option”, “Return Option” or in contravention with the effect of exercising “Purchase Option”, including without limitation “Notice Period” clause, shall not apply.
- 3.5 Lessee may in its sole discretion prepay all or part of the outstanding Rental Payments and the Interest thereof on any due date for Rental Payments and thereafter the Interest for any Rental Payments prepaid shall cease to accrue, provided that Lessee shall notify New Lessor of its decision to prepay the Rental Payments with a fifteen-day prior written notice. Any break costs suffered by the New Lessor as a result of prepayment shall be borne by Lessee.

4. Interest

- 4.1 The interest to be accrued for the outstanding principal amounts (“Interest”) shall not be calculated at the fixed rates as set forth in the original Transferred Schedules but the floating rate which is the aggregate of the Applicable Interest Margin (determined based on Lessee’s net margin performance as set out below) plus the benchmark interest rate which shall mean the ninety (90) day secondary market NTD Commercial Paper underwriting fixing rate shown on Reuters page “6165” at 11:30 a.m. two business days prior to each quarterly interest period. Interest shall be calculated on the actual number of days elapsed and a 365 day year, and payable together with the corresponding Rental Payment.

<u>Criteria</u>	<u>Applicable Interest Margin (bps)</u>
Net margin <0%	325
5% > Net margin $\geq$ 0%	310
10% > Net margin $\geq$ 5%	285
15% > Net margin $\geq$ 10%	255
Net margin $\geq$ 15%	225

Net Margin = net income of Lessee divided by net sales of Lessee based on the most recent annual consolidated audited financial statements of the Lessee or semi-annual audited financial statements of the Lessee.

Applicable Interest Margin shall be adjusted semi-annually based on the semi-annual audited financial statements or annual audited consolidated financial statements of Lessee. Adjustment of Applicable Interest Margin shall become effective on the first day of the next quarterly interest period after New Lessor's receipt and acceptance within five (5) business days of a written notice and financial statements (semi-annually or annually) from Lessee certifying the achievement of such ratio.

4.2 Lessee shall repay NT\$104,620,278 to New Lessor in order for New Lessor to repay such sum to ING Bank N.V., Taipei Branch and its syndicated lenders, comprised of Bank of Panshin, Far Eastern International Bank, Jisun International Bank, Mega Bank, Shin Kong Bank, and Yuanta Bank (collectively, "ING"), the financial institutions providing the finance to the New Lessor for the lease of the Equipment in the Transferred Schedules in accordance with certain Limited Recourse Loan Agreement dated as of April 24, 2008 and certain Limited Recourse Loan Agreement dated as of June 21, 2007 and the amendments thereto, (ING referred to as "Lenders" or a "Lender", and the foregoing two Limited Recourse Loan Agreements and the amendments thereto collectively as "ING Loan Agreements"), in each case payable over the course of a 12-month period, as set forth in Attachment A. Such repayment amounts will be deducted from the relevant Transferred Schedules in an inverse order of maturity.

4.3 For the avoidance of doubt, the Interest Rate Adjustment clause in any Transferred Schedules shall not apply.

## 5. Other Fees

5.1 Lessee shall pay to New Lessor the fees as set forth below:

- 5.1.1 The upfront arrangement fee pursuant to a fee letter dated November 9, 2009 ("**Upfront Fee Letter**") between the New Lessor and Lessee, due and payable within five (5) business days after the date hereof;
- 5.1.2 The annual administration fee calculated based on the total Rental Payment as set forth in Attachment A times five (5) basis points due and payable within thirty (30) days after the date hereof and each anniversary until all Rental Payments have been paid. For the fractional year, the annual administration fee shall be computed proportionately; and
- 5.1.3 The additional fee pursuant to an additional fee letter dated November 9, 2009 ("**Additional Fee Letter**") between the New Lessor and Lessee, due and payable on the date hereof.

- 5.2 New Lessor acknowledges that the administration fee set forth in Section 5.1.2 hereof has included the inspection fee of inspection of the Equipment and shall not charge Lessee with any inspection fee.
6. Lessee's Covenants
- 6.1 Lessee agrees to provide its factory located in Chupei and the land where the foregoing factory is located as set forth in Attachment B (the "**Real Estate**") as additional collateral to ING and ABN AMRO Bank N.V., Taipei Branch ("ABN AMRO"), a financial institution providing the finance to the New Lessor for the lease of the Equipment in the Transferred Schedules in accordance with certain Limited Recourse Loan Agreement dated as of November 23, 2007 and the amendments thereto ("ABN AMRO Loan Agreement"), on a pro rata basis (as provided in an intercreditor agreement dated November 9, 2009 ("**Intercreditor Agreement**") entered into between ING and ABN AMRO and acknowledged and agreed to by the New Lessor and Lessee) ("**Pro Rata Basis**") to secure the payments by New Lessor to ING and ABN AMRO under the ING Loan Agreements and ABN AMRO Loan Agreement upon execution of this Addendum.
- 6.2 Lessee agrees to reimburse all costs and expenses (including legal fees) reasonably incurred by New Lessor and Lenders in connection with the preparation, negotiation, printing, execution of the Settlement Agreements (defined below) and any ancillary acts required to be completed by New Lessor and Lenders therein; and all such costs and expenses shall be paid no later than five (5) business days after Lessee' receipt of the invoices in relation thereto, provided however that the invoices shall be provided by relevant party within thirty (30) days after the execution by relevant party of all the settlement agreements required to be signed for the contemplation of the Restructure Plan ("Settlement Agreements"); provided further that the total amount shall not exceed NT\$2,250,000, plus the expenses to be incurred in connection with the registration and perfection of the Equipment mortgage and the real estate mortgage as set forth in Section 6.1 hereof.
- 6.3 Lessee agrees, by no later than the end of each calendar month, to provide New Lessor and each Lender with its unaudited balance sheet, income statements and the monthly verification report for the cashflow by PricewaterhouseCoopers Taipei Office for the previous calendar month and such other reports as New Lessor or each Lender may reasonably request, provided however that Lessee's obligation to provide such information to New Lessor or a Lender shall cease upon its fulfillment of all of its obligations to the New Lessor under the MLA, the Transferred Schedules and this Addendum. For avoidance of any doubt, New Lessor and ING shall be subject to the confidentiality obligations set forth in the MLA, the Transferred Schedules, the ING Loan Agreements or the related documents.
- 6.4 Prior to Lessee's fulfillment of its payment obligations under the MLA and Transferred Schedules, Lessee shall not resolve to distribute any cash dividend or remit out any cash dividend to its shareholders.
- 6.5 Lessee agrees to issue the undertaking requested by the Lenders in the form set forth in Attachment C ("**Lessee's Undertaking**") on the date hereof.

- 6.6 Lessee shall defend, indemnify and hold New Lessor and its affiliates and each of their shareholders, directors, officers, employees, partners, successors, assigns and agents harmless from and against any claims, losses, damages, bodily and/or personal injuries, liabilities, penalties, fines, judgments, taxes, governmental charges, expenses and costs, (including reasonably attorneys fees) which New Lessor may incur as a result of, or in any manner relating to Section 3(c) of Lease Assignment and Equipment Sale Agreement by GEMT and New Lessor in respect of any of the Transferred Schedules, or relating to the financing arrangement New Lessor enters into to obtain the funds used for acquiring the Equipment from GEMT or New Lessor's leasing of the Equipment to Lessee.
- 6.7 Lessee agrees to issue a new promissory note in the amount of NT\$1,631,452,750 and note authorization in favor of ING in return for the promissory note and note authorization previously delivered to ING. Thereafter, upon request of the ING through the New Lessor, the Lessee shall issue new promissory note in the amount of the total loans under the ING Loan Agreements and note authorization in exchange for the promissory note and note authorization previously delivered to ING.

7. Assignment by New Lessor

Unless prescribed under the Settlement Agreements or otherwise agreed between Lessee and ING and ABN AMRO in advance, New Lessor shall not assign any and all of its rights and obligations of and title to the MLA, any Transferred Schedule and this Addendum or title to the Equipment.

8. Conditions

8.1 The obligations of each party hereof under this Addendum are subject to the following conditions precedent set out below:

- (a) The execution of this Addendum by the Lessee;
- (b) The execution of Lease Assignment and Equipment Sale Agreement by GEMT and New Lessor, with notice of assignment to the Lessee, ING and ABN AMRO and acknowledged and consented to by such parties;
- (c) The execution of Assignment and Assumption Agreement in respect of ING Loan Agreements and ABN AMRO Loan Agreement between ING or ABN AMRO, as applicable, and GEMT by GEMT and New Lessor, with notice of assignment to ING, ABN AMRO, as applicable, and acknowledged and consented to by such party;
- (d) The execution of the Amendment of the ING Loan Agreements and ABN AMRO Loan Agreement by ING or ABN AMRO, as applicable, and New Lessor, reflecting changes including the extension of final maturity, change of lease rental payment, purchase of equipment, change in financial covenants, restriction of dividend payment and provision of additional collateral and the fulfillment of its conditions precedents;

- (e) The execution of the Lessee's Undertaking by the Lessee;
- (f) The issuance by Lessee of new Promissory Note in the amount of NT\$1,631,452,750 and Note Authorization in favor of ING;
- (g) The execution of the real estate mortgage agreement by the Lessee and submission of application for registration of first priority mortgage over the Real Estate in favor of the ING and ABN AMRO on Pro Rata Basis with registered maximum mortgage amount of NT\$1,719,000,000;
- (h) The execution of the assignment of real estate insurances by the Lessee, with notice of assignment issued by Lessee to the relevant insurer;
- (i) The execution of the assignment of equipment insurances by Lessee, with notice of assignment issued by Lessee to the relevant insurer;
- (j) The acknowledgement of and agreement to the Intercreditor Agreement by the Lessee and New Lessor;
- (k) The Upfront Fee Letter executed by the Lessee;
- (l) The Additional Fee Letter executed by the Lessee and payment of the additional fee;
- (m) The New Lessor having taken all necessary corporate actions to approve the transaction documents contemplated herein to which it is a party;
- (n) The Lessee's board of directors having approved the execution of this Addendum, the Lessee's Undertaking and the transaction documents contemplated herein to which it is a party; and
- (o) GEMT's board of directors having approved the execution of the Lease Assignment and Equipment Sale Agreement and the Assignment and Assumption Agreement in respect of ING Loan Agreements and ABN AMRO Loan Agreement.

8.2 The obligations of each party hereof under this Addendum are subject to the following conditions subsequent set out below:

- (a) Completion of registration of first priority mortgage over the Real Estate in favor of ING and ABN AMRO on Pro Rata Basis with registered maximum mortgage amount of NT\$1,719,000,000 within five (5) Business Days from the date hereof;
- (b) Completion of ownership registration of the Unregistered Structure (as defined in Attachment B) and amendment of registration of the first priority mortgage over the Real Estate to identify the Unregistered Structure within twenty-five (25) Business Days from the date hereof;

- (c) The notice of assignment of equipment insurances acknowledged and consented to by the relevant insurer, together with letter of undertaking from the relevant insurer satisfactory to ING and evidence showing ING being listed as loss payee under the relevant insurance policies within five (5) Business Days from the date hereof;
- (d) The notice of assignment of real estate insurances acknowledged and consented to by the relevant insurer, together with letter of undertaking from the relevant insurer satisfactory to ING and evidence showing ING being listed as loss payee under the relevant insurance policies within five (5) Business Days from the date hereof;
- (e) payment of the upfront fee pursuant to the Upfront Fee Letter within five (5) Business Days from the date hereof; and
- (f) payment of all reasonable costs relating to the preparation of all documentation mentioned herein and registration costs within five (5) Business Days from receipt of invoice for such fees.

9. Representations and Warranties

Either party hereto represents and warrants to the other party on the date hereof that it has the full power, capacity and authority to enter into, execute and deliver this Addendum, and the execution and delivery by it of this Addendum has been duly authorized by all necessary corporate or other action.

10. Address for Notices

The address and contact information shall be amended as follows:

New Lessor: 18F-7, No. 27, Kuan-Hsin Rd., Hsinchu, Taiwan, R.O.C.

Attention: Jolene Chang

Fax Number: 886-3-5647348

Lessee: No. 1, R&D Rd. 1, Hsinchu Science Park, Hsinchu, Taiwan, R.O.C.

Attention: Vice President of Finance, Dr. S. K. Chen

Phone: 886-3-5770055, #6050

11. Effect

This Addendum shall take effect upon the execution by both parties.

12. Taxes

Any and all goods and services tax, value added tax, turnover tax, stamp tax or similar tax arising from the MLA, this Addendum or ING Loan Agreements, if any, imposed hereof shall be borne by Lessee. Lessee shall prepay to New Lessor on the date hereof all value added taxes of all Rental Payments and subsequent Rental Payments to be paid by Lessee to New Lessor will not include the value added taxes.

In the event any of discrepancy or conflict between MLA and this Addendum, this Addendum shall prevail. Except as expressly modified hereby, all terms and provisions of the Transferred Schedules and MLA shall remain in full force and effect.

IN WITNESS WHEREOF, Lessee and New Lessor have caused this Addendum to be executed by their duly authorized representatives on this      day of November, 2009.

EQUVO Pte. Ltd., Taiwan Branch

ChipMOS TECHNOLOGIES, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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Attachment A  
Payment Schedules of each of the Transferred Schedules



Attachment B  
Real Estate Subject to Mortgage

Hsinchu County, Chubei City, Taiho Section, land code 1072, 1073, 1074, 1077 ( 新竹縣竹北市泰和段 1072, 1073, 1074, 1077 地號 )

Hsinchu County Chubei City, Hsintai Road No. 37, building code 251-1, 251-2, 251-3 and unregistered structure 95 Fu Shi Zhi Di 750 Hao (“**Unregistered Structure**”) ( 新竹縣竹北市新泰路 37 號 , 251-1 建號 , 251-2 建號 , 251-3 建號及未辦保存登記建物 95 府使字第 750 號 )

**Letter of Undertaking**

To: ING Bank N.V., Taipei Branch  
ABN AMRO Bank N.V., Taipei Branch

November 9, 2009

Whereas, ING Bank N.V., Taipei Branch (“**ING**”) and GE Money Taiwan Limited (“**GEMT**”) have entered into a Limited Recourse Loan Agreement dated as of April 24, 2008 and a Limited Recourse Loan Agreement dated as of June 21, 2007 (collectively the “**ING LRLs**” and individually the “**ING LRL**”), whereby ING has made available the Loan (as defined in each ING LRL) to GEMT as borrower;

Whereas, ING has assigned part of the commitment to fund the Loan to other lenders, comprised of Bank of Panshin, Far Eastern International Bank, Jisun International Bank, Mega International Commercial Bank, Shin Kong Commercial Bank and Yuanta Commercial Bank (together with ING shall collectively hereinafter be referred to as the “**Lenders**”) and serves as agent for the Lenders with the rights of ING and the Lenders being joint and several;

Whereas, ABN AMRO Bank N.V., Taipei Branch (“**ABN AMRO**”) and GEMT have entered into a Limited Recourse Loan Agreement dated as of November 23, 2007 (the “**ABN AMRO LRL**”, together with ING LRLs shall collectively be referred to as the “**LRLs**”), whereby ABN AMRO has made available the Loan (as defined in the LRL) to GEMT as borrower;

Whereas, by a master lease agreement dated December 22, 2006 (“**MLA**”) and the schedules thereto, GEMT has leased to ChipMOS TECHNOLOGIES INC. (“**Lessee**”) all of the equipment described on each of the schedules (“**Equipment**”);

Whereas, by the Lease Assignment Agreements dated June 22, 2007, July 2, 2007, July 27, 2007, August 27, 2007, September 27, 2007, April 25, 2008 and April 25, 2008 between GEMT and ING and the Lease Assignment Agreements dated November 27, 2007 and December 26, 2007 between GEMT and ABN AMRO in respect of lease receivables under the MLA, GEMT has assigned lease receivables in favor of ING or ABN AMRO, as applicable;

Whereas, by an agreement for the assignment and assumption of leases and the sale of equipment dated November 9, 2009 (“**Lease Assignment and Equipment Sale Agreement**”), GEMT has transferred all its rights, title and interest in certain of Equipment to EQUVO Pte. Ltd., Taiwan Branch (“**Equvo**”), and has assigned to Equvo all rights and obligations of GEMT under certain schedules (“**Transferred Schedules**”) to the Master Lease Agreement dated December 22, 2006, which include the Lease Agreements (as defined in each LRL), together with all such rights and obligations from the Master Lease Agreement as have been incorporated into such schedules; and by an assignment and assumption agreement dated November 9, 2009 in respect of the ING LRLs or ABN AMRO LRL, as applicable, GEMT has assigned and Equvo has assumed, all rights and obligations of GEMT under the ING LRLs and ABN AMRO LRL respectively;

Whereas, by an addendum to the MLA & Schedules dated November 9, 2009 (“**Addendum to MLA & Schedules**”), Equuvo and Lessee have agreed to certain amendments to the MLA & Schedules;

Whereas, by a restated Assignment dated November 9, 2009 and made between ING (for itself and as agent for the Lenders) and Equuvo, Equuvo has assigned and agreed to assign absolutely, for purposes of security, to ING (for and on behalf of the Lenders under ING LRLs) the right, title and interest (present and future) in and to all moneys payable by Lessee under the Lease Agreements as specified therein.

Whereas, by a restated Assignment dated November 9, 2009 and made between ABN AMRO and Equuvo, Equuvo has assigned and agreed to assign absolutely, for purposes of security, to ABN AMRO the right, title and interest (present and future) in and to all moneys payable by Lessee under the Lease Agreements as specified therein.

The undersigned, as the Lessee mentioned above, to the greatest extent permitted and enforceable under the applicable laws and regulations, hereby irrevocably undertakes that:

1. the Lessee’s Ratios of Repayments to Bank Lenders shall at any point of time be less than the Lessee’s Ratios of Repayment to Equuvo. The term “Ratio of Repayment to Bank Lenders” hereof refers to a ratio of payment amount to outstanding exposure for total indebtedness owed to all of Lessee’s bank lenders (short term and long term facilities in the aggregate) (“Bank Lenders”). For the avoidance of doubt, ING and ABN AMRO under the LRLs shall not be included in the Bank Lenders. The term “Ratio of Repayment to Equuvo” hereof refers to a ratio of payment amount to outstanding exposure for total indebtedness owed to Equuvo for the Rental Payments and Interest under Addendum to MLA & Schedules, the payment of which will be applied towards repayment by Equuvo to Lenders and ABN AMRO, as applicable, pursuant to ING LRLs and ABN AMRO LRL.
2. the Lessee’s payment obligations to ING and ABN AMRO through Equuvo under the Addendum to MLA and Schedules shall rank *pari passu* with each other and allocate on a Pro Rata Basis. In addition, Lessee’s such obligations shall rank ahead of the debts owed to all of the Lessee’s Bank Lenders as mentioned in the preceding paragraph. The term “Pro Rata Basis” hereof is defined under the Intercreditor Agreement executed by ING and ABN AMRO on November 9, 2009 and acknowledged and agreed to by Equuvo and Lessee.
3. After the undersigned’s fulfillment of its obligations with GEMT under the MLA and its schedules other than Transferred Schedules (including its addendum with GEMT), any and all Quarterly Excess Cash (defined below) will be applied towards prepayment of the Rental Payments under the Addendum to MLA & Schedules, so as to reduce Lenders’ and ABN AMRO’s restructured principal outstanding on a Pro Rata Basis based on an inverse order of maturity under (i) the Amendment dated November 9, 2009 to ING LRLs between ING and Equuvo, and (ii) the Amendment dated November 9, 2009 to certain ABN AMRO LRL between Equuvo and ABN AMRO.

Quarterly Excess Cash =

[Cash (including all bank deposit without any lien or withdrawal restriction) at the end of each calendar quarter based on the verification report provided by PricewaterhouseCoopers Taipei Office]

- (repayments to the Bank Lenders and Equvo for the next quarter)
- (Required Working Capital)
- ( <sup>1</sup>/<sub>4</sub> of Annual CapEx Plan)

Required Working Capital = total revenue of the undersigned in that quarter (verified by PricewaterhouseCoopers Taipei Office)

The Annual CapEx Plan for the coming three years (i.e. from 2010 to 2012) is agreed to be NT\$1,200 million for 2010, NT\$500 million for 2011, and NT\$500 million for 2012 and may be further adjusted from time to time by the agreement among Lessee, ING and ABN AMRO.

The above calculations are based on the unaudited financial statements provided by the undersigned.

4. The governing law of this Undertaking is the laws of the Republic of China. If any dispute arises from this Undertaking, the undersigned agrees that the Taiwan Taipei District Court shall be the court for the first instance.

The undersigned

ChipMOS TECHNOLOGIES INC.

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Name:

Title:

## TRANSFER OF CLAIM AGREEMENT

SELLER: ChipMOS TECHNOLOGIES INC.

BUYER: Citigroup Financial Products Inc.

DATE: January 25, 2010

DEBTOR: Collectively, Spansion Inc., Spansion Technology LLC, Spansion LLC, Spansion International Inc., and Cerium Laboratories LLC

BANKRUPTCY CASE: In re Spansion Inc., et al., Case No. 09-10690 (KJC) (Jointly Administered)

PETITION DATE: March 1, 2009

BANKRUPTCY COURT: The United States Bankruptcy Court for the District of Delaware

CLAIM: The "**Claim**" shall be, collectively, (i) a \$65,782,617.00 portion (the "**Transferred Stipulated Claim**") of SELLER'S allowed general unsecured claim in the aggregate amount of \$69,782,617.00 (as reduced by an amount equal to the proceeds of the Sale (as defined in the Approval Order)) (the "**Stipulated Claim**"), referenced in and allowed by numbered paragraph 6 of that certain Order Approving Stipulation Between the Debtors and ChipMOS TECHNOLOGIES INC. regarding Limited Relief From the Automatic Stay, entered in the Bankruptcy Case October 13, 2009 (the "**Approval Order**") (provided that in no event shall any reduction of the Stipulated Claim on account of proceeds of the Sale (as defined in the Approval Order) be allocated from the Transferred Stipulated Claim), (ii) if and to the extent specified in an Additional Amount Notice delivered from SELLER to BUYER, an Optional Additional Claim in an amount no greater than \$4,000,000.00, and (iii) SELLER'S general unsecured claim in the amount of \$233,764,860.11 (the "**Disputed Claim**"), referenced as the "Damages Claim" in that certain Stipulation Between the Debtors and ChipMOS TECHNOLOGIES INC. regarding Limited Relief From the Automatic Stay, filed in the Bankruptcy Case, dated October 9, 2009 (the "**Stipulation**")

1. SELLER hereby represents and warrants to BUYER that (i) a proof of claim (the "**Proof of Claim**"), dated March 12, 2009, file-stamped March 13, 2009, and designated claim no. 5, was duly and timely filed by SELLER against Debtor, prior to any bar date that may have been established by the Bankruptcy Court for filing such a proof of claim, (ii) SELLER has provided to BUYER a true and complete copy of the Proof of Claim, (iii) except pursuant to the Stipulation and the Approval Order, the Proof of Claim has not been revoked, withdrawn, amended or modified, and no rights thereunder have been waived, and (iv) all statements in the Proof of Claim are true and correct as of the date hereof. For the avoidance of doubt, and without diminishing any of the representations, warranties, agreements or covenants made by SELLER herein, BUYER acknowledges that (i) SELLER filed a duplicate proof of claim, dated March 5, 2009, with the appointed claims agent; (ii) the duplicate proof of claim was designated as claim no. 15, and (iii) the Debtor objected to the duplicate claim, which was subsequently expunged.

2. SELLER, for good and valuable consideration, does hereby (with effect, in the case of any Optional Additional Claim, as of the date determined in accordance with Section 3(d)) irrevocably sell, convey, transfer and assign unto BUYER all of SELLER'S right, title and interest in, to and under the Claim against the Debtor in the above-referenced Bankruptcy Case, including, without limitation, "claims" as defined in Section 101(5) of Title 11 of the United States Code, as amended, any and all right to receive principal, interest and other amounts in respect of the Claim (in each case whether accruing prior to, on or after the date of this Agreement), and, to the extent relating to the Claim, all accounts, accounts receivable and other rights and interest of SELLER against Debtor, including, without limitation, all of SELLER'S right, title and interest in, to and under:

- (a) the Proof of Claim;
- (b) all exhibits, attachments and/or supporting documentation relating to the Proof of Claim;
- (c) each of the documents, agreements, bills and/or other documents (whether now existing or hereafter arising) that evidence, create and/or give rise to or affect in any material way the Claim (such documents, agreements, bills and/or other documents are attached to this Agreement as Annex B and collectively hereinafter referred to as the "**Claim Documents**");
- (d) the Stipulation;
- (e) all rights to receive any cash, interest, fees, expenses, damages penalties and/or other amounts or property in respect of or in connection with the Claim, including, without limitation, (i) any securities and/or other distributions made by Debtor in respect of the Claim under or pursuant to any plan of reorganization or liquidation in the Bankruptcy Case or otherwise and (ii) any and all subscription or participation rights, received in respect of or conferred by ownership of the Claim, in respect of any rights or other offering by the Debtor ("**Subscription Rights**");
- (f) all causes of action or other rights held by SELLER, whether against the Debtor or against any other party, in connection with the Claim and/or any of the foregoing, including, without limitation, under or in connection with any of the Claim Documents;
- (g) all cash, securities or other property ("**Distributions**") distributed or payable on account of, or exchanged in return for, any of the foregoing; and
- (h) any and all proceeds of any of the foregoing (including proceeds of proceeds);

all of the foregoing, whether against the Debtor, any affiliate of the Debtor, any guarantor or any other third party liable in respect thereof, being collectively referred to herein as the "**Assigned Rights**".

3.(a) The aggregate consideration (the "**Purchase Price**") paid by BUYER to SELLER for the Assigned Rights, the sufficiency of which is hereby acknowledged by SELLER, is the sum of the Initial Purchase Price, any Subsequent Purchase Price, and any Additional Amount Purchase Price.

(b) The "**Initial Purchase Price**" is the amount set forth as Item C on Schedule I hereto. Upon receipt by BUYER of the Evidence of Transfer of Claim attached hereto as Annex A (the "**Evidence of Transfer of Claim**") executed by SELLER and the execution and delivery of this Transfer of Claim Agreement (this "**Agreement**") by BUYER and SELLER, BUYER shall immediately pay the Initial Purchase Price to Law Debenture Trust Company of New York (the "**Escrow Agent**") (the date of such payment, the "**Closing Date**"), subject to a customary escrow agreement reasonably acceptable to SELLER and BUYER, which shall provide that the Escrow Agent shall release the Initial Purchase Price to SELLER on the date 20 days after the Closing Date, so long as no objection to the transfer of the Claim from SELLER to BUYER shall theretofore have been filed in the Bankruptcy Case (except that, if BUYER shall at such time be entitled to repayment of any amount paid by BUYER to SELLER under the Subscription Side Letter (as defined below), the Escrow Agent shall, at BUYER'S instruction, pay to BUYER a portion of the escrowed funds equal to such amount, and shall release the balance, if any, of the Initial Purchase Price to SELLER). SELLER and BUYER shall share equally the fees and costs of the Escrow Agent. In the event of any such objection, (i) if such objection is overruled by the Bankruptcy Court, BUYER shall, within five business days after entry of the order overruling such objection, instruct the Escrow Agent to deliver the Initial Purchase Price to SELLER or (ii) if such objection is sustained in the Bankruptcy Court, SELLER shall instruct the Escrow Agent to refund the Initial Purchase Price to BUYER, in which case SELLER and BUYER shall cooperate to re-convey the Claim to SELLER, and this Agreement and the obligations of SELLER and BUYER hereunder shall be terminated. BUYER shall file the Evidence of Transfer of Claim in the Bankruptcy Case promptly on or after the Closing Date.

(c) From and after the Closing Date, SELLER shall, at its own expense, take such further action as may be necessary or appropriate to negotiate, stipulate, settle, or otherwise resolve the Disputed Claim (any such further action, a **“Claim Resolution Action”**); provided, however, that (i) SELLER shall, at reasonable times and in any event prior to taking or omitting to take any material Claim Resolution Action, consult with BUYER, and shall take or refrain from taking any material Claim Resolution Action in accordance with BUYER’S instructions, (ii) SELLER shall at all times act in good faith and in the manner in which it would act if it retained beneficial ownership of the Disputed Claim for its own account, (iii) BUYER may at any time (other than, for the avoidance of doubt, with respect to any Cancelled Portion, after the applicable Cancellation Date), by notice to SELLER, opt to take direct control of the negotiation, stipulation, settlement or other resolution of the Disputed Claim, in which case SELLER’S power pursuant to this sentence to take Claim Resolution Actions shall be terminated, and SELLER shall cooperate with BUYER to effectively transition such direct control to BUYER, and (iv) notwithstanding the foregoing, whether or not BUYER shall have taken direct control pursuant to clause (iii) of this proviso, any voluntary stipulation, settlement or other final resolution of the amount and treatment of the Disputed Claim shall be subject to the prior written consent of SELLER (which consent shall not be unreasonably withheld or delayed). If at any time prior to the Cancellation Date all or any portion of the Disputed Claim is allowed by Final Order as a valid, liquidated, non-contingent, undisputed, enforceable general unsecured claim against the Debtor in the Bankruptcy Case, BUYER shall, within three business days of such allowance order becoming a Final Order, pay to SELLER a **“Subsequent Purchase Price”** equal to the Purchase Rate set forth as Item B on Schedule I hereto (the **“Purchase Rate”**) multiplied by the portion of the Disputed Claim that has been so allowed by Final Order. As used herein, (i) **“Final Order”** means an order of the Bankruptcy Court that has not been reversed, stayed, modified or amended and as to which (A) any appeal, rehearing or other review has been finally determined in a manner that does not affect such order, or (B) the time to appeal or seek a rehearing or other review has expired and no appeal, motion for reconsideration has been timely filed, and (ii) **“Cancellation Date”** means the date, if any, no earlier than the date eighteen months after the Closing Date (or, if such date is not a business day, the next succeeding business day), on which BUYER shall have provided written notice (the **“Cancellation Notice”**) to SELLER that BUYER desires to terminate its obligation to pay a Subsequent Purchase Price in respect of any portion of the Disputed Claim not theretofore allowed as contemplated above. From and after the Cancellation Date (if any), (i) BUYER shall have no obligation to pay any Subsequent Purchase Price or any other amount in respect of any portion of the Disputed Claim not allowed as contemplated above as of the Cancellation Date (the **“Cancelled Portion”**), and (ii) BUYER and SELLER shall execute and deliver such commercially reasonable documentation as may be necessary to re-assign to SELLER the Cancelled Portion and, to the extent thereof, the other Assigned Rights. In calculating the Subsequent Purchase Price, the subordination of any portion of the Disputed Claim to other claims or interests of the same class generally, pursuant to Section 510(c) of Title 11 of the United States Code, shall be deemed to have no effect on the amount of the allowed portion of the Disputed Claim to the extent that such subordination shall have been determined by the final order of a court of competent jurisdiction to have resulted from the action or relationships (including, without limitation, BUYER’S status, if any, as a member of any committee in the Bankruptcy Case or as an “insider” or “affiliate” (each as defined in Section 101 of Title 11 of the United States Code) of the Debtor) of BUYER (other than (i) actions taken by BUYER in connection with or furtherance of its right to negotiate, stipulate, settle, or otherwise resolve the Disputed Claim and (ii) BUYER’S entering into, performing its obligations under, and exercising its rights under this Agreement, any related documents, and the transactions contemplated hereby). In the event that, prior to the payment of the Subsequent Purchase Price, any filing in the Bankruptcy Case seeks to designate all or any portion of the 91-Day Payments (as defined below) as preference payments in a manner that could adversely affect the Claim, BUYER may withhold a portion of the Subsequent Purchase Price equal to the amount of the 91-Day Payments (or the applicable portion thereof) until such time as such filing shall have been overruled by Final Order or otherwise finally resolved in a manner that does not adversely affect the Claim. For the avoidance of doubt, SELLER shall not be responsible for the type or amount of proceeds received in respect of the Claim in connection with a plan of reorganization in respect of the Debtor (including, without limitation, the number of shares, or ownership percentage represented by such shares, of any equity interests that may be distributed or that may be permitted to be subscribed for in respect of the Claim, except to the extent that BUYER shall have received less favorable treatment in respect of the Claim than is received by holders of general unsecured claims in the Bankruptcy Case generally as a result of SELLER’S breach of its representations, warranties, covenants and agreements set forth herein.

(d) SELLER and BUYER acknowledge that, pursuant to the Stipulation and the Approval Order, SELLER may sell the Wafers (as defined in the Stipulation) on the terms set forth in the Approval Order, and that the proceeds of such sale are deemed to reduce the \$4,000,000.00 portion of the Stipulated Claim not included in the Transferred Stipulated Claim (the **“Withheld Portion”**). SELLER agrees to use commercially reasonable efforts to complete the Sale (as defined in the Approval Order), and cause the total amount of such reduction of the Withheld Portion to be finally determined and agreed with the Debtor, as soon as reasonably practicable, and, in any event, prior to any record date for identifying the creditors entitled to exercise any Subscription Rights. From and after such timely final determination and agreement of any and all such reduction of the Withheld Portion, such that the remainder (if any) constitutes a valid, liquidated, non-contingent, undisputed, enforceable general unsecured claim against the Debtor in the Bankruptcy Case, SELLER may, by delivery to BUYER of a notice in the form of Exhibit A hereto (including the evidence of transfer of claim attached thereto, an **“Additional Amount Notice”**), designate all or any portion of such remainder as an **“Optional Additional Claim”** for purposes of this Agreement. For the avoidance of doubt, (i) SELLER may deliver an Additional Amount Notice only once and (ii) the amount of the Optional Additional Claim may not exceed \$4,000,000.00. As soon as reasonably practicable, and in no event later than the third business day, following receipt by BUYER of an Additional Amount Notice that accords with this Section 3(d), BUYER shall pay to SELLER an **“Additional Amount Purchase Price”** equal to the Purchase Rate multiplied by the amount of the Optional Additional Claim set forth in the Additional Amount Notice. Notwithstanding anything to the contrary contained herein, any Optional Additional Claim and, to the extent thereof, the other Assigned Rights shall be deemed to have been assigned by SELLER to BUYER, and SELLER’s representations and warranties set forth herein shall be deemed to have been made as of, the date of BUYER’s receipt of the Additional Amount Notice.



4. SELLER represents, warrants and covenants (as of the date of this Agreement and as of the Closing Date) that: (a) SELLER is duly authorized and empowered to execute, deliver and perform this Agreement, the Evidence of Transfer of Claim, and any Additional Amount Notice, and each of this Agreement, the Evidence of Transfer of Claim, and any Additional Amount Notice constitutes the valid, legal and binding agreement of SELLER, enforceable against SELLER in accordance with its terms; (b) SELLER owns and has (and upon the consummation of the transactions contemplated hereby BUYER shall own and have) good and marketable title to the Assigned Rights, free and clear of (i) any legal, regulatory or contractual restriction on transfer or resale, (ii) any lien, claim, charge, security interest, participation, factoring arrangement or encumbrance, or any similar claim of any nature and (iii) any and all taxes, imposts and duties of any kind (excluding, for the avoidance of doubt, any income taxes to which BUYER may be subject in respect to the Assigned Rights); (c) neither the execution, delivery or performance of this Agreement, the Evidence of Transfer of Claim, or any Additional Amount Notice, nor consummation of the transactions contemplated hereby and thereby, will violate or contravene any law, rule, regulation or agreement affecting SELLER or the Assigned Rights; (d) the basis for the Claim is amounts due and owing by Debtor to SELLER in connection with the sale of goods and/or services to by SELLER to Debtor, including accounts receivable and breach-of-contract damages, prior to the Petition Date pursuant to the Claim Documents, as described in the Proof of Claim; (e) SELLER has fulfilled all of its obligations to Debtor under, and did not breach any terms or provisions of, any of the Claim Documents or the Stipulation, and BUYER shall assume no obligations or liabilities in respect of the Claim, any of the Claim Documents or the Stipulation; (f) each of the Transferred Stipulated Claim and any Optional Additional Claim is a valid, liquidated, non-contingent, undisputed, enforceable general unsecured claim against the Debtor in the Bankruptcy Case; (g) neither the Transferred Stipulated Claim nor any Optional Additional Claim is subject to any counterclaim, defense or claim or right of setoff, reduction, recoupment, impairment, avoidance, disallowance, subordination or equitable subordination; (h) no payment has been received by or on behalf of SELLER in full or partial satisfaction of the Claim; (i) other than payments in the aggregate amount of approximately \$11,800,000.00 (the **“91-Day Payments”**) SELLER did not receive any payments, security interests or other transfers from Debtor during the 91 days prior to the Petition Date except payments made in the ordinary course of business of SELLER and Debtor, on ordinary business terms, and in respect of indebtedness incurred in the ordinary course of business of SELLER and Debtor; (j) other than the Wafers, Probe Cards and Additional Wafers (each as defined in the Stipulation), SELLER does not, and did not on the Petition Date, hold any funds or property of or owe any amounts or property to Debtor, and other than as contemplated by the Stipulation and the Approval Order, SELLER has not effected or received, and shall not effect or receive, the benefit of any setoff against Debtor (provided, for the avoidance of doubt, that the Probe Cards and Additional Wafers are neither included in the Withheld Portion nor taken into account in the calculation of the Additional Amount Purchase Price or the Optional Additional Claim), and SELLER has unfettered discretion to dispose of the Probe Cards and Additional Wafers without any limitation or restriction within this Agreement; (k) SELLER is not, and has never been, an “insider” of the Debtor within the meaning of 11 U.S.C. Section 101(31); (l) SELLER has provided to BUYER true and complete copies of all Claim Documents (which are attached hereto as Annex B), and other than the Claim Documents so provided, the Stipulation, the Proof of Claim, and orders of general applicability in the Bankruptcy Case, there are no contracts, documents, stipulations or orders that could materially and adversely affect the Assigned Rights or BUYER’S rights hereunder; (m) SELLER has agreed to the Purchase Price based on its own independent investigation and credit determination and has consulted with such advisors as it believes appropriate and has not relied on any representations made by BUYER, except that SELLER has relied upon BUYER’s express representations, warranties, covenants and indemnities in this Agreement; (n) SELLER is aware that information that may be pertinent to SELLER’s decision to transfer the Assigned Rights is available to SELLER and can be obtained from the Bankruptcy Court’s files or other publicly available sources; (o) SELLER is aware that the consideration received herein for the sale of the Assigned Rights may differ both in kind and amount from any Distributions made pursuant to any plan or reorganization confirmed by the Bankruptcy Court in the Bankruptcy Case; (p) SELLER has not engaged in any act, conduct or omission, or had any relationship with the Debtor, that could result in BUYER receiving proportionately less in payments or Distributions under, or less favorable treatment (including the timing of payments or Distributions) for, the Assigned Rights than is received by other creditors in respect of other general unsecured claims against the Debtor generally; and (q) SELLER is an “accredited investor” as defined in Rule 501 under the Securities Act of 1933, as amended (the **“Act”**). Notwithstanding the foregoing, none of the representations and warranties contained in this Section 4 shall be deemed to have been breached solely as a result of the existence or threat of any legal proceedings or claims by Fulcrum Credit Partners LLC, Goldman, Sachs & Co., or their affiliates, alleging that a binding agreement in respect of the sale of all or any portion of the Claim exists or existed between SELLER and any such party, or making any other similar allegation.

5. BUYER represents, warrants and covenants that: (a) BUYER is duly authorized and empowered to execute, deliver and perform this Agreement and the Evidence of Transfer of Claim and each of this Agreement and the Evidence of Transfer of Claim constitute the valid, legal and binding agreement of BUYER, enforceable against BUYER in accordance with its terms; (b) neither the execution, delivery or performance of this Agreement and the Evidence of Transfer of Claim, nor consummation of the transactions contemplated hereby and thereby, will violate or contravene any law, rule, regulation or agreement affecting BUYER; (c) BUYER has agreed to the Purchase Price based on its own independent investigation and credit determination and has consulted with such advisors as it believes appropriate and has not relied on any representations made by SELLER; (d) BUYER is aware that information that may be pertinent to BUYER's decision to purchase the Assigned Rights is available to BUYER and can be obtained from the Bankruptcy Court's files or other publicly available sources; (e) BUYER is aware that the consideration paid herein for the purchase of the Assigned Rights may differ both in kind and amount from any Distributions made pursuant to any plan or reorganization confirmed by the Bankruptcy Court in the Bankruptcy Case; (f) BUYER (i) is a sophisticated entity with respect to the purchase of the Assigned Rights; (ii) is able to bear the economic risk associated with the purchase of the Assigned Rights; (iii) has adequate information concerning the business and financial condition of the Debtor and the other obligors in respect of the Assigned Rights and the status of the Bankruptcy Case to make an informed decision regarding the purchase of the Assigned Rights; (iv) has such knowledge and experience, and has made investments of a similar nature, so as to be aware of the risks and uncertainties inherent in the purchase of the rights and assumption of liabilities of the type contemplated in this Agreement; (v) has independently and without reliance upon SELLER, and based on such information as BUYER has deemed appropriate, made its own analysis and decision to enter into this Agreement, except that BUYER has relied upon SELLER's express representations, warranties, covenants and indemnities in this Agreement; and (vi) except as expressly provided herein, has not relied and will not rely on SELLER to furnish or make available any documents or other information regarding the credit, affairs, financial condition, or business of any Debtor, or any other matter concerning any Debtor; (g) BUYER is an "accredited investor" as defined in Rule 501 under the Act; and (h) without characterizing the Assigned Rights as a "security" within the meaning of the Act or any applicable securities laws, BUYER is purchasing the Assigned Rights under this Agreement for BUYER's own account and not with a view toward resale or other distribution thereof in violation of the Act or any applicable securities laws, and BUYER will not, directly or indirectly, offer, dispose of, sell, pledge, hypothecate or otherwise transfer any portion of the Assigned Rights (or solicit any offers to buy, purchase, or other acquire or take a pledge of any portion of the Assigned Rights) in violation of the Act or any applicable securities laws.

6. Each of BUYER and SELLER acknowledges that the other may possess material non-public information concerning the Assigned Rights and/or the Debtor. Each further acknowledges that it has not requested to receive such information and has nevertheless determined to proceed with the transaction contemplated herein, and neither shall have any liability to the other, and each waives and releases any claims that it might have against the other (whether under applicable securities laws or otherwise), arising out of the non-disclosure of such information; provided, however, that nothing in this paragraph shall limit, contradict or render untrue any representation or warranty made by SELLER in Section 1 or 4 or by BUYER in Section 5.

7. SELLER further agrees that if SELLER shall hereafter receive any Distributions or any notices or other documents on account or in respect of the Assigned Rights, SELLER shall accept and hold the same for the account and sole benefit of BUYER, and shall use its commercially reasonable efforts to deliver same forthwith to BUYER in the same form received, with the endorsement of SELLER (without recourse) where necessary or appropriate, as soon as reasonably practicable, but in any event no later than five business days after SELLER's receipt thereof in the case of a cash Distribution. In the event that SELLER does not deliver a cash Distribution to BUYER within five business days of SELLER's receipt thereof, SELLER shall pay BUYER interest on the amount of such distribution, for each day from and including the date of SELLER's receipt thereof to but excluding the date of delivery thereof to BUYER, at a per-annum rate equal to one-month U.S. Dollar LIBOR plus 6.0%. SELLER acknowledges and agrees that all Distributions are the property of BUYER; provided, however, that if any amounts are due from BUYER to SELLER under this Agreement, SELLER may set off any cash Distributions that it receives against such amounts.

8. SELLER hereby irrevocably appoints BUYER as its true and lawful attorney-in-fact with respect to the Claim and authorizes BUYER to act in SELLER's name, place and stead, to demand, sue for, compromise and recover all such sums of money which are, or may hereafter become due and payable for, or on account of the Claim, to vote the Claim, to file proofs of claim with respect thereto or to otherwise effectuate the intent of this Agreement (including, without limitation, to exercise any Subscription Rights). SELLER hereby grants unto BUYER full authority to do all things necessary to enforce the Claim and SELLER's and BUYER's rights thereunder. SELLER agrees that the powers granted in this paragraph are discretionary in nature and exercisable at the sole option of BUYER. BUYER shall have no obligation to, prove, defend, or take any affirmative action with respect to proving the validity of the Claim. SELLER agrees to execute and deliver, or to cause to be executed and delivered, all such instruments and documents, and to take all such action, as BUYER may reasonably request, promptly upon the request of BUYER, in order to effectuate the intent and purposes of, and to carry out the terms of, this Agreement, and to cause BUYER to become the legal and beneficial owner and holder of the Assigned Rights. Without limiting the generality of the foregoing, to the extent that SELLER shall have the right to take any action or exercise any voting or other right (each an "**Action**") in respect of the Claim, SELLER shall take or refrain from taking such Action in accordance, and only in accordance, with BUYER's instructions.

9. SELLER agrees to indemnify and hold BUYER and its officers, directors, employees, agents and controlling persons harmless from and against any and all losses, claims, damages, costs, expenses and liabilities, including, without limitation, reasonable attorneys' fees and expenses, which result from (i) any act or omission by SELLER in connection with or in any way related to the Claim, (ii) SELLER's breach of any of SELLER's representations, warranties, covenants or agreements set forth herein, (iii) any obligation of SELLER or BUYER to disgorge, in whole or in part, or otherwise reimburse (by setoff or otherwise) the Debtor or any other person or entity for any payments, distributions, property, setoffs or recoupments received, applied or effected by or for the account of SELLER under or in connection with the Claim, (iv) negotiation, litigation, and settlement of the Disputed Claim, (v) SELLER's receipt of the 91-Day Payments, and (vi) without limiting the generality of any of the foregoing, any legal proceedings or claims by Fulcrum Credit Partners LLC, Goldman, Sachs & Co., or their affiliates, against SELLER and/or BUYER, alleging that a binding agreement in respect of the sale of all or any portion of the Claim exists or existed between SELLER and any such party, or making any other similar allegation. SELLER's aggregate liability to BUYER under this Agreement shall not exceed an amount equal to the sum of the Initial Purchase Price and any Subsequent Purchase Price and/or Additional Amount Purchase Price that shall actually have been paid by BUYER to SELLER from time to time, plus interest on such sum at a per-annum rate equal to one-month U.S. Dollar LIBOR plus 6.0%, from the date of payment of the component(s) of the aggregate purchase price to which the liability in question relates to the date of payment from SELLER to BUYER in satisfaction of such liability.

10. All representations, warranties, covenants and agreements contained herein shall survive the execution and delivery of this Agreement and shall inure to the benefit of the successors and assigns of each party hereto, and the obligations of SELLER and BUYER contained herein shall continue and remain in full force and effect until fully paid, performed and satisfied. This Agreement shall be governed by the laws of the State of New York (without regard to any choice-of-law provision that would result in the application of the laws of any other jurisdiction). All disputes arising between the parties in respect of this Agreement, or the breach, termination, interpretation or validity hereof, shall be finally settled by arbitration in the State, County and City of New York, applying New York law, by one or more arbitrators determined by mutual agreement of the parties, acting reasonably. The arbitration shall be conducted in English. If the parties cannot agree on an arbitrator or arbitration procedure, all disputes shall be subject to the exclusive jurisdiction of a Federal or state court of competent jurisdiction located in the State, County and City of New York. Any and all notices required by this Agreement, its annexes, or exhibits, contemplated by this Agreement, its annexes, or exhibits, or otherwise required by applicable law shall be delivered in writing to each party at its address listed in Schedule II pursuant to the copy instructions therein. Each party hereto consents to service of process by certified mail at its address listed in Schedule II hereto. This Agreement may be executed and delivered by telecopy, facsimile, e-mail or other form of electronic transmission, in any number of counterparts, each of which, when so executed and delivered, shall be an original, but all of which, together constitute one and the same instrument. All payments to be made hereunder shall be made by wire transfer of immediately available funds pursuant to the wire instructions for the applicable recipient set forth on Schedule II hereto, free and clear of any set-off, deduction or withholding of any kind. This Agreement, together with the Evidence of Transfer of Claim, any Additional Amount Notice or Cancellation Notice, and the side letter pursuant to which SELLER has agreed to subscribe, on behalf of BUYER and in respect of the Claim, to a certain rights offering under the Bankruptcy Case (a copy of which is attached hereto as Exhibit B) (the “**Subscription Side Letter**”), represents the complete understanding of the parties hereto with respect to the subject matter hereof, and supersedes all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, representations and warranties in respect thereof (including, without limitation, that certain Revised Term Sheet between SELLER and BUYER, dated as of December 24, 2009), all of which have become merged and finally integrated into this Agreement. This Agreement may be waived, amended or modified only by a written agreement signed by both parties hereto (or, in the case of a waiver, by the party waiving compliance).

11. SELLER HEREBY WAIVES ANY NOTICE REQUIREMENT IMPOSED BY BANKRUPTCY RULE 3001(e), AND CONSENTS TO THE SUBSTITUTION OF BUYER FOR SELLER FOR ALL PURPOSES IN THE BANKRUPTCY CASE, INCLUDING, WITHOUT LIMITATION, FOR VOTING AND DISTRIBUTION PURPOSES WITH RESPECT TO THE CLAIM. SELLER AND BUYER AGREE THAT BUYER MAY FILE THIS AGREEMENT, THE EVIDENCE OF TRANSFER OF CLAIM OR OTHER APPROPRIATE NOTICE WITH THE BANKRUPTCY COURT PURSUANT TO FEDERAL RULE OF BANKRUPTCY PROCEDURE 3001(e).

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement by their duly authorized representatives as of the date first written above.

**SELLER:**

CHIPMOS TECHNOLOGIES, INC.

By: /s/ Shih-Jye Cheng  
Name: Shih-Jye Cheng  
Title: Chairman

**BUYER:**

CITIGROUP FINANCIAL PRODUCTS INC.

By: /s/ Kenneth Keeley  
Name: Kenneth Keeley  
Title: Authorized Signatory

---

ANNEX A

EVIDENCE OF TRANSFER OF CLAIM

## EVIDENCE OF TRANSFER OF CLAIM

TO: Clerk, United States Bankruptcy Court, District of Delaware

**ChipMOS TECHNOLOGIES INC.**, a corporation organized under the laws of the Republic of China, with offices located at No. 1, R&D Rd. 1, Hsinchu Science Park, Hsinchu, Taiwan, R.O.C. (“**Seller**”), for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and pursuant to the terms of a Transfer of Claim Agreement dated as of the date hereof, does hereby certify that it has unconditionally and irrevocably sold, transferred and assigned to **Citigroup Financial Products Inc.**, its successors and assigns, with offices located at 388 Greenwich Street, New York, NY 10013 (“**Buyer**”), all right, title and interest in and to the claims of Seller against Sponson Inc. and its affiliates, docketed as Claim No. 5 in In re Sponson Inc., et al., Case No. 09-10690 (KJC) (Jointly Administered), in the United States Bankruptcy Court for the District of Delaware, as modified by that certain Order Approving Stipulation Between the Debtors and ChipMOS TECHNOLOGIES INC. Regarding Limited Relief From the Automatic Stay, entered October 13, 2009 (the “**Stipulation Order**”), solely to the extent of (i) a **\$65,782,617.00** portion of Seller’s general unsecured claim in the aggregate amount of \$69,782,617.00 referenced in and allowed by paragraph 6 of the Stipulation Order (referenced as the “**Receivables Claim**”) and (ii) Seller’s general unsecured claim in the amount of **\$233,764,860.11** (referenced as the “**Damages Claim**”) (i) and (ii) collectively, the “**Claim**”).

Seller hereby waives any notice or hearing requirements imposed by Rule 3001 of the Federal Rules of Bankruptcy Procedure, and stipulates that an order may be entered recognizing this Evidence of Transfer of Claim as an unconditional assignment and Buyer herein as the valid owner of the Claim. You are hereby requested to make all future payments and distributions, and to give all notices and other communications, in respect to the Claim to Buyer.

IN WITNESS WHEREOF, dated as of the \_\_\_\_ day of January, 2010.

**CHIPMOS TECHNOLOGIES INC.**

WITNESS:

/s/ Shou-Kang Chen

(Signature)

Name: Shou-Kang Chen

Title: Chief Financial Officer

(Print name and title of witness)

By: /s/ Shih-Jye Cheng

(Signature of authorized corporate officer)

Name: Shih-Jye Cheng

Title: Chairman

Tel.: 886-3-5668800

**CITIGROUP FINANCIAL PRODUCTS INC.**

WITNESS:

/s/ Brian Blessing

(Signature)

Name: Brian Blessing

Title: Authorized Signatory

(Print name and title of witness)

By: /s/ Kenneth Keeley

(Signature of authorized corporate officer)

Name: Kenneth Keeley

Title: Authorized Signatory

Tel.:

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ANNEX B

CLAIM DOCUMENTS



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SCHEDULE I

INITIAL PURCHASE PRICE CALCULATION

A. Amount of Transferred Stipulated Claim:	US\$65,782,617.00
B. Purchase Rate:	50.2%
C. Initial Purchase Price (A x B):	US\$33,022,873.73

---

SCHEDULE II

NOTICE ADDRESSES AND WIRE INSTRUCTIONS

SELLER'S Address for Notices:

ChipMOS TECHNOLOGIES INC.  
Attn: Dr. SK Chen  
No. 1, R&D Rd. 1,  
Hsinchu Science Park,  
Hsinchu, Taiwan, R.O.C.

With a copy to:  
Oliver Hung  
Lee & Li, Attorneys at Law  
7F, 201 Tun Hua N. Road  
Taipei, Taiwan 10508, R.O.C.

With a copy to:  
Sblend A. Sblendorio  
Hoge, Fenton, Jones & Appel, Inc.  
4309 Hacienda Dr., Suite 350  
Pleasanton, CA 94588

With a copy to:  
Rafael X. Zahralddin-Aravena  
Elliott Greenleaf  
1105 Market Street, Suite 1700  
Wilmington, DE 19801

SELLER's Wire Instructions:

Beneficiary: ChipMOS TECHNOLOGIES INC.  
Account No.: 146007709888  
Beneficiary's Bank: Bank of Taiwan T.S.I.P Branch  
SWIFT Code: BKTWTP146  
Thru Bank: Citibank, N.A., ABA No. 021-000-089, SWIFT Code CITIUS33

BUYER'S Address for Notices:

Citigroup Financial Products Inc.  
388 Greenwich Street  
New York, NY 10013  
Attention: Paul Palange  
Telephone: (212) 723-6501  
Facsimile: (201) 299-3034  
E-mail: paul.palange@citi.com

BUYER's Wire Instructions:

Through: Citibank, N.A., NY  
ABA No.: 021-000-089  
A/C Name: Citigroup Financial Products Inc.  
A/C No.: 3054-6477  
Reference: Spansion claims  
Attention: Kenneth Keeley

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EXHIBIT A

FORM OF ADDITIONAL AMOUNT NOTICE

**ChipMOS TECHNOLOGIES INC.**

[ADDRESS]

[DATE]

Citigroup Financial Products Inc.  
388 Greenwich Street  
New York, NY 10013

Ladies and Gentlemen:

Reference is made to the Transfer of Claim Agreement, dated January 25, 2010 (the “Agreement”), between ChipMOS TECHNOLOGIES INC., as seller, and Citigroup Financial Products Inc., as buyer, relating to certain claims against Spansion Inc. and its affiliates. Capitalized terms used herein without definition have the meanings given to them in the Agreement. This is the Additional Amount Notice referenced in the Agreement.

SELLER hereby designates \$[ ] of the Stipulated Claim that was not included in the Transferred Stipulated Claim as the Optional Additional Claim. SELLER hereby represents and warrants to BUYER that (i) the amount set forth herein of the Optional Additional Claim is net of all reductions contemplated by paragraph 6 of the Approval Order, and the Optional Additional Claim is not subject to any further reduction pursuant to the Approval Order or otherwise, and (ii) attached hereto is a duly executed evidence of transfer of claim in respect of the Optional Additional Claim. We agree that you may file such evidence of transfer of claim in the Bankruptcy Case.

Sincerely,

CHIPMOS TECHNOLOGIES INC.

By: \_\_\_\_\_

Name:

Title:

enclosures

EVIDENCE OF TRANSFER OF CLAIM

TO: Clerk, United States Bankruptcy Court, District of Delaware

**ChipMOS TECHNOLOGIES INC.**, a corporation organized under the laws of the Republic of China, with offices located at No. 1, R&D Rd. 1, Hsinchu Science Park, Hsinchu, Taiwan, R.O.C. (“**Seller**”), for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and pursuant to the terms of a Transfer of Claim Agreement, does hereby certify that it has unconditionally and irrevocably sold, transferred and assigned to **Citigroup Financial Products Inc.**, its successors and assigns, with offices located at 388 Greenwich Street, New York, NY 10013 (“**Buyer**”), all right, title and interest in and to the claims of Seller against Spansion Inc. and its affiliates, docketed as Claim No. 5 in In re Spansion Inc., et al., Case No. 09-10690 (KJC) (Jointly Administered), in the United States Bankruptcy Court for the District of Delaware, as modified by that certain Order Approving Stipulation Between the Debtors and ChipMOS TECHNOLOGIES INC. Regarding Limited Relief From the Automatic Stay, entered October 13, 2009 (the “**Stipulation Order**”), solely to the extent of a \$[ ] portion of Seller’s general unsecured claim in the aggregate amount of \$69,782,617.00 referenced in and allowed by paragraph 6 of the Stipulation Order (referenced as the “**Receivables Claim**”) (the “**Claim**”). The Claim represents [all][an undivided portion of] the share of such Receivables Claim not previously assigned to Buyer, and is net of all reductions contemplated by paragraph 6 of the Stipulation Order.

Seller hereby waives any notice or hearing requirements imposed by Rule 3001 of the Federal Rules of Bankruptcy Procedure, and stipulates that an order may be entered recognizing this Evidence of Transfer of Claim as an unconditional assignment and Buyer herein as the valid owner of the Claim. You are hereby requested to make all future payments and distributions, and to give all notices and other communications, in respect to the Claim to Buyer.

IN WITNESS WHEREOF, dated as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**CHIPMOS TECHNOLOGIES INC.**

WITNESS:

\_\_\_\_\_  
(Signature)

Name:  
Title:  
(Print name and title of witness)

By: \_\_\_\_\_  
(Signature of authorized corporate officer)

Name:  
Title:  
Tel.:

**CITIGROUP FINANCIAL PRODUCTS INC.**

WITNESS:

\_\_\_\_\_  
(Signature)

Name:  
Title:  
(Print name and title of witness)

By: \_\_\_\_\_  
(Signature of authorized corporate officer)

Name:  
Title:  
Tel.:

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EXHIBIT B

SIDE LETTER RE: RIGHTS OFFERING

**SHARE PURCHASE AGREEMENT**

between

CHIPMOS TECHNOLOGIES (BERMUDA) LTD.

and

SILICONWARE PRECISION INDUSTRIES CO., LTD.

**February 26, 2010**



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## SHARE PURCHASE AGREEMENT

This SHARE PURCHASE AGREEMENT (this “Agreement”) is made and entered into as of February 26, 2010, by and between ChipMOS TECHNOLOGIES (Bermuda) LTD., an exempted company under the laws of Bermuda (“ChipMOS Bermuda”), and Siliconware Precision Industries Co., Ltd., a company incorporated under the laws of the Republic of China (the “SPIL”). Capitalized terms used herein shall have the meaning ascribed to them in Article IX hereto.

### WITNESSETH:

WHEREAS, ChipMOS Bermuda owns an aggregate of 842,855,358 common shares, par value NT\$10.00 per share, of ChipMOS TECHNOLOGIES, INC., a company incorporated under the laws of Taiwan, Republic of China (“ChipMOS Taiwan”), which shares constitute 100% of the issued and outstanding shares of capital stock of ChipMOS Taiwan as of the date hereof (“Shares”);

WHEREAS, at each of the Closings, ChipMOS Bermuda will sell to SPIL, and SPIL will purchase from ChipMOS Bermuda, 133,000,000 common shares, par value NT\$10.00 per share, of ChipMOS Taiwan in total, which shares constitute approximately 15.77% of the total issued and outstanding shares of capital stock of ChipMOS Taiwan as of the date hereof for the purchase price and upon the terms and conditions set forth in this Agreement;

WHEREAS, SPIL will sell to ChipMOS Taiwan, and ChipMOS Taiwan will purchase from SPIL all SPIL’s LCDD equipment and memory testing equipment for the purchase price and upon the terms and conditions set forth in the Equipment Purchase Agreement dated February 26, 2010 (“Equipment Purchase Agreement”) and ChipMOS will pay the consideration by four (4) installments to SPIL in accordance therewith; and

WHEREAS, SPIL intends to use the proceeds received from the sales of the equipment under the Equipment Purchase Agreement to pay the purchase consideration under this Agreement to ChipMOS Bermuda without any advanced or additional payments to ChipMOS Bermuda and ChipMOS Bermuda agree to receive the purchase consideration in installments accordingly.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises, representations, warranties, and covenants hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

### ARTICLE I

#### AGREEMENT TO SELL AND PURCHASE TARGET SHARES

SECTION 1.1. Share Purchase. Upon the terms and subject to the conditions set forth in this Agreement, at each of the Closings, ChipMOS Bermuda will sell, transfer and deliver to SPIL, all right, title and interest in and to 133,000,000 Shares in total (“Target Shares”), free and clear of any Liens, and SPIL will purchase and accept from ChipMOS Bermuda such shares.

SECTION 1.2. Cash Consideration. Both parties agree that the total cash consideration for Target Shares is NT\$1,630,580,000 representing NT\$12.26 per Share, where SPIL shall pay to ChipMOS Bermuda NT\$1,625,688,260 in total after deducting the securities transaction tax required to be paid in accordance with the applicable laws. SPIL shall pay NT\$463,894,130 thereof (“Down Payment”) to ChipMOS Bermuda within two (2) Business Days (xx) after SPIL receives the first installment under the Equipment Purchase Agreement from ChipMOS Taiwan or (yy) if ChipMOS Taiwan does not pay the first installment under the Equipment Purchase Agreement to SPIL, SPIL may assign at SPIL’s option, where ChipMOS Bermuda agrees to be assigned, its credit to and claim against ChipMOS Taiwan for the first installment to ChipMOS Bermuda, with the notification issued to ChipMOS Taiwan, and after SPIL assigns aforementioned credit to ChipMOS Bermuda, the payment of First Closing is deemed to be made by SPIL to ChipMOS Bermuda. SPIL shall pay the remaining payment to ChipMOS Bermuda in the subsequent three (3) payments on each of the Closing Dates pursuant to Sections 2.3 to 2.5 each by wire transfer of immediately available funds to an account that has been designated in writing by ChipMOS Bermuda.

SECTION 1.3. Escrow of Target Shares. At the same time that SPIL pays Down Payment to ChipMOS Bermuda, ChipMOS Bermuda shall deliver to SPIL share certificates representing all the Target Shares free and clear of all Liens and duly endorsed for transfer for escrow until each of the Closings has been completed or consummated or the time of termination of this Agreement, as applicable.

## ARTICLE II

### CLOSING AND DELIVERY

SECTION 2.1. Closings. The parties hereto agree that the closing of the sale and purchase of the Target Shares under this Agreement shall take place at four separate closings (the “Closings”) on four different Closing Dates as provided in Sections 2.2, 2.3, 2.4 and 2.5. Subject to the satisfaction or waiver of all the conditions to each of the Closings contained in Article VI, each of the Closings shall take place at No. 1. R&D Rd. 1, Hsinchu Science Park, Hsinchu, Taiwan, Republic of China (i) within two Business Days after the date on which all of the conditions at each of the Closings set forth in Article VI have been satisfied or waived (other than those conditions contemplated to be satisfied at, or only capable of being satisfied at, each of the Closings, but subject to the satisfaction or waiver of those conditions) or (ii) such other time or place as the parties may mutually agree (the “Closing Date(s)”); provided that all Closings shall only take place within three (3) Business Days after the date when ChipMOS Bermuda makes its mandatory filing to the Financial Supervisory Commission or its designated authority (or such other competent Government Authority as applicable in the ROC) in respect of the transfer of the Target Shares.

SECTION 2.2. The First Closing. Subject to the terms and conditions hereof, at the first Closing (the “First Closing”):

(a) SPIL shall have delivered the Down Payment set forth in Section 1.2 and deliver to ChipMOS Bermuda:

- (i) written resolutions or minutes of the board of directors meeting evidencing approval of this Agreement and the transactions contemplated hereby;
- (ii) the Officer’s Certificate as set forth in Section 6.1(b); and

(b) ChipMOS Bermuda agrees to transfer the ownership of 37,951,876 Shares (the “First Closing Shares”) to SPIL and shall deliver to SPIL (i) its completed application form for the share transfer recordation with ChipMOS Taiwan requesting the transfer of the First Closing Shares; and (ii) the Officer’s Certificate set forth in Section 6.2(b).

SECTION 2.3. The Second Closing. Subject to the terms and conditions hereof, at the second Closing (the “Second Closing”):

(a) SPIL shall deliver to ChipMOS Bermuda NT\$463,894,130 or if ChipMOS Taiwan does not pay the second installment under the Equipment Purchase Agreement to SPIL, SPIL may assign at SPIL’s option, where ChipMOS Bermuda agrees to be assigned, its credit to and claim against ChipMOS Taiwan for the second installment to ChipMOS Bermuda, with the notification issued to ChipMOS Taiwan, and after SPIL assigns aforementioned credit to ChipMOS Bermuda, the payment of Second Closing is deemed to be made by SPIL to ChipMOS Bermuda; and

(b) Upon SPIL’s payment in accordance with Section 2.3(a) to ChipMOS Bermuda, ChipMOS Bermuda agrees to transfer the ownership of 37,951,876 Shares (the “Second Closing Shares”) to SPIL and shall deliver to SPIL its completed application form for the share transfer recordation with ChipMOS Taiwan requesting the transfer of the Second Closing Shares.

SECTION 2.4. The Third Closing. Subject to the terms and conditions hereof, at the third Closing (the “Third Closing”):

(a) SPIL shall deliver to ChipMOS Bermuda NT\$209,370,000 or if ChipMOS Taiwan does not pay the third installment under the Equipment Purchase Agreement to SPIL, SPIL may assign at SPIL’s option, where ChipMOS Bermuda agrees to be assigned, its credit to and claim against ChipMOS Taiwan for the third installment to ChipMOS Bermuda, with the notification issued to ChipMOS Taiwan, and after SPIL assigns aforementioned credit to ChipMOS Bermuda, the payment of Third Closing is deemed to be made by SPIL to ChipMOS Bermuda; and

(b) Upon SPIL’s payment in accordance with Section 2.4(a) to ChipMOS Bermuda, ChipMOS Bermuda agrees to transfer the ownership of 17,128,874 Shares (the “Third Closing Shares”) to SPIL and shall deliver to SPIL its completed application form for the share transfer recordation with ChipMOS Taiwan requesting the transfer of the Third Closing Shares.

SECTION 2.5. The Fourth Closing. Subject to the terms and conditions hereof, at the fourth Closing (the “Fourth Closing”):

(a) SPIL shall deliver to ChipMOS Bermuda NT\$488,530,000 or if ChipMOS Taiwan does not pay the fourth installment under the Equipment Purchase Agreement to SPIL, SPIL may assign at SPIL’s option, where ChipMOS Bermuda agrees to be assigned, its credit to and claim against ChipMOS Taiwan for the fourth installment to ChipMOS Bermuda, with the notification issued to ChipMOS Taiwan, and after SPIL assigns aforementioned credit to ChipMOS Bermuda, the payment of Fourth Closing is deemed to be made by SPIL to ChipMOS Bermuda; and

(b) Upon SPIL’s payment in accordance with Section 2.5(a) to ChipMOS Bermuda, ChipMOS Bermuda agrees to transfer the ownership of 39,967,374 Shares (the “Fourth Closing Shares”) to SPIL and shall deliver to SPIL its completed application form for the share transfer recordation with ChipMOS Taiwan requesting the transfer of the Fourth Closing Shares.

### ARTICLE III

#### REPRESENTATIONS AND WARRANTIES OF CHIPMOS BERMUDA

ChipMOS Bermuda hereby represents and warrants as of the date hereof as follows:

SECTION 3.1. Organization, Good Standing and Qualification. ChipMOS Bermuda is a company duly organized, validly existing and in good standing under the Laws of Bermuda. ChipMOS Bermuda is duly authorized to conduct business and in good standing under the Laws of each jurisdiction where such qualification is required, except where the lack of such qualification would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on ChipMOS Bermuda’s ability to consummate the transactions contemplated herein.

SECTION 3.2. Authorization; Binding Obligations. ChipMOS Bermuda has the requisite corporate power and authority to execute and deliver this Agreement and to carry out the provisions of this Agreement. This Agreement and the transactions contemplated hereby have been duly authorized by all requisite corporate action of ChipMOS Bermuda. This Agreement has been duly executed and delivered by ChipMOS Bermuda, assuming due execution and delivery by the other parties thereto, this Agreement constitutes a valid and legally binding obligation of ChipMOS Bermuda, enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws now or hereafter in effect affecting creditors’ rights generally or by general principles of equity.

SECTION 3.3. Consents and Approvals. Except for (i) the approval from the Hsinchu Science Park Administration for the sale of Target Shares by ChipMOS Bermuda, and (ii) ChipMOS Bermuda’s mandatory filing to the Financial Supervisory Commission or its designated authority (or such other competent Government Authority as applicable in the ROC) in respect of the transfer of the Target Shares, no consent, approval, permit or authorization of, license or order of, or registration, declaration, filing with, or notice to, any Governmental Authority (such consents, approvals, authorizations, licenses, orders, registrations, filings and notices, together with any consents, approvals, actions or notices required to be obtained from any Governmental Authority, collectively, the “Consents”) is required to be obtained, made or given by ChipMOS Bermuda in connection with (i) the execution and delivery by ChipMOS Bermuda of this Agreement, or (ii) the performance by ChipMOS Bermuda of its obligations under this Agreement; in each case, other than where the lack thereof would not be reasonably expected to have, individually or in the aggregate, a ChipMOS Material Adverse Effect.

SECTION 3.4. Compliance with Other Instruments. Except for Section 3.4 of the Disclosure Schedule, the execution, delivery and performance by ChipMOS Bermuda of this Agreement on part of ChipMOS Bermuda and the consummation of the transactions contemplated hereby and thereby on part of ChipMOS Bermuda will not conflict with or result in (i) any violation of the provisions of the Memorandum of Association or Bye-laws of ChipMOS Bermuda or any statute or any order, rule or regulation of any Governmental Authority having jurisdiction over ChipMOS Bermuda or any of its properties or assets, other than any such conflicts, breaches, violations or defaults which, individually or in the aggregate, would not have a ChipMOS Material Adverse Effect, or (ii) any breach or violation of any of the terms or provisions of, or constitute a default under, any material Contract to which ChipMOS Bermuda is a party or by which ChipMOS Bermuda is bound or to which any of the property or assets of ChipMOS Bermuda is subject, other than any such conflicts, breaches, violations or defaults which, individually or in the aggregate, would not have a ChipMOS Material Adverse Effect.

SECTION 3.5. Title; Ownership. ChipMOS Bermuda owns and holds good and valid title to the Target Shares, free of all Liens. On the date hereof, the Shares constitute all of the shares of common shares of ChipMOS Taiwan owned by ChipMOS Bermuda. The Target Shares are the property of ChipMOS Bermuda and ChipMOS Bermuda may transfer them to any person or entity without any restrictions whatsoever. ChipMOS Bermuda has not granted any options or Liens of any sort with respect to the Target Shares or any right to acquire any of the Target Shares other than as contemplated hereby.

SECTION 3.6. No Other Representations and Warranties. Except for the representations and warranties contained in this Article III, neither ChipMOS Bermuda nor any other Person makes any other express or implied representation or warranty on behalf of or with respect to ChipMOS Bermuda, and ChipMOS Bermuda hereby disclaims any such representation or warranty, whether by ChipMOS Bermuda or any other Person, with respect to the execution and delivery of this Agreement, the consummation of the transactions contemplated in this Agreement or ChipMOS Bermuda, notwithstanding the delivery or disclosure to SPIL or any other Person of any documentation or other information by ChipMOS Bermuda or any other Person with respect to any one or more of the foregoing.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF SPIL

SPIL hereby represents and warrants to ChipMOS Bermuda as follows:

SECTION 4.1. Organization, Good Standing and Qualification. SPIL is an entity duly organized and validly existing standing under the Laws of the jurisdiction of its organization. SPIL is duly authorized to conduct business under the Laws of each jurisdiction where such qualification is required, except where the lack of such qualification would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on SPIL's ability to consummate the transactions contemplated herein.

SECTION 4.2. Authorization; Binding Obligations. SPIL has the requisite corporate power and authority to execute and deliver this Agreement, and to carry out the provisions of this Agreement. This Agreement and the transactions contemplated hereby have been duly authorized by all requisite corporate action of SPIL. This Agreement has been duly executed and delivered by SPIL and, assuming the due execution and delivery thereof by the other parties thereto, this Agreement constitutes a valid and legally binding obligation of SPIL, enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws now or hereafter in effect affecting creditors' rights generally or by general principles of equity.

SECTION 4.3. Consents and Approvals. Except for any filings, approvals or other requirements under applicable securities Laws, no Consent is required to be obtained, made or given by SPIL in connection with (i) the execution and delivery by SPIL of this Agreement, or (ii) the performance by SPIL of its obligations under this Agreement; in each case, other than where the lack thereof would not reasonably be reasonably expected to have, individually or in the aggregate, an SPIL Material Adverse Effect.

SECTION 4.4. Compliance with Other Instruments. The execution, delivery and performance by SPIL of this Agreement on the part of SPIL and the consummation of the transactions contemplated hereby and thereby on the part of SPIL will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, the memorandum of association, articles of association, by-laws or other governing documents of SPIL, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which SPIL is a party or by which SPIL is bound or to which any of the property or assets of SPIL is subject, other than any such conflicts, breaches, violations or defaults which, individually or in the aggregate, would not be reasonably expected to have an SPIL Material Adverse Effect, nor do such actions result in any violation of the provisions of the governing documents of SPIL or any statute or any order, rule or regulation of any Governmental Authority having jurisdiction over SPIL or any of respective properties or assets, other than any such conflicts, breaches, violations or defaults which, individually or in the aggregate, would not be reasonably expected to have an SPIL Material Adverse Effect.

ARTICLE V

COVENANTS OF THE PARTIES

SECTION 5.1. Filings and Authorizations. Each of ChipMOS Bermuda and SPIL, as promptly as practicable, shall (a) make, or cause to be made, all such filings and submissions under the Laws applicable to it or to its Affiliates as may be required for it to consummate the transactions contemplated by this Agreement, (b) use its reasonable efforts to obtain or cause to be obtained, all Consents of the Governmental Authorities that are or may become necessary for the consummation of the transactions contemplated by this Agreement, (c) reasonably cooperate with the other parties in promptly seeking to obtain all such Consents and (d) use its reasonable efforts to take, or cause to be taken, all other actions necessary, proper or advisable in order for it to fulfill its obligations hereunder.



SECTION 5.2. Confidentiality. Each of the parties shall hold, and shall cause its representatives to hold, in confidence this Agreement, all documents and information furnished to it by or on behalf of the other party in connection with the transactions contemplated hereby.

SECTION 5.3. Public Announcements. ChipMOS Bermuda and SPIL will consult with each other before issuing any press release or otherwise making any public statements regarding the transactions contemplated by this Agreement, and will not issue any such release or make any such statement, prior to such consultation or, after such consultation, if any party is not reasonably satisfied with the substance of such release or statement. Notwithstanding the foregoing, any party hereto may make any disclosure required to be made by it under applicable Law (including U.S. federal securities Laws), stock exchange regulations to which it is subject or order of a court of competent jurisdiction if it determines in good faith that it is necessary to do so and gives prior notice to the other parties hereto, using its reasonable efforts (in light of any time constraints) to contact the other parties hereto and discuss such disclosure with such other parties.

SECTION 5.4. Notification of Certain Matters. Each party hereto shall promptly advise the other parties orally and in writing of (i) any representation or warranty made by it contained in this Agreement that is qualified as to materiality becoming untrue or inaccurate in any respect or any such representation or warranty that is not so qualified becoming untrue or inaccurate in any material respect or (ii) the failure by it to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it under this Agreement or (iii) any event or change or impending occurrence of any event or change of which it has knowledge and which has resulted, or which, insofar as can reasonably be foreseen, is likely to result, in any of the conditions to the transactions contemplated hereby set forth in Article VI hereof not being satisfied; provided, however, that no such notification shall affect the representations, warranties, covenants or agreements of the parties or the conditions to the obligations of the parties under this Agreement.

SECTION 5.5. Standstill. Within six (6) months from the execution date of this Agreement, neither SPIL or any of its Affiliates nor the Representatives of SPIL or such Affiliates shall, unless specifically requested in writing in advance by ChipMOS Bermuda, (and SPIL and each of its Affiliates, and the Representatives of SPIL, or such Affiliates shall not join or form a group within the meaning of Section 13(d)(3) of the Exchange Act, to act in concert or participate with or encourage other persons to), directly or indirectly (i) acquire or agree, offer, seek, bid for or propose to acquire beneficial ownership, whether by purchase, merger, consolidation, tender or exchange offer, through the acquisition or control of another person, by joining a partnership, syndicate or other group or otherwise, of (x) ChipMOS Bermuda or any of its Affiliates or any of their respective assets or businesses, (y) any securities issued by ChipMOS Bermuda or any of its Affiliates or (z) any rights or options to acquire such ownership, (ii) engage or otherwise participate in any solicitation of proxies with respect to any securities issued by ChipMOS Bermuda or any of its Affiliates, (iii) otherwise seek or propose to influence, advise, change or control the board of directors, management or policies of ChipMOS Bermuda or any of its Affiliates, (iv) make any public disclosure or take any actions that could require ChipMOS Bermuda to make a public disclosure regarding any of the types of matters referred to in (i), (ii) or (iii) above, or (v) seek to influence, advise or direct the vote of any holder of voting securities of ChipMOS Bermuda or its Affiliates or making a request to amend or waive this provision or any other provision of this Section 5.5. In addition, if during the six-month period referred to above, any third party approaches the receiving party concerning its or their participation in any of the types of matters referred to in clause (i), (ii) or (iii) above, the receiving party shall promptly inform ChipMOS Bermuda of the nature of such contact and the parties thereto.

SECTION 5.6. Further Assurance. Each of the parties shall execute such documents and other papers and take such further actions as may be reasonably required or desirable to carry out the provisions hereof and the transactions contemplated hereby. Each such party shall use its reasonable efforts to fulfill or obtain the fulfillment of the conditions to the Closing as promptly as practicable.

SECTION 5.7. SPIL's Endorsement. SPIL shall not endorse the share certificates representing any Target Shares unless ChipMOS Bermuda has transferred the ownership of any or all of the Target Shares in accordance with Sections 2.2 to 2.5.

SECTION 5.8. Securities Transaction Tax. SPIL shall pay the securities transaction tax by the next day of each of the Closing Dates with the competent authorities for the transfer of the Target Shares and shall deliver the receipt hereof to ChipMOS Bermuda within two (2) Business Day.

## ARTICLE VI

### CONDITIONS TO CLOSING

SECTION 6.1. Conditions to ChipMOS Bermuda's Obligations to Sell the First Closing Shares at the First Closing. ChipMOS Bermuda's obligation to sell the First Closing Shares at the First Closing pursuant to Section 2.2 is subject to the satisfaction (or waiver by ChipMOS Bermuda), on or prior to the First Closing, of the following conditions:

(a) Representations and Warranties; Performance of Obligations. Each of the representations and warranties of SPIL set forth in Article IV which refers to ChipMOS Material Adverse Effect or otherwise references the concept of materiality shall be true and correct, and each of the other representations and warranties of SPIL set forth in Article IV shall be true and correct in all material respects; SPIL shall have performed all obligations and conditions herein required to be performed or observed by it on or prior to the First Closing.

(b) Officers' Certificate. SPIL shall have delivered to ChipMOS Bermuda an officers' certificate dated the Closing Date of the First Closing, to the effect that the conditions specified in Section 6.1(a) have been satisfied.

(c) Cash Consideration. ChipMOS Taiwan shall have paid to SPIL the first installment under the Equipment Purchase Agreement.

(d) Board Approval. SPIL shall have provided the written resolutions, minutes or other evidence of the approval of the board of directors approving this Agreement and the transactions contemplated hereby and thereby.

(e) Regulatory Approvals. All requisite Consents shall have been obtained and shall be furnished and be in full force and effect. All necessary government filings and applicable waiting period requirements shall have been met or waived by the Governmental Authority.

(f) Banks' Approval. The waiver/consent from the Majority Lenders under the Facility Agreement relating to a US\$74,500,000 Term Loan Facility among ChipMOS Bermuda, Standard Chartered Bank (Hong Kong) Limited as agent and its bank Lenders dated 18 July 2008 has been obtained or ChipMOS Bermuda has prepaid all outstanding amount in relation thereto.

SECTION 6.2. Conditions to SPIL's Obligations to Purchase the First Closing Shares at the First Closing. The obligation of SPIL to purchase the First Closing Shares at the First Closing pursuant to Section 2.2 is subject to the satisfaction (or waiver by SPIL), on or prior to the First Closing, of the following conditions:

(a) Representations and Warranties; Performance of Obligations. Each of the representations and warranties of ChipMOS Bermuda set forth in Article III which references the concept of materiality shall be true and correct, and each of the other representations and warranties of ChipMOS Bermuda set forth in Article III shall be true and correct in all material respects; ChipMOS Bermuda shall have performed all obligations and conditions herein required to be performed or observed by it on or prior to the First Closing.

(b) Officer's Certificate. ChipMOS Bermuda shall have delivered to SPIL the officer's certificates, executed by the Chairman of the Board of Directors of ChipMOS Bermuda, dated as of the Closing Date of the First Closing, to the effect that the conditions specified in Section 6.2(a) have been satisfied.

(c) Target Shares Certificates. ChipMOS Bermuda shall have delivered to SPIL the certificates evidencing all Target Shares free and clear of all Liens and duly endorsed for transfer.

SECTION 6.3. Conditions to ChipMOS Bermuda's Obligations to Sell the Second Closing Shares at the Second Closing. ChipMOS Bermuda's obligation to sell the Second Closing Shares at the Second Closing is subject to the completion of the purchase and sale of the First Closing Shares pursuant to Sections 6.1 and 6.2 and the satisfaction (or waiver by such ChipMOS Bermuda), at or subsequent to such completion, of the condition that (xx) ChipMOS Taiwan shall have paid to SPIL the second installment under the Equipment Purchase Agreement or if ChipMOS Taiwan does not pay the second installment under the Equipment Purchase Agreement to SPIL, SPIL may assign at SPIL's option, where ChipMOS Bermuda agrees to be assigned, its credit to and claim against ChipMOS Taiwan for the second installment to ChipMOS Bermuda, with the notification issued to ChipMOS Taiwan, and after SPIL assigns aforementioned credit to ChipMOS Bermuda, the payment of Second Closing is deemed to be made by SPIL to ChipMOS Bermuda, and (yy) all requisite Consents shall have been obtained and shall be furnished and be in full force and effect.

SECTION 6.4. Conditions to SPIL's Obligations to Purchase the Second Closing Shares at the Second Closing. SPIL's obligation to purchase the Second Closing Shares at the Second Closing is subject to the completion of the purchase and sale of the First Closing Shares pursuant to Sections 6.1 and 6.2 and the satisfaction (or waiver by SPIL), on or subsequent to such completion, of the condition that ChipMOS Bermuda shall have delivered to SPIL the receipt of the consideration for the Second Closing Shares.

SECTION 6.5. Conditions to ChipMOS Bermuda's Obligations to Sell the Third Closing Shares at the Third Closing. ChipMOS Bermuda's obligation to sell the Third Closing Shares at the Third Closing is subject to the completions of the purchase and sale of the First Closing Shares and the Second Closing Shares pursuant to Sections 6.1, 6.2, 6.3. and 6.4, and the satisfaction (or waiver by such ChipMOS Bermuda), at or subsequent to such completions, of the condition that (xx) ChipMOS Taiwan shall have paid to SPIL the third installment under the Equipment Purchase Agreement or if ChipMOS Taiwan does not pay the third installment under the Equipment Purchase Agreement to SPIL, SPIL may assign at SPIL's option, where ChipMOS Bermuda agrees to be assigned, its credit to and claim against ChipMOS Taiwan for the third installment to ChipMOS Bermuda, with the notification issued to ChipMOS Taiwan, and after SPIL assigns aforementioned credit to ChipMOS Bermuda, the payment of Third Closing is deemed to be made by SPIL to ChipMOS Bermuda, and (yy) all requisite Consents shall have been obtained and shall be furnished and be in full force and effect.

SECTION 6.6. Conditions to SPIL's Obligations to Purchase the Third Closing Shares at the Third Closing. SPIL's obligation to purchase the Third Closing Shares at the Third Closing is subject to the completion of the purchase and sale of the First Closing Shares and the Second Closing Shares pursuant to Sections 6.1, 6.2, 6.3 and 6.4 and the satisfaction (or waiver by SPIL), on or subsequent to such completion, of the condition that ChipMOS Bermuda shall have delivered to SPIL the receipt of the consideration for the Third Closing Shares.

SECTION 6.7. Conditions to ChipMOS Bermuda's Obligations to Sell the Fourth Closing Shares at the Fourth Closing. ChipMOS Bermuda's obligation to sell the Fourth Closing Shares at the Fourth Closing is subject to the completions of the purchase and sale of the First Closing Shares, the Second Closing Shares and the Third Closing Shares pursuant to Sections 6.1, 6.2, 6.3, 6.4, 6.5. and 6.6. and the satisfaction (or waiver by such ChipMOS Bermuda), at or subsequent to such completions, of the condition that (xx) ChipMOS Taiwan shall have paid to SPIL the fourth installment under the Equipment Purchase Agreement or if ChipMOS Taiwan does not pay the fourth installment under the Equipment Purchase Agreement to SPIL, SPIL may assign at SPIL's option, where ChipMOS Bermuda agrees to be assigned, its credit to and claim against ChipMOS Taiwan for the fourth installment to ChipMOS Bermuda, with the notification issued to ChipMOS Taiwan, and after SPIL assigns aforementioned credit to ChipMOS Bermuda, the payment of Fourth Closing is deemed to be made by SPIL to ChipMOS Bermuda, and (yy) all requisite Consents shall have been obtained and shall be furnished and be in full force and effect.

SECTION 6.8. Conditions to SPIL's Obligations to Purchase the Fourth Closing Shares at the Fourth Closing. SPIL's obligation to purchase the Fourth Closing Shares at the Fourth Closing is subject to the completion of the purchase and sale of the First Closing Shares, the Second Closing Shares and the Third Closing Shares pursuant to Sections 6.1, 6.2, 6.3, 6.4, 6.5. and 6.6 and the satisfaction (or waiver by SPIL), on or subsequent to such completion, of the condition that ChipMOS Bermuda shall have delivered to SPIL the receipt of the consideration for the Fourth Closing Shares.

INDEMNIFICATION

SECTION 7.1. Indemnification.

(a) ChipMOS Bermuda agrees to indemnify SPIL and its Subsidiaries and Affiliates against, and hold SPIL and its Affiliates harmless from, any damage, claim, liability or expense, including interest, fines, penalties and reasonable attorneys' fees, in each case whether incurred in connection with a final judgment, award or disposition of the matter or settlement or otherwise (collectively "Damages"), arising out of (i) the breach of any representation or warranty of ChipMOS Bermuda in this Agreement and (ii) the breach of any covenants of ChipMOS Bermuda in this Agreement.

(b) SPIL agrees to indemnify ChipMOS Bermuda and its Subsidiaries and Affiliates and to hold ChipMOS Bermuda and its Subsidiaries harmless from any Losses arising out of (i) the breach of any representation or warranty of SPIL in this Agreement and (ii) the breach of any covenants of SPIL in this Agreement.

SECTION 7.2. DISCLAIMER. IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY OR PARTIES FOR ANY SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES OF ANY KIND, INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF USE, OR DAMAGES TO THE OTHER PARTY'S OR PARTIES' BUSINESS REPUTATION HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY, WHETHER IN AN ACTION FOR CONTRACT, STRICT LIABILITY OR TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, WHETHER OR NOT THE FIRST PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGE AND NOTWITHSTANDING THE FAILURE OF ESSENTIAL PURPOSE OF ANY REMEDY, EXCEPT THAT ANY SUCH LIMITATION ON LIABILITY SHALL NOT APPLY IN THE CASE OF FRAUD, GROSS NEGLIGENCE, INTENTIONAL MISREPRESENTATION OR CRIMINAL ACTIVITY.

## ARTICLE VIII

### TERMINATION

SECTION 8.1. Termination Prior to the Closing Date. This Agreement may be terminated at any time prior to the Closing Date of the First Closing:

(a) by mutual agreement in writing of the parties hereto;

(b) by either ChipMOS Bermuda or SPIL upon written notice to the other parties if (i) the First Closing shall not have occurred by September 30, 2010 or such later date as the parties shall have agreed to in writing, provided that the nonoccurrence of the Closing(s) is not attributable to the failure of the party seeking to terminate this Agreement to perform or comply with any of its covenants agreements or undertakings set forth in this Agreement, (ii) if any Governmental Authority shall have issued an injunction, decree or order or taken any other action permanently enjoining, restraining or otherwise prohibiting the Closing(s) and such injunction, decree, order or other action shall have become final and non-appealable, or (iii) if a material breach of any provision of this Agreement has been committed by the other party or parties and such breach has not been cured within 30 days of receipt of notice thereof; provided, however, that termination pursuant to this Section 8.1(b) shall not relieve the breaching party of liability for such breach or otherwise;

(c) by ChipMOS Bermuda, if there has been a breach on the part of SPIL of any of the representations, warranties or covenants of SPIL set forth herein or any failure on the part of SPIL to comply with its obligations hereunder, or any other events or circumstances shall have occurred, such that, in any such case, in the reasonable judgment of ChipMOS Bermuda, any of the conditions to the Closing set forth in Sections 6.1, 6.3, 6.5 or 6.7 could not be satisfied prior to the termination date contemplated by Section 8.1(b);

(d) by SPIL, if there has been a breach on the part of ChipMOS Bermuda of any of the representations, warranties or covenants of ChipMOS Bermuda set forth herein, or any failure on the part of ChipMOS Bermuda to comply with their obligations hereunder, or any other events or circumstances shall have occurred, such that, in any such case, in the reasonable judgment of SPIL, any of the conditions to the Closing set forth in Sections 6.2, 6.4, 6.6 or 6.8 could not be satisfied prior to the termination date contemplated by Section 8.1(b); or

(e) In the event that the equipment purchase transactions under the Equipment Purchase Agreement fails to be consummated or the Equipment Purchase Agreement has been terminated, either party may terminate this Agreement with the thirty-day prior written notice to the other party. Upon termination of this Agreement in accordance with this Section, ChipMOS Bermuda shall promptly return any and all payment to SPIL and SPIL shall promptly return the share certificates representing Target Shares to ChipMOS Bermuda.

SECTION 8.2. Effect of Termination. In the event of the termination of this Agreement by ChipMOS Bermuda or SPIL as provided in Section 8.1, this Agreement shall forthwith become void (other than Section 5.2 (Confidentiality), Section 5.3 (Public Announcements), Section 5.5 (Standstill), Article VIII (Termination), Section 10.1 (Governing Law), Section 10.3 (Fees and Expenses) and Section 10.5 (Entire Agreement)) and there shall be no liability or obligation on the part of any of SPIL, ChipMOS Bermuda or their respective directors, officers or Affiliates; provided, however, that no party hereto shall be relieved or released from any liabilities or damages arising out of its willful breach of any provision of this Agreement; provided, further, that if this Agreement is terminated by a party because of the breach of this Agreement by the other party or because one or more of the conditions to the terminating party's obligations under this Agreement is not satisfied as a result of the other party's failure to fully comply with its obligations under this Agreement, the terminating party's rights to pursue all legal remedies shall survive such termination unimpaired. The consummation of the transactions as of the Closing shall be voided by any termination pursuant to Section 8.1, and such transactions shall no longer be valid and in full force and effect and the parties shall take all steps necessary to unwind the procedures under Sections 1.2 and 1.3 and each of the four steps of the Closing as provided in Sections 2.2, 2.3, 2.4 and 2.5.

ARTICLE IX  
DEFINED TERMS

SECTION 9.1. Certain Definitions. As used in this Agreement, the following terms will have the respective meanings set forth below:

“Affiliate” shall mean, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls or is controlled by or is under common control with such Person. For the purposes of this definition, “control,” when used with respect to any particular 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 “controlling” and “controlled” have meanings correlative to the foregoing.

“Business Day” shall mean a day other than a Saturday, Sunday or other day on which commercial banks in Taiwan are authorized or required by Law to close.

“ChipMOS Material Adverse Effect” shall mean any change, effect, event or occurrence that causes a material adverse effect on ChipMOS Bermuda’s ability to consummate the transactions contemplated herein on a timely basis.

“Contract” shall mean any contract, license, consent, agreement, instrument or other enforceable, commitment, written or unwritten, including any deed, loan or credit agreement, note, bond, mortgage, indenture or lease to which a Person is a party or by which any of its material assets or properties is bound.

“Conversion Rate” shall mean the spot exchange rate as published by Reuters (or such other publication as may be mutually agreed to by the parties) at each of the Closing Dates.

“Exchange Act” shall mean the Securities Exchange Act of 1934, and the rules and regulations promulgated thereunder, as the same may be amended from time to time.

“Governmental Authority” means any federal, state, foreign, supranational, national, municipal or local government, any court, any instrumentality, subdivision, administrative agency or commission or securities regulatory authority or other governmental authority or instrumentality or industry self-regulatory body.

“SPIL Material Adverse Effect” shall mean any change, effect, event or occurrence that causes a material adverse effect on SPIL’s ability to consummate the transaction contemplated herein on a timely basis.

“knowledge” or “to XXX’s knowledge” or any similar language shall mean, with respect to any matter in question, as to any entity, the actual knowledge (without independent inquiry) that the chief executive, chief operating and chief financial officer, if any, has with respect to the matter in question.

“Law” shall mean, with respect to any Person, any law, statute, rule, regulation, order, writ, injunction, judgment or decree of any Governmental Authority, as in effect on the date hereof, to which such Person or any of its subsidiaries is bound or to which any of their respective properties is subject.

“Liens” shall mean any liens, charges, pledges, mortgages, options, encumbrances, adverse claims, security interests or other third party rights (including rights of preemption, purchase rights and voting trusts), restrictions or limitations, in each case of any nature whatsoever.

“Person” shall mean any individual, corporation, limited liability company, partnership, firm, joint venture, association, trust, joint stock company, unincorporated organization or other entity.

“Representatives” shall mean, with respect to each party, such party’s officers, directors, employees, counsel, investment bankers, consultants, accountants and other authorized representatives.

“ROC” means the Republic of China.

“SEC” shall mean the U.S. Securities and Exchange Commission.

“Securities Act” shall mean the Securities Act of 1933, and the rules and regulations promulgated thereunder, as the same may be amended from time to time.

“Subsidiary” or “Subsidiaries” has the meaning set forth in Rule 405 under the Securities Act, and for the purposes of this Agreement.

SECTION 9.2. Table of Definitions. The following terms have the meanings set forth in the Sections below:

<u>Definition</u>	<u>Location</u>
Agreement	Preamble
ChipMOS Taiwan	Preamble
Closings	2.1
Closing Date(s)	2.1
Consents	3.3
Damages	7.1(a)
Down Payment	2.1
Equipment Purchase Agreement	Preamble
First Closing	2.2
First Closing Shares	2.2
Fourth Closing	2.5
Fourth Closing Shares	2.5
Second Closing	2.3
Second Closing Shares	2.3
Target Shares	1.1
Third Closing	2.4
Third Closing Shares	2.4



SECTION 9.3. Certain Rules of Construction. This Agreement is to be interpreted in accordance with the following rules of construction:

(a) Number and Gender. All definitions of terms apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.

(b) "Including," "Herein," Etc. The words "include," "includes" and "including" are deemed to be followed by the phrase "without limitation". The words "herein", "hereof", and "hereunder" and words of similar import refer to this Agreement (including all Exhibits) in its entirety and are not limited to any part hereof unless the context shall otherwise require.

(c) Subdivisions and Attachments. All references in this Agreement to Articles, Sections, subsections, and Exhibits are, respectively, references to Articles, Sections and subsections of, and Exhibits attached to, this Agreement, unless otherwise specified.

(d) References to Documents and Laws. All references to any this Agreement are to such document as amended, modified or supplemented from time to time in accordance with its terms. All references to (x) any other agreement or instrument or (y) any requirement of Law, license or similar item are to it as amended and supplemented from time to time (and, in the case of a Law, to any corresponding provisions of successor Laws), unless otherwise specified.

(e) References to Days. Any reference in this Agreement to a "day" or number of "days" (without the explicit qualification "Business") is a reference to a calendar day or number of calendar days. If any action or notice is to be taken or given on or by a particular calendar day, and such calendar day is not a Business Day, then such action or notice may be taken or given on the next Business Day.

(f) Examples. If, in any provision of this Agreement, any example is given (through the use of the words "such as," "for example," "e.g." or otherwise) of the meaning, intent or operation of any provision, such example is intended to be illustrative only and not exclusive.

(g) Participation in Drafting. The parties and their respective legal counsel have participated in the drafting of this Agreement, and this Agreement will be construed simply and according to its fair meaning and without any presumption or prejudice for or against any party.

(h) Headings. The table of contents and section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

ARTICLE X

MISCELLANEOUS

SECTION 10.1. 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 the Republic of China.

SECTION 10.2. Litigation; Jurisdiction. The Taiwan Hsinchu District Court shall have the exclusive jurisdiction to adjudicate any disputes, controversies and claims in connection with or arising out of this Agreement that the parties are unable to resolve between themselves.

SECTION 10.3. Fees and Expenses. Except as otherwise provided herein, each party to this Agreement will bear its own costs and expenses in connection with such transactions.

SECTION 10.4. Payments and Currency. Any and all amounts payable hereunder, at the Closing or otherwise, shall be paid to the appropriate party in United States dollars at the Conversion Rate. No payment obligation hereunder shall be discharged by amounts paid in another currency.

SECTION 10.5. Entire Agreement. This Agreement, the exhibits and schedules hereto and thereto and any other documents delivered pursuant hereto and thereto constitute the full and entire understanding and agreement between the parties with regard to the subject matters hereof and supersede all prior understandings and agreements, and no party shall be liable or bound to any other in any manner by any representations, warranties, covenants and agreements except as specifically set forth herein and in this Agreement.

SECTION 10.6. Amendment and Waiver. This Agreement may be amended or modified only upon the written consent of the parties hereto. No waiver by any party of any default, misrepresentation, or breach of warranty or covenant hereunder, shall be valid unless expressly set forth in writing and signed on behalf of the party entitled to the benefits of such waived term or provision, and no such waiver shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

SECTION 10.7. Severability. In case any provision of the Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 10.8. Delays or Omissions. It is agreed that no delay or omission to exercise any right, power or remedy accruing to any party, upon any breach, default or noncompliance by another party under this Agreement, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of or in any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent or approval of any kind or character on either party's part of any breach, default or noncompliance under this Agreement or any waiver on such party's part of any provisions or conditions of the Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, by law, or otherwise afforded to any party, shall be cumulative and not alternative.

SECTION 10.9. Specific Performance. The parties hereto agree that if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached, irreparable damage would occur, no adequate remedy at law would exist and damages would be difficult to determine and the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

SECTION 10.10. Notices. All notices or other communications required or permitted to be given under this Agreement shall be deemed to have been fully given on the date delivered by hand or by courier service such as Federal Express, or by other messenger (or, if delivery is refused, upon presentment) or upon receipt by facsimile transmission (provided, that the confirmation of such facsimile transmission is delivered by hand or certified mail to the addressee of the facsimile within five Business Days of the delivery of the facsimile), or upon delivery by registered or certified mail (return receipt requested), postage prepaid, to the parties as follows:

If to ChipMOS Bermuda:

ChipMOS TECHNOLOGIES (Bermuda) LTD.  
No. 1. R&D Rd. 1, Hsinchu Science Park  
Hsinchu, Taiwan, Republic of China  
Telecopy: (+886-3) 566-8975  
Attention: S.K. Chen

If to SPIL:

Siliconware Precision Industries Co., Ltd.  
No. 45, Jie Show RD.,  
Hsin-Chu, Taiwan 300, R.O.C  
Telecopy: (+886-3) 563-2352  
Attention: Byron Chiang

or to such other Persons or addresses as the Person to whom notice is given may have previously furnished in writing to the party giving such notice in the manner set forth above (provided, that notice of any change of address shall be effective only upon receipt thereof).

SECTION 10.11. Successors and Assigns; No Third Party Beneficiaries. No party may assign its obligations under this Agreement to any person without the other parties' prior written consent. This Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

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SECTION 10.12. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of the date set forth in the first paragraph hereof.

CHIPMOS TECHNOLOGIES (BERMUDA) LTD.

By:  
Name:  
Title:

SILICONWARE PRECISION INDUSTRIES CO., LTD.

By:  
Name:  
Title:

Section 3.4

The performance of this Agreement may result in ChipMOS Bermuda's breach of the FACILITY AGREEMENT relating to a US\$74,500,000 Term Loan Facility among ChipMOS Bermuda, Standard Chartered Bank (Hong Kong) Limited as agent and its bank Lenders dated 18 July 2008, which would need ChipMOS Bermuda to obtain the waiver and consent from the Majority Lenders thereof and this is a closing condition.

EQUIPMENT PURCHASE AGREEMENT

between

CHIPMOS TECHNOLOGIES INC.

and

SILICONWARE PRECISION INDUSTRIES CO., LTD.

February 26, 2010

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## EQUIPMENT PURCHASE AGREEMENT

This EQUIPMENT PURCHASE AGREEMENT (this “Agreement”) is made and entered into as of February 26, 2010, by and between ChipMOS TECHNOLOGIES INC., a company incorporated under the laws of the Republic of China (“ChipMOS Taiwan” or the “Purchaser”), and Siliconware Precision Industries Co., Ltd., a company incorporated under the laws of the Republic of China (“SPIL” or the “Seller”). Capitalized terms used herein shall have the meaning ascribed to them in Article I hereto.

### WITNESSETH:

Whereas, SPIL will sell to ChipMOS Taiwan, and ChipMOS Taiwan will purchase from SPIL certain SPIL’s LCD driver assembly and testing equipment and DRAM testing equipment for the purchase price and upon the terms and conditions set forth in this Agreement;

Whereas, SPIL will purchase from ChipMOS TECHNOLOGIES (Bermuda) LTD. (“ChipMOS Bermuda”), and ChipMOS Bermuda will sell to SPIL, 133,000,000 common shares, par value NT\$10.00 per share, of ChipMOS Taiwan (“Target Shares”), which shares constitute 15.77% of the issued and outstanding shares of capital stock of ChipMOS Taiwan as of the date hereof, for the purchase price and upon the terms and conditions set forth in the Share Purchase Agreement;

Whereas, SPIL intends to use the proceeds received from the sales of the equipment under this Agreement to pay the purchase consideration under the Share Purchase Agreement to ChipMOS Bermuda without any advanced or additional payments to ChipMOS Bermuda, and

Now, Therefore, in consideration of the foregoing recitals and the mutual promises, representations, warranties, and covenants hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

### ARTICLE I DEFINITIONS

SECTION 1.1 Certain Definitions. The following terms shall have the following meanings for all purposes of this Agreement, except where the context otherwise requires:

“Business Day” shall mean a day other than a Saturday, Sunday or other day on which commercial banks in Taiwan are authorized or required by the law to close.

“Contract” shall mean any contract, license, consent, agreement, instrument or other enforceable, commitment, written or unwritten, including any deed, loan or credit agreement, note, bond, mortgage, indenture or lease to which a Person is a party or by which any of its material assets or properties is bound.

“Effective Date” means the date when the parties hereto execute this Agreement;

“Governmental Authority” means any federal, state, foreign, supranational, national, municipal or local government, any court, any instrumentality, subdivision, administrative agency or commission or securities regulatory authority or other governmental authority or instrumentality or industry self-regulatory body.

“Equipment” means the LCD Driver Assembly and Testing Equipment and Memory Testing Equipment owned by SPIL as specified in Schedule A.

“Installation Site” means, for DRAM Testing Equipment, the factory of the Purchaser located at No. 1. R&D Rd. 1, Hsinchu Science Park, Hsinchu, Taiwan, and, for LCD Driver Assembly and Testing Equipment, the factory of the Purchaser located at No. 5, Nanke 7<sup>th</sup> Rd., Southern Taiwan Science Park, Tainan County, Taiwan.

“LCD Driver Assembly and Testing Equipment” means the equipment for assembly and testing of LCD drivers owned by SPIL as specified in Schedule A.

“Liens” shall mean any liens, charges, pledges, mortgages, options, encumbrances, adverse claims, security interests or other third party rights (including rights of preemption, purchase rights and voting trusts), restrictions or limitations, in each case of any nature whatsoever.

“DRAM Testing Equipment” means the equipment for testing of DRAM products owned by SPIL as specified in Schedule A.

“Manufacturer” means a person, an enterprise or an entity that produced the Equipment.

“NT Dollars” and “NT\$” mean the transaction currency of this Agreement;

“Sale Price” means the price for the Equipment as provided in Section 2.2, which shall have included the Value-Added Business Tax;

“Share Purchase Agreement” means certain share purchase agreement dated February 26, 2010 between ChipMOS TECHNOLOGIES (Bermuda) LTD. and SPIL; and

“Specification” means the specification of certain main Equipment for performance as attached in Schedule B.

SECTION 1.2 Certain Rules of Construction. The headings in this Agreement are inserted for convenience only and shall be ignored in construing this Agreement. Unless the context otherwise requires, words (including words defined herein) denoting the singular number only shall include the plural and vice versa. The words “written” and “in writing” include any means of visible reproduction. References to “Sections” and “Schedules” are to be construed as references to the Sections of, and schedules to, this Agreement.

## ARTICLE II SALE OF EQUIPMENT, SALE PRICE AND PAYMENT TERMS

SECTION 2.1 Sale of Equipment. The Seller hereby agrees to sell to the Purchaser, and the Purchaser hereby agrees to purchase from the Seller, the Equipment on the terms and conditions hereof.

SECTION 2.2 Sale Price. The Sale Price for the Equipment shall be NT\$1,630,580,000, whereby the LCD Driver Assembly and Testing Equipment shall account for NT\$930,580,000 and the DRAM Testing Equipment shall account for NT\$700,000,000.

SECTION 2.3 Invoices. Notwithstanding the Payment Schedule set forth in Section 2.4, the Seller shall issue the following invoices of the payment thereof, which shall be deemed good consideration for the Equipment in accordance with the following schedule:

- (a) Invoice for the First Payment, to be issued on March 31, 2010;
- (b) Invoice for the Second Payment, to be issued on May 31, 2010; and
- (c) Invoice for the Third Payment & Fourth Payment, to be issued on 30 July 2010.

SECTION 2.4 Payment Schedule. Payment of the Sale Price shall be made by installments by Purchaser to Seller in accordance with the following schedule:

- (a) First payment at NT\$465,290,000 ("First Payment" equivalent to half of the sale price of the LCD Driver Assembly and Testing Equipment) shall be paid within five (5) Business Days after the Effective Date;
- (b) Second payment at NT\$465,290,000 ("Second Payment" equivalent to half of the sale price of the LCD Driver Assembly and Testing Equipment) shall be paid on May 31, 2010;
- (c) Third payment at NT\$210,000,000 ("Third Payment" equivalent to 30% of the sale price of the DRAM Testing Equipment) shall be paid on November 30, 2010; and
- (d) Fourth payment at NT\$490,000,000 ("Fourth Payment" equivalent to 70% of the sale price of the DRAM Testing Equipment) shall be paid on March 31, 2011.

### ARTICLE III DELIVERY OF EQUIPMENT

The Seller shall deliver the Equipment to the Purchaser at the Installation Site on the respective delivery dates ("Delivery Date(s)") in accordance with the following delivery schedule:

SECTION 3.1 LCD Driver Assembly and Testing Equipment. Delivery of the LCD Driver Assembly and Testing Equipment shall be commenced on April 1, 2010, completed by June 30, 2010 and divided into three delivery batches. The delivery details and schedules shall be further negotiated and agreed by the parties hereto in good faith.

SECTION 3.2 DRAM Testing Equipment. Delivery of the DRAM Testing Equipment shall be commenced on July 1, 2010, completed by July 30, 2010 and delivered in one batch. The delivery details and schedules shall be further negotiated and agreed by the parties hereto in good faith.

SECTION 3.3 Title and Risk of Loss. The title to and risk of loss or destruction or damages to any or all of the Equipment shall pass to the Purchaser upon receipt of such Equipment by the Purchaser.

SECTION 3.4 Cost and Expense. The Seller shall bear any and all cost, expense and fees arising out of disassembly, packing, moving, transportation of the Equipment from the Seller's premises to the Installation Site and the Purchaser shall bear any and all cost, expense and fees arising out of unpacking and installation of the Equipment at the Installation Site.

#### ARTICLE IV PURCHASER'S COVENANT

SECTION 4.1 Purchaser's Reasonable Efforts. If any of the Equipment is the bonded goods, the Purchaser agrees to exert its commercially reasonable efforts in keeping the Equipment as the bonded goods, including take all required and necessary application for such status.

#### ARTICLE V REPRESENTATIONS AND WARRANTIES

SECTION 5.1 Seller's Representation and Warranty. The Seller represents and warrants to the Purchaser that:

(a) the Seller is a company duly organized and validly existing under the laws of the Republic of China and is duly authorized to conduct business and in good standing under the laws of each jurisdiction where such qualification is required, except where the lack of such qualification would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on its ability to consummate the transactions contemplated herein;

(b) the Seller has the requisite corporate power and authority to execute and deliver this Agreement and to carry out the provisions of this Agreement including without limitation to transfer the title to the Equipment to the Purchaser. This Agreement and the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action of the Seller. This Agreement has been duly executed and delivered by the Seller and this Agreement constitutes a valid and legally binding obligation of the Seller, enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect affecting creditors' rights generally or by general principles of equity.

(c) no consent, approval, permit or authorization of, license or order of, or registration, declaration, filing with, or notice to, any Governmental Authority (such consents, approvals, authorizations, licenses, orders, registrations, filings and notices, together with any consents, approvals, actions or notices required to be obtained from any Governmental Authority, collectively, the “Consents”) is required to be obtained, made or given by the Seller in connection with (i) the execution and delivery by the Seller of this Agreement, (ii) the performance by the Seller of its obligations under this Agreement or (iii) the consummation by the Seller of the transactions contemplated by this Agreement; in each case, other than where the lack thereof would not be reasonably expected to have, individually or in the aggregate, a material adverse effect;

(d) the execution, delivery and performance by the Seller of this Agreement, the compliance by the Seller with all the provisions hereof and thereof on part of the Seller and the consummation of the transactions contemplated hereby and thereby on part of the Seller will not conflict with or result in (i) any violation of the provisions of the Articles of Incorporation or its internal rules or any statute or any order, rule or regulation of any Governmental Authority having jurisdiction over the Seller or any of its properties or assets, other than any such conflicts, breaches, violations or defaults, or (ii) any breach or violation of any of the terms or provisions of, or constitute a default under, any material Contract to which the Seller is a party or by which the Seller is bound or to which the Equipment is subject;

(e) the Seller owns and holds good and valid title to the Equipment, free of all Liens and the Equipment is the property of the Seller and the Seller may transfer the Equipment to any person or entity without any restrictions whatsoever;

(f) the Seller owns or has valid ownership or license related to the use of the Equipment, without knowing infringement of the rights of others;

(g) the Equipment will operate in conformance with the Specifications or in the event of no Specifications, will have the ordinary functionality of the like products .

(h) Except for the representations and warranties contained in this Section 5.1, neither Seller nor any other Person makes any other express or implied representation or warranty on behalf of or with respect to Seller, and Seller hereby disclaims any such representation or warranty, whether by Seller or any other Person, with respect to the execution and delivery of this Agreement, the consummation of the transactions contemplated in this Agreement or Seller, notwithstanding the delivery or disclosure to Purchaser or any other Person of any documentation or other information by Seller or any other Person with respect to any one or more of the foregoing.

SECTION 5.2 Purchaser’s Representation and Warranty. The Purchaser represents and warrants to the Seller that:

(a) the Purchaser is a company duly organized and validly existing under the laws of the Republic of China and is duly authorized to conduct business and in good standing under the laws of each jurisdiction where such qualification is required, except where the lack of such qualification would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on its ability to consummate the transactions contemplated herein;

(b) the Purchaser has the requisite corporate power and authority to execute and deliver this Agreement and to carry out the provisions of this Agreement. This Agreement and the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action of the Purchaser. This Agreement has been duly executed and delivered by the Purchaser and this Agreement constitutes, and a valid and legally binding obligation of the Purchaser, enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect affecting creditors' rights generally or by general principles of equity.

(c) no consent, approval, permit or authorization of, license or order of, or registration, declaration, filing with, or notice to, any Governmental Authority (such consents, approvals, authorizations, licenses, orders, registrations, filings and notices, together with any consents, approvals, actions or notices required to be obtained from any Governmental Authority, collectively, the "Consents") is required to be obtained, made or given by the Purchaser in connection with (i) the execution and delivery by the Purchaser of this Agreement, (ii) the performance by the Purchaser of its obligations under this Agreement or (iii) the consummation by the Purchaser of the transactions contemplated by this Agreement; in each case, other than where the lack thereof would not be reasonably expected to have, individually or in the aggregate, a material adverse effect;

(d) the execution, delivery and performance by the Purchaser of this Agreement, the compliance by the Purchaser with all the provisions hereof and thereof on part of the Purchaser and the consummation of the transactions contemplated hereby and thereby on part of the Purchaser will not conflict with or result in (i) any violation of the provisions of the Articles of Incorporation or its internal rules or any statute or any order, rule or regulation of any Governmental Authority having jurisdiction over it or any of its properties or assets, other than any such conflicts, breaches, violations or defaults, or (ii) any breach or violation of any of the terms or provisions of, or constitute a default under, any material Contract to which the Purchaser is a party or by which the Purchaser is bound.

## ARTICLE VI EQUIPMENT VERIFICATION

SECTION 6.1 Joint Verification. After the Effective Date and prior to June 30, 2010 with respect to DRAM Testing Equipment or prior to March 31, 2010 with respect to LCD Driver Assembly and Testing Equipment, both parties shall appoint qualified personnel to jointly verify the Equipment at the Seller's site. The Seller agrees to fix any of the Equipment which does not conform to the Specifications or in the event of no Specifications, have the ordinary functionality of like equipment as soon as practical thereafter, but no later than the Delivery Date. The Equipment shall be deemed having the ordinary functionality or conforming to the Specifications, as applicable, at the time of joint verification unless otherwise the Purchaser raises any objection to any or all of the Equipment during the course of the joint verification. The foregoing Equipment status shall be the only criteria for the Purchaser to verify the Equipment in the verification report as set forth in Section 6.2.

SECTION 6.2 Purchaser's Acceptance & Verification. After each batch of Equipment is delivered from Seller to the Installation Site, the Purchaser shall submit its verification report for each batch of Equipment to the Seller within six (6) weeks. The Purchaser's failure to submit such report for each batch of Equipment will be deemed acceptance of the Equipment and Purchaser shall not be entitled to any claim. In the event that any of the Equipment does not conform to the status of Equipment which has been jointly verified under Section 6.1, both parties agree to negotiate in good faith to solve such non-conformance before any remedies are sought. For any of the Equipment which does not conform to the status of Equipment which has been jointly verified under Section 6.1 as stated in the foregoing verification report, the Purchaser could claim to such non-conformance and deduct its break down Sale Price from the total Sale Price, which shall be the sole and exclusive remedy under this Agreement. The Purchaser shall only be compensated if the aggregate amount of all Losses in each batch of Equipment which is delivered from Seller to the Installation Site exceeds Ten Million New Taiwan Dollars (NT\$10,000,000) ("Compensable Loss"), other than to the extent resulting from violation of any representation and warranty relating to title or ownership of any Equipment; provided, however, that in the event said threshold amount is exceeded, Purchaser is entitled to be compensated for the full amount of all Compensable Losses.

## ARTICLE VII ASSIGNMENT OF WARRANTIES & LICENSE OF SOFTWARE

SECTION 7.1 Assignment of Warranties. To the extent that any manufacturer's maintenance, overhaul facilities, warranties, service life policies, patent indemnities, and other warranties with respect to the Equipment are still in effect and transferable, the Seller agrees to assign or cause to be assigned, such warranties to the Purchaser on each of the Delivery Dates and to take such other steps as will enable the Purchaser to assert warranty claims directly with the manufacturers.

SECTION 7.2 Assignment of Software License and Documentation. The Seller agrees to assign or cause to be assigned to the Purchaser any and all (i) Manufacturer's software and all other Manufacturer's intellectual properties and (ii) the Manufacturer's manuals, operation instructions and all other documentation in connection with the Equipment on each of the Delivery Dates; provided however that the Equipment shall be restored by the Seller prior to the respective Delivery Date to the status that the Manufacturer delivered to the Seller ("Manufacturer Status"). If any of the Equipment cannot be restored to the Manufacturer Status, the Seller shall grant to the Purchaser a perpetual, non-exclusive and non-sublicensed license to use any and all improvements, updates, upgrades and derivatives that the Seller created or made to the Equipment ("Improvement").

## ARTICLE VIII DISCLAIMER

Except to the extent specified in this Agreement, the seller disclaims any and all warranties, express, implied or otherwise, regarding its accuracy, completeness, flawlessness, non-infringement, or performance. In no event shall either party be liable to the other party or parties for any special, indirect, incidental, punitive, exemplary or consequential damages of any kind, including but not limited to, loss of profits, loss of use, or damages to the other party's or parties' business reputation however caused and on any theory of liability, whether in an action for contract, strict liability or tort (including negligence) or otherwise, whether or not the first party has been advised of the possibility of such damage and notwithstanding the failure of essential purpose of any remedy, except that any such limitation on liability shall not apply in the case of fraud, gross negligence, intentional misrepresentation or criminal activity.



ARTICLE IX  
MATERIAL DEFAULT AND TERMINATION

SECTION 9.1 Default by Seller. Upon the occurrence of any of the following events, and except as is otherwise provided for in this Agreement, the Purchaser may terminate this Agreement without prejudice to any and all rights and remedies available to the Purchaser, if:

- (a) The Seller delays delivery of the related Equipment to the Purchaser on any of the Delivery Dates as set forth in Section 3 and fails to cure such default for more than thirty (30) days; or
- (b) The Seller fails or defaults in the performance of any material obligation or covenant under this Agreement and fails to cure such default for more than thirty (30) days after the Seller's receipt of written notice from the Purchaser of such default or breach; or
- (c) Any representation or warranty made by the Seller hereunder is breached.

SECTION 9.2 Default by Purchaser. Upon the occurrence of any of the following events, and except as is otherwise provided for in this Agreement, the Seller may terminate this Agreement without prejudice to any and all rights and remedies available to the Seller, if:

- (a) The Purchaser delays any payment in accordance with the payment schedule as set forth in Section 2.4 and fails to cure such default for more than thirty (30) days; or
- (b) The Purchaser fails or defaults in the performance of any material obligation or covenant under this Agreement and fails to cure such default for more than thirty (30) days after the Purchaser's receipt of written notice from the Seller of such default or breach; or
- (c) Any representation or warranty made by the Purchaser hereunder is breached.

SECTION 9.3 Termination Due to Share Purchase Agreement. In the event that the share purchase transactions under the Share Purchase Agreement fails to be consummated or the Share Purchase Agreement has been terminated, either party may terminate this Agreement with the thirty-day prior written notice to the other party. Upon termination of this Agreement in accordance with this Section, the Seller shall promptly return any and all payment to the Purchaser and the Purchaser shall promptly return the Equipment to the Seller.

ARTICLE X  
NON-COMPETITION

Within five (5) years commencing from the Effective Date, the Seller shall not establish any and all production line or capacity to compete with the Purchaser with respect to LCD driver assembly and testing or DRAM testing.

ARTICLE XI  
MISCELLANEOUS

SECTION 11.1 Confidentiality. Each of the parties shall hold, and shall cause its representatives to hold, in confidence this Agreement, all documents and information furnished to it by or on behalf of the other party in connection with the transactions contemplated hereby. Each party hereto shall hold in strictest confidence any information and material which is related to the other party's business or is designated by the other party as proprietary and confidential, herein or otherwise. It is understood that this confidentiality clause does not include information which: (i) is now or hereafter in the public domain through no fault of the party being provided the confidential information; (ii) prior to disclosure hereunder, is property within the rightful possession of the party being provided the confidential information; (iii) subsequent to disclosure hereunder, is lawfully received from a third party with no restriction on further disclosure; or (iv) is obligated to be produced under order of a court of competent jurisdiction, unless made the subject of a confidentiality agreement or protective order in connection with such proceeding, which the parties in all cases will attempt to obtain. Neither party hereto shall disclose such information to any third party without prior written authorization of the other party.

SECTION 11.2 Taxes. Any and all taxes so incurred from or in connection with this Agreement shall be borne by the parties hereto in accordance with the applicable laws.

SECTION 11.3 Notices. All notices and other communications pertaining to this Agreement shall be in writing and shall be deemed duly to have been given if personally delivered to the other party or if sent by the certified mail, return receipt requested, postage prepaid. All notices or communications between the Purchaser and the Seller pertaining to this Agreement shall be addressed as follows:

If to ChipMOS Taiwan:

ChipMOS TECHNOLOGIES INC.  
No. 1. R&D Rd. 1, Hsinchu Science Park  
Hsinchu, Taiwan, Republic of China  
Telecopy: (+886-3) 566-8975  
Attention: S.K. Chen

If to SPIL:

Siliconware Precision Industries Co., Ltd.  
No. 45 , Jie Show RD.,  
Hsin-Chu, Taiwan 300, R.O.C  
Telecopy: (+886-3) 563-2352  
Attention: Byron Chiang

Either party may change its notification address by giving written notice to that effect to the other party in the manner provided herein.

SECTION 11.4 Waiver. Any waiver by either party of a breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Agreement. The failure of a party to insist upon strict adherence to any term of this Agreement on one or more occasions shall neither be considered a waiver nor deprive that party of any right thereafter to insist upon strict adherence to that term or any other term of this Agreement. Any waiver must be in writing and signed by the party to be charged therewith.

SECTION 11.5 Modifications. No revision or modification of this Agreement shall be effective unless in writing and executed by authorized representative of both parties.

SECTION 11.6 Assignment. This Agreement, and the rights and obligations created hereunder, shall not be assignable or delegable by either party hereto without the prior consent in writing of the other party hereto. Notwithstanding the above, Purchaser hereby agrees that Seller may assign the payment, which Purchaser has to pay to Seller in respect of any installment of this Agreement, to ChipMOS Bermuda.

SECTION 11.7 Severability. If any portion of this Agreement is held invalid, such invalidity shall not affect the validity of the remaining portions of the Agreement, and the parties will substitute for any such invalid portion hereof a provision which best approximates the effect and intent of the invalid provision.

SECTION 11.8 Language. This Agreement is in English language only.

SECTION 11.9 Governing Law and Jurisdiction This Agreement shall be governed by the laws of the Republic of China. The Hsinchu District Court shall have the exclusive jurisdiction to adjudicate any dispute arising from or in connection with this Agreement.

SECTION 11.10 Headings. The paragraph titles of this Agreement are for conveniences only and shall not define or limit any of the provisions hereof.

SECTION 11.11 Entire Agreement. This Agreement, the documents referenced herein and all Exhibits hereto are intended as the complete and exclusive statement of the agreement between the parties hereto with respect to the subject matter hereof, and supersede all prior agreements and negotiations related thereto.

SECTION 11.12 Binding Effect. The provisions hereof shall be binding upon and shall inure to the benefit of the parties hereto, their respective successors, and permitted assigns.

SECTION 11.13 Cooperation. Each party hereto will promptly, at any time and from time to time, execute and deliver to the other party hereto such further instruments and documents, and take such further action, as the former party may from time to time request to establish and protect its rights, interests, and remedies created under this Agreement.

SECTION 11.14 Survival. The representations and warranties contained in Articles 1, 8 and 11 shall survive termination of this Agreement. It is hereby agreed that the warranties, representations, acknowledgements and indemnities given and made pursuant to this Agreement shall be continuing obligations and shall survive the completion or termination of this Agreement.

SECTION 11.15 Counterparts. Provided that all parties hereto execute a copy of this Agreement, this Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. Executed copies of this Agreement may be delivered by facsimile transmission or other comparable means. This Agreement shall be deemed fully executed and entered into on the date of execution by the last signatory required hereby.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of the date set forth in the first paragraph hereof.

CHIPMOS TECHNOLOGIES INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SILICONWARE PRECISION INDUSTRIES CO., LTD.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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EQUIPMENT PURCHASE AGREEMENT

**Schedule A**

**LIST OF EQUIPMENT**

LCD Driver Assembly and Testing Equipment



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EQUIPMENT PURCHASE AGREEMENT

**Schedule B**

**SPECIFICATION OF CERTAIN MAIN EQUIPMENT**

For memory testers, burn-in oven and LCD testers: Specifications provided by the respective Manufacturer

List of Principal Subsidiaries

<u>Name</u>	<u>Place of Incorporation</u>
ChipMOS TECHNOLOGIES INC.	Republic of China
ChipMOS TECHNOLOGIES (H.K.) Limited	Hong Kong
MODERN MIND TECHNOLOGY LIMITED	British Virgin Islands
ChipMOS TECHNOLOGIES (Shanghai) LTD.	People’s Republic of China
ThaiLin Semiconductor Corp.	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: June 4, 2010

/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: June 4, 2010

/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, 2009 (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.

Date: June 4, 2010

/s/ Shih-Jye Cheng

**Name: Shih-Jye Cheng**

**Title: Chairman and Chief Executive Officer**

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of the Report or as a separate disclosure document.

**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, 2009 (the “Report”) fully complies with the requirements of Section13(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.

Date: June 4, 2010

/s/ Shou-Kang Chen

**Name: Shou-Kang Chen**

**Title: Chief Financial Officer**

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of the Report or as a separate disclosure document.

June 4, 2010

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,

**MOORE STEPHENS**  
CERTIFIED PUBLIC ACCOUNTANTS

905 Silvercord, Tower 2  
30 Canton Road  
Tsimshatsui  
Kowloon  
Hong Kong

Tel : (852) 2375 3180  
Fax : (852) 2375 3828  
E-mail : [ms@ms.com.hk](mailto:ms@ms.com.hk)  
[www.ms.com.hk](http://www.ms.com.hk)

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# **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. 333-137838, 333-116670 and 333-85290 on Form S-8 of our report dated March 17, 2010, appearing in this Annual Report on Form 20-F of ChipMOS TECHNOLOGIES (Bermuda) LTD. for the year ended December 31, 2009 (the "Annual Report"). We also consent to the inclusion of our report in the Annual Report.

Yours faithfully,

/s/ Moore Stephens

\_\_\_\_\_  
*Certified Public Accountants*  
Hong Kong