

CHIPMOS TECHNOLOGIES BERMUDA LTD  
Form 20-F  
April 26, 2013  
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As filed with the Securities and Exchange Commission on April 26, 2013

**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, 2012

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)

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

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
Common Shares, par value US\$0.04 each	The NASDAQ Capital Market

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

None

(Title of Class)

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

None

(Title of Class)

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, 2012, 28,891,441 Common Shares, par value US\$0.04 each, were outstanding (not including 4,474,211 Common Shares held by our subsidiary).

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

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

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

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

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

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

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

US GAAP

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

If 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.

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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 events 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;

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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.

**Table of Contents****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, 2011 and 2012 and our consolidated statement of operations and cash flows data for 2010, 2011 and 2012 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, 2008, 2009 and 2010 and the consolidated statement of operations and cash flows data for the years ended December 31, 2008 and 2009 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 24 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,					
	2008	2009	2010	2011	2012	2012
	NT\$	NT\$	NT\$	NT\$	NT\$	US\$
(in millions, except per share data)						
<b>Consolidated Statement of Operations Data:</b>						
<b>ROC GAAP:</b>						
Net revenue:						
Related parties <sup>(1)</sup>	\$ 3,122.9	\$ 668.9	\$ 2,033.3	\$ 379.0	\$	\$
Others	13,887.3	11,481.4	15,176.4	17,831.9	19,220.5	661.6
Total net revenue	17,010.2	12,150.3	17,209.7	18,210.9	19,220.5	661.6
Cost of revenue	16,969.9	15,661.5	16,564.0	16,549.2	16,638.5	572.8
Gross profit (loss)	40.3	(3,511.2)	645.7	1,661.7	2,582.0	88.8
Operating expenses:						
Research and development	435.6	375.3	412.7	409.8	492.8	17.0
General and administrative	885.6	657.8	677.6	651.9	625.6	21.5
Sales and marketing	2,362.7	561.2	64.4	66.5	78.4	2.7
Total operating expenses	3,683.9	1,594.3	1,154.7	1,128.2	1,196.8	41.2
Income (Loss) from operations	(3,643.6)	(5,105.5)	(509.0)	533.5	1,385.2	47.6
Other income (expenses), net	(3,286.8)	116.7	2,320.6	(455.8)	(464.4)	(16.0)
Income (Loss) before income tax, noncontrolling interests and interest in bonuses paid by subsidiaries <sup>(2)</sup>	(6,930.4)	(4,988.8)	1,811.6	77.7	920.8	31.6
Income tax benefit (expense)	(120.8)	420.7	99.3	(45.5)	(131.5)	(4.5)
Income (Loss) before noncontrolling interests and interest in bonuses paid by subsidiaries <sup>(2)</sup>	(7,051.2)	(4,568.1)	1,910.9	32.2	789.3	27.1
Net (income) loss attributable to noncontrolling interests	143.3	149.4	(266.2)	(47.4)	(67.5)	(2.3)
Interest in bonuses paid by subsidiaries <sup>(2)</sup>	(362.4)					
Net income (loss) attributable to ChipMOS	\$ (7,270.3)	\$ (4,418.7)	\$ 1,644.7	\$ (15.2)	\$ 721.8	\$ 24.8
Earnings (Loss) per share <sup>(4)</sup> :						
Basic	\$ (346.63)	\$ (223.35)	\$ 68.61	\$ (0.57)	\$ 26.27	\$ 0.90
Diluted	\$ (346.63)	\$ (230.15)	\$ 67.38	\$ (0.57)	\$ 25.50	\$ 0.88
Weighted-average number of shares outstanding <sup>(4)</sup> :						
Basic	21.0	19.8	24.0	26.6	27.5	27.5
Diluted	21.0	22.3	26.8	26.6	28.3	28.3



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### US GAAP:<sup>(3)</sup>

Net income (loss) attributable to ChipMOS	\$ (7,177.7)	\$ (4,550.3)	\$ 1,616.9	\$ 46.1	\$ 750.6	\$ 25.8
Earnings (Loss) per share <sup>(4)</sup> :						
Basic	\$ (342.24)	\$ (230.00)	\$ 67.45	\$ 1.73	\$ 27.32	\$ 0.94
Diluted	\$ (342.24)	\$ (236.60)	\$ 66.35	\$ 1.71	\$ 26.52	\$ 0.91
Weighted-average number of shares outstanding <sup>(4)</sup> :						
Basic	21.0	19.8	24.0	26.6	27.5	27.5
Diluted	21.0	20.8	26.8	26.9	28.3	28.3

- (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. Commencing April 1, 2011, Mosel and its direct and indirect subsidiaries are no longer related parties of the Company as collectively, they hold less than 10% interest in ChipMOS Bermuda and are no longer considered as having significant influence on the Company. Commencing April 1, 2011, Siliconware Precision held less than 10% interest in ChipMOS Bermuda and was no longer a major shareholder of the Company. See Note 18 of the notes to the consolidated financial statements contained in this Annual Report on Form 20-F.
- (2) Refers to bonuses to directors, supervisors and employees paid by subsidiaries.
- (3) Reflects the US GAAP adjustments as described in Note 24 of the notes to the consolidated financial statements contained in this Annual Report on Form 20-F.
- (4) The outstanding shares and per share information reflect the reverse stock split of the Company's common stocks with a ratio of 1-for-every-4 shares effective on January 21, 2011.

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	2008	2009	As of December 31,		2012	2012	
	NT\$	NT\$	2010	2011	NT\$	US\$	
			NT\$	NT\$			
			(in millions)				
<b>Consolidated Balance Sheet Data:</b>							
<b>ROC GAAP:</b>							
Current assets:							
Cash and cash equivalents	\$ 6,651.9	\$ 3,884.8	\$ 7,143.3	\$ 7,357.9	\$ 9,319.0	\$ 320.8	
Restricted cash and cash equivalents	59.5	243.8	546.8	285.1	174.5	6.0	
Financial assets at fair value through profit and loss	102.1	119.0	3.0				
Held-to-maturity financial assets	250.0						
Investment with no active market	100.0	100.0					
Notes receivable							
related parties <sup>(1)</sup>	195.0						
third parties	14.2	27.9	14.0	5.7	5.0	0.2	
Accounts receivable							
related parties <sup>(1)</sup>	0.4	0.2	258.0				
third parties	1,296.5	2,441.8	2,816.0	3,666.5	3,992.2	137.4	
Other receivables							
related parties <sup>(1)</sup>	30.0		66.4				
third parties	172.2	130.1	182.0	73.2	149.9	5.2	
Inventories	1,001.5	862.1	1,279.8	1,533.9	1,687.9	58.1	
Deferred income tax, net	355.8	356.4	278.7	76.6	77.8	2.7	
Prepaid expenses and other current assets	265.2	265.1	202.3	92.3	131.8	4.5	
Total current assets	10,494.3	8,431.2	12,790.3	13,091.2	15,538.1	534.9	
Long-term investments	437.8	220.0	10.5	39.1	11.6	0.4	
Property, plant and equipment net	23,654.9	20,769.0	17,273.0	13,896.1	12,108.0	416.8	
Intangible assets net	107.8	102.8	94.2	100.5	178.9	6.2	
Other assets	746.8	833.2	1,147.0	1,154.2	912.8	31.4	
Total assets	35,441.6	30,356.2	31,315.0	28,281.1	28,749.4	989.7	
Current liabilities:							
Short-term bank loans	2,745.4	2,363.3	1,494.7	546.9	366.5	12.6	
Current portion of long-term loans	4,603.7	1,553.9	4,925.7	684.0	2,227.8	76.7	
Convertible notes	1,541.6		65.8				
Accounts payable	477.9	738.0	690.1	1,130.8	890.1	30.6	
Payables to contractors and equipment suppliers	251.6	201.2	790.6	415.4	484.6	16.7	
Other payables	628.0	696.1	896.7	1,081.5	1,008.4	34.7	
Current portion of capital leases payable		821.2	822.0				
Accrued expenses and other current liabilities	469.4	525.7	990.9	830.9	767.0	26.4	
Total current liabilities	10,721.6	6,921.5	10,697.5	4,712.2	5,775.6	198.8	
Long-term liabilities	9,934.9	13,475.2	6,566.4	8,579.6	6,829.3	235.2	
Other liabilities	242.3	7.3	7.7	6.0	175.4	6.0	
Total liabilities	20,898.8	20,404.0	17,271.6	13,297.8	12,780.3	440.0	
Total equity (including noncontrolling interests)	\$ 14,542.8	\$ 9,952.2	\$ 14,043.4	\$ 14,983.3	\$ 15,969.1	\$ 549.7	

- (1) Related parties include Mosel, Siliconware Precision, ProMOS and DenMOS. Commencing April 1, 2011, Mosel and its direct and indirect subsidiaries are no longer related parties of the Company as collectively, they hold less than 10% interest in ChipMOS Bermuda and are no longer considered as having significant influence on the Company. Commencing April 1, 2011, Siliconware Precision held less than 10% interest in ChipMOS Bermuda and was no longer a major shareholder of the Company. See Note 18 of the notes to the consolidated financial statements contained in this Annual Report on Form 20-F.

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	2008	2009	As of December 31,		2012	2012
	NT\$	NT\$	2010	2011	NT\$	US\$
			NT\$	NT\$		
	(in millions)					
<b>US GAAP<sup>(1)</sup> :</b>						
Current assets:						
Cash and cash equivalents	\$ 6,651.9	\$ 3,884.8	\$ 7,143.3	\$ 7,357.9	\$ 9,319.0	\$ 320.8
Restricted cash and cash equivalents	59.5	243.8	546.8	285.1	174.5	6.0
Financial assets at fair value through profit and loss	102.1	119.0	3.0			
Held-to-maturity financial assets	250.0					
Available-for-sale financial assets	100.0	100.0				
Notes receivable						
related parties <sup>(2)</sup>	195.0					
third parties	14.2	27.9	14.0	5.7	5.0	0.2
Accounts receivable						
related parties <sup>(2)</sup>	0.4	0.2	258.0			
third parties	1,296.5	2,441.8	2,816.0	3,666.5	3,992.2	137.4
Other receivables						
related parties <sup>(2)</sup>	30.0		66.4			
third parties	172.2	130.1	182.0	73.2	149.9	5.2
Inventories	966.1	863.1	1,280.9	1,534.9	1,688.8	58.1
Deferred income tax, net	349.5	350.2	272.5	70.4	77.8	2.7
Prepaid expenses and other current assets	265.2	265.1	202.3	92.3	131.8	4.5
Total current assets	10,452.6	8,426.0	12,785.2	13,086.0	15,539.0	534.9
Long-term investments	437.8	220.0	10.5	39.1	11.6	0.4
Property, plant and equipment net	23,427.2	20,474.4	16,924.1	13,501.0	11,652.9	401.1
Intangible assets net	107.8	102.8	94.2	100.5	94.3	3.2
Other assets	731.6	893.2	1,221.1	1,237.6	977.7	33.7
Total assets	35,157.0	30,116.4	31,035.1	27,964.2	28,275.5	973.3
Current liabilities:						
Short-term bank loans	2,745.4	2,363.3	1,494.7	546.9	366.5	12.6
Current portion of long-term loans	4,603.7	1,553.9	4,925.7	684.0	2,227.8	76.7
Convertible notes	1,453.0		65.8			
Accounts payable	477.9	738.0	690.1	1,130.8	890.1	30.6
Payables to contractors and equipment suppliers	251.6	201.2	790.6	415.4	484.6	16.7
Other payables	628.0	696.1	896.7	1,081.5	1,008.4	34.7
Current portion of capital leases payable		821.2	822.0			
Accrued expenses and other current liabilities	469.4	525.7	990.9	830.9	767.0	26.4
Total current liabilities	10,632.9	6,921.5	10,697.5	4,712.2	5,775.6	198.8
Long-term liabilities	9,934.9	13,475.2	6,566.4	8,579.6	6,829.3	235.2
Other liabilities	435.0	286.1	398.6	383.5	480.3	16.5
Total liabilities	21,002.8	20,682.8	17,662.5	13,675.3	13,085.2	450.5
Total equity (including noncontrolling interests)	\$ 14,154.2	\$ 9,433.6	\$ 13,372.6	\$ 14,288.9	\$ 15,190.3	\$ 522.8

- (1) Reflects the US GAAP adjustments as described in Note 24 of the notes to the consolidated financial statements contained in this Annual Report on Form 20-F.
- (2) Related parties include Mosel, Siliconware Precision, ProMOS and DenMOS. Commencing April 1, 2011, Mosel and its direct and indirect subsidiaries are no longer related parties of the Company as collectively, they hold less than 10% interest in ChipMOS Bermuda and are no longer considered as having significant influence on the Company. Commencing April 1, 2011, Siliconware Precision held less than 10% interest in ChipMOS Bermuda and was no longer a major shareholder of the Company. See Note 18 of the notes to the consolidated financial statements contained in this Annual Report on Form 20-F.

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	Year ended December 31,					
	2008 NT\$	2009 NT\$	2010 NT\$	2011 NT\$	2012 NT\$	2012 US\$
(in millions)						
<b>Consolidated Statement of Cash Flows Data:</b>						
<b>ROC GAAP:</b>						
Capital expenditures	\$ 2,188.4	\$ 3,479.7	\$ 4,237.3	\$ 2,319.3	\$ 2,776.6	\$ 95.6
Depreciation and amortization	7,174.5	6,524.6	6,281.6	5,677.6	4,631.9	159.4
Net cash provided by (used in):						
Operating activities	5,164.2	781.0	8,688.9	5,898.0	4,735.3	163.0
Investing activities	(2,296.9)	(1,042.5)	(2,454.2)	(3,250.7)	(2,594.9)	(89.3)
Financing activities	(1,395.3)	(2,503.8)	(2,959.5)	(2,464.6)	(162.7)	(5.6)
Effect of exchange rate changes on cash	46.3	(1.8)	(16.8)	31.9	(16.6)	(0.6)
Net increase (decrease) in cash	\$ 1,518.3	\$ (2,767.1)	\$ 3,258.4	\$ 214.6	\$ 1,961.1	\$ 67.5
<b>Exchange Rates</b>						

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, 2012, which was NT\$29.05 to US\$1.00. We make no representation that the NT dollar or US dollar amounts referred to in this Annual Report on Form 20-F could have been or could be converted into US dollars or NT dollars, as the case may be, at any particular rate or at all. On April 19, 2013, the noon buying rate was NT\$29.77 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
2008	31.52	33.58	29.99	32.76
2009	33.02	35.21	31.95	31.95
2010	31.50	32.43	29.14	29.14
2011	29.38	30.67	28.50	30.27
2012	29.56	30.28	28.96	29.05
October	29.24	29.31	29.15	29.20
November	29.11	29.26	28.96	29.07
December	29.04	29.10	29.00	29.05
2013				
January	29.10	29.54	28.93	29.54
February	29.63	29.73	29.52	29.67
March	29.74	29.88	29.63	29.81
April (through 19, 2013)	29.91	30.06	29.77	29.77

Sources: Federal Reserve Bank of New York.

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### **Risk Factors**

#### **Risks Relating to Economic Conditions and the Financial Markets**

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

Disruptions in global credit and financial markets may occur that cause diminished liquidity and limited availability of credit, reduced consumer confidence, reduced economic growth, increased unemployment rates and uncertainty about economic stability. Limited availability of credit in financial markets may lead consumers and businesses to postpone spending. This in turn may cause our customers to cancel, decrease or delay their existing and future orders with us. Financial difficulties experienced by our customers or suppliers as a result of these conditions could lead to production delays and delays or defaults in payment of accounts receivable. Continuing credit markets disruption restricts our access to capital and limits our ability to fund operations or to refinance maturing obligations as they become due through additional borrowing or other sources of financing. We are not able to predict the duration or extent of disruptions in global credit and financial markets that occurred in since 2009 and through 2012. 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. This industry downturn started to recover from the second quarter of 2009, and our net revenue for 2010 increased 42% from 2009 levels. Our net revenue for 2011 increased 6% from 2010 levels. Our net revenue for 2012 increased 6% from 2011 levels and generated a net income of NT\$722 million (US\$25 million) in 2012. 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. Weak demand for LCD and other flat-panel display products began in 2007 and has since adversely affected our operating results in 2008, 2009, and 2010. The LCD driver market started to recover in the second quarter of 2009 and the positive recovery trend continued through 2012. We cannot give any assurances that there will not be any downturn in the future or that any future downturn will not affect our results of operations. Any significant decrease in demand for end-user applications of semiconductors will negatively affect our net revenue and earnings.

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### ***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 62%, 57% and 55% of our net revenue in 2010, 2011 and 2012, respectively. In the past, our service fees for testing and assembling memory semiconductors were sharply reduced in tandem with the decrease in the average selling price of DRAM in the semiconductor industry. The continuing oversupply of DRAM products in 2008 and the weak demand in the DRAM market in the period from 2009 to 2012 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.

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

Our testing and assembly services for LCD and other flat-panel display driver semiconductors generated net revenue of NT\$3,199 million, NT\$3,986 million and NT\$4,356 million (US\$150 million) in 2010, 2011 and 2012, respectively. We invested NT\$1,659 million, NT\$1,188 million and NT\$977 million (US\$34 million) in 2010, 2011 and 2012, respectively, on equipment for tape carrier package, or TCP, chip-on-film, or COF and chip-on-glass, or COG, technologies, which are used in testing and assembly services for LCD and other flat-panel display driver semiconductors. Most of this equipment may not be used for technologies other than TCP, COF or COG. The market demand for LCD and other flat-panel display driver semiconductors and related testing and assembly services increased in 2012 compared to the market demand in 2011. Any significant decrease in demand for these products and our related services, however, would significantly impair our capacity utilization rates. That may result in our inability to generate sufficient revenue to cover the significant depreciation expenses for the equipment used in testing and assembling LCD and other flat-panel display driver semiconductors, thereby negatively affecting our profitability. See also [Because of our high fixed costs, if we are unable to achieve relatively high capacity utilization rates, our earnings and profitability may be adversely affected](#) .

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

We have a significant level of debt and interest expense. As of December 31, 2012, we had approximately NT\$6,740 million (US\$232 million) and NT\$2,594 million (US\$89 million) outstanding long-term and short-term indebtedness, respectively. Our long-term indebtedness as of December 31, 2012, represented bank loans with an interest rate between 1.73% and 3.9117%. As of December 31, 2012, NT\$2,229 million (US\$77 million) of our short-term indebtedness and NT\$6,740 million (US\$232 million) of our long-term indebtedness was secured by collateral comprised of assets owned by ChipMOS TECHNOLOGIES INC., or ChipMOS Taiwan, ThaiLin Semiconductor Corp., or ThaiLin and ChipMOS TECHNOLOGIES (Shanghai) LTD., or ChipMOS Shanghai.

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

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

insufficient cash flow from operations may force us to sell assets, or seek additional capital, which we may be unable to do at all or on terms favorable to us;

our ability to sell assets or seek additional capital may be adversely affected by security interests in our assets granted to our lenders as collateral;

our level of indebtedness may make us more vulnerable to economic or industry downturns; and

our debt service obligations increase our vulnerabilities to competitive pressures, because many of our competitors may be less leveraged than we are.

For additional information on our indebtedness, see [Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources](#) .

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

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

our ability to accurately predict customer demand, as we must commit significant capital expenditures in anticipation of future orders;

our ability to quickly adjust to unanticipated declines or shortfalls in demand and market prices for our testing and assembly services, due to our high percentage of fixed costs;

changes in prices for our testing and assembly services;

volume of orders relative to our testing and assembly capacity;

capital expenditures and production uncertainties relating to the roll-out of new testing or assembly services;

our ability to obtain adequate testing and assembly equipment on a timely basis;

changes in costs and availability of raw materials, equipment and labor;

changes in our product mix; and

earthquakes, drought and other natural disasters, as well as industrial accidents.

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

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

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

On January 5, 2006, our board established a special committee to evaluate the circumstances surrounding the indictment of Mr. Cheng. The special committee engaged K&L Gates LLP (formerly Kirkpatrick & Lockhart Preston Gates Ellis LLP) as its independent international legal counsel, Baker & McKenzie as its independent ROC legal counsel, and Ernst & Young (formerly Diwan, Ernst & Young) as its financial advisor to assist in its investigation. As of March 31, 2012, the special committee was solely comprised of Mr. Yeong-Her Wang, our independent



director.

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

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

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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 four trial hearings in 2008, six trial hearings in 2009 and six trial hearings in 2010. A new bench was formed to try this case at the beginning of 2010 due to judge rotation. Seven trial hearings have since been conducted by the new bench, with two trial hearings in 2011, four trial hearings in 2012 and one trial hearing in 2013. The next trial hearing is scheduled to take place on May 22, 2013.

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 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 2012, our top five customers, collectively accounted for 55% of our net revenue. As part of our strategy, we have been focusing on sales to key customers through long-term service agreements. We also focus on our business with smaller customers and customers who do not place orders on a regular basis. We expect that we will continue to depend on a relatively limited number of customers for a significant portion of our net revenue. 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.

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

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

Since semiconductor companies generally rely on service providers with whom they have established relationships to meet their testing and assembly needs for their applications and new customers usually require us to pass a lengthy and rigorous qualification process, if we lose any of our key customers, we may not be able to replace them in a timely manner. We cannot assure you that receivable collection difficulties experienced by us will not occur in the future. If any of our key customers reduces or cancels its orders or terminates existing contractual arrangements, and if we are unable to attract new customers and establish new contractual arrangements with existing or new customers, our 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 73%, 68% and 56% of our total cost of revenue in 2010, 2011 and 2012, respectively. For memory and logic/mixed-signal semiconductor assembly services, our fixed costs represented 24%, 23% and 19% of our total cost of revenue in 2010, 2011 and 2012, respectively. For LCD and other flat-panel display driver semiconductor testing and assembly services, our fixed costs represented 55%, 52% and 34% of our total cost of revenue in 2010, 2011 and 2012, respectively. For bumping services, our fixed costs represented 27%, 23% and 20% of our total cost of revenue in 2010, 2011 and 2012, 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.

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***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. We cannot assure you that these plans and measures will be implemented or will provide sufficient sources of capital.

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

our future financial condition, results of operations and cash flows;

general market conditions for financing activities by semiconductor testing and assembly companies; and

economic, political and other conditions in Taiwan and elsewhere.

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

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

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

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

discontinue using the disputed process technologies, which would prevent us from offering some of our testing and assembly services;

pay substantial monetary damages;

develop non-infringing technologies, which may not be feasible; or

acquire licenses to the infringing 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.

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

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

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

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

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

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

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

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

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***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, 2012, based on criteria set forth in Internal Control – Integrated Framework issued by Committee of Sponsoring Organization of the Treadway Commission (COSO), our management may not conclude that our internal controls are effective in the future. Moreover, even if our management concludes that our internal controls over our financial reporting are effective, our independent public registered accounting firm may disagree. If our independent public registered accounting firm is not satisfied with our internal controls over our financial reporting or the level at which our controls are documented, designed, operated or reviewed, or if the independent public registered accounting firm interprets the requirements, rules or regulations differently from us, it may decline to attest to our management's assessment or may issue an adverse opinion in the future. Any of these possible outcomes could result in an adverse reaction in the financial marketplace due to a loss of investor confidence in the reliability of our consolidated financial statements, which ultimately could negatively impact the market prices of our common shares.

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

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

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

Currently, most of our 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.



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

As part of our growth strategy, we may make acquisitions and investments in companies and businesses, establish joint ventures or make dispositions of our interests. For example, in 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 15.8% of ChipMOS Taiwan's outstanding shares to Siliconware Precision and the transaction was completed in January 2011. The success of our acquisitions, investments, joint ventures and dispositions depends on a number of factors, including:

our ability to identify suitable investment, acquisition, joint venture or disposition opportunities;

our ability to reach an agreement for an acquisition, investment, joint venture or disposition opportunity on terms that are satisfactory to us or at all;

the extent to which we are able to exercise control over the acquired or joint venture company;

our ability to align the economic, business or other strategic objectives and goals of the acquired company with those of our company; and

our ability to successfully integrate the acquired or joint venture company or business with our company.

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

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

We depend on the continued service of our executive officers and skilled engineering, technical and other personnel. We will also be required to hire a substantially greater number of skilled employees in connection with our expansion plans. In particular, we depend on a number of skilled employees in connection with our LCD and other flat-panel display driver semiconductor testing and assembly services, and the competition for such employees in Taiwan and Mainland China is intense. We may not be able to either retain our present personnel or attract additional qualified personnel as and when needed. Moreover, we do not carry key person insurance for any of our executive officers nor do we have employment contracts with any of our executive officers or employees, and, as a result, none of our executive officers or employees is bound by any non-competition agreement. If we lose any of our key personnel, it could be very difficult to find and integrate replacement personnel, which could affect our ability to provide our services, resulting in reduced 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, 2013, 7.8% 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.

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

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

**Risk Relating to Our Relationship with Mosel**

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

ROC law limits the ability of a company incorporated in Taiwan to purchase any equity interest in companies, directly or indirectly, holding more than 50% of its issued and outstanding voting securities or registered capital or to provide loans or other financing to any company. ChipMOS Taiwan purchased NT\$242 million worth of Mosel shares in 2002.

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

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

### **Risks Relating to Countries in Which We Conduct Operations**

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

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

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



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

Certain of our operations are conducted through companies that we do not fully own. For example, certain current consolidated operations are conducted through ChipMOS Taiwan, our 84.2% subsidiary as of March 31, 2013, ThaiLin, ChipMOS Taiwan's 42.9% owned subsidiary as of March 31, 2013, and ChipMOS Shanghai, ThaiLin's wholly-owned subsidiary as of March 31, 2013. We also conduct other activities through our affiliated entities. See also ChipMOS Taiwan's ability to maintain its trading status on Taiwan's Emerging Stock Board and to eventually list on the Taiwan Stock Exchange is dependent on factors outside of the Company or ChipMOS Taiwan's control and satisfaction of stock exchange requirements. ChipMOS Taiwan may not be able to overcome such factors that disrupt its trading status on the Emerging Stock Board or satisfy other eligibility requirements for the proposed listing transaction and Item 7. Major Shareholders and Related Party Transactions Related Party Transactions .

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

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

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

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

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

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

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

Certain regions we operate in are particularly susceptible to earthquakes and associated natural disasters. For example, in late 1999, Taiwan suffered severe earthquakes which caused significant property damages and loss of life, particularly in the central part of Taiwan. The earthquakes damaged production facilities and adversely affected the operations of many companies involved in the semiconductor and other

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industries. We experienced an aggregate of NT\$8 million in damages to our machinery and equipment, facilities, inventory and five days of delay in production schedule as a result of the event. In March 2011, Sendai of Japan registered an earthquake of 9.0 Mw (moment magnitude scale) off the coast of Japan (the Sendai Earthquake ). The Sendai Earthquake was recorded as most powerful earthquake to hit Japan and the fourth most powerful earthquake in the world. The earthquake triggered tsunami warnings and evacuations along Japan's Pacific coast and in at least 20 countries, including Taiwan and Mainland China. In April 2013, an earthquake registering a magnitude of approximately 6.6- 7.0 Mw with epicenter located in Lushan County, Ya an, Sichuan (the Lushan Earthquake ). Sichuan provincial government released information on April 21, 2013 confirming 186 deaths and up to 21 persons missing and 12,100 injured victim reports. As of the date of this Annual Report on Form 20-F, the official statistics related to the damages caused by the Lushan Earthquake was not yet available.

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

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

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

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

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

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

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

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

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### **Risks Relating to Our Corporate Structure**

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

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

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

As of March 31, 2013, ThaiLin, ChipMOS Taiwan's 42.9% owned subsidiary, directly owned 13.4% of our common shares. He & Fang 2005 Revocable Living Trust owned 8.4% of our common shares according to the 13G/A filed by He Zhengxu with SEC on January 22, 2013. These two largest shareholders, individually or collectively, through their equity interests may have significant influence over matters submitted to our shareholders for approval and other corporate actions, such as:

election of directors;

timing and manner of dividend distributions;

approval of contracts between us and these two largest shareholders or their respective affiliates, which could involve conflicts of interest;

open market purchase programs or other purchases of our common shares;

delay, defer or prevent a change in who controls us;

discourage bids for our shares at a premium over the market price; and



adversely affect the market price of our common shares.

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

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

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

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***ChipMOS Taiwan's ability to maintain its trading status on Taiwan's Emerging Stock Board and to eventually list on the Taiwan Stock Exchange is dependent on factors outside of the Company or ChipMOS Taiwan's control and satisfaction of stock exchange requirements. ChipMOS Taiwan may not be able to overcome such factors that disrupt its trading status on the Emerging Stock Board or satisfy other eligibility requirements for the proposed listing transaction.***

On March 14, 2013, the Board of Directors of ChipMOS Bermuda approved a plan for listing ChipMOS Taiwan on Taiwan's Emerging Stock Board in the second quarter of 2013 and listing ChipMOS Taiwan on the Taiwan Stock Exchange (TSE) in the second quarter of 2014. The Company subsequently engaged underwriters to provide assistance to the Company and to ChipMOS Taiwan necessary for ChipMOS Taiwan to become eligible to list on TSE. The trading of shares of ChipMOS Taiwan on Taiwan's Emerging Stock Board of Gre Tai Securities Market under stock code 8150 commenced on April 19, 2013.

Whether requirements can be satisfied for ChipMOS Taiwan's continued trading on Taiwan's Emerging Stock Board or listing on the TSE depends in part on market conditions and other factors not within the control of the Company or ChipMOS Taiwan. Further, in addition to other TSE listing requirements, the Company will be required to reduce its ownership in ChipMOS Taiwan to 70% or less by sale to third party investors upon or prior to the completion of the TSE listing. The Company or ChipMOS Taiwan may not be able to find investors willing to purchase ChipMOS Taiwan shares in such a possible sale transaction. Entry into any definitive agreements with respect to such a possible sale transaction will be conditional upon, among others, whether the Company is able to find third party investors willing to purchase ChipMOS Taiwan shares, satisfaction of other requirements for trading or listing on the TSE and the development of ChipMOS Taiwan's application to be listed on the TSE. For these reasons there can be no assurance that ChipMOS Taiwan's shares will continue to trade on Taiwan's Emerging Stock Board or that ChipMOS Taiwan will be listed on the TSE.

### **Risks Relating to Our Common Shares**

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

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

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

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

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

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

Sales of substantial amounts of shares in the public market, the perception that future sales may occur, or the pledge of a substantial portion of our common shares could depress the prevailing market price of our shares. As of March 31, 2013, we had approximately 33 million common shares issued and outstanding. As of March 31, 2013, ThaiLin, He & Fang 2005 Revocable Living Trust, DLS Capital Management, LLC, Siliconware Precision, and, Chilton Investment Company, LLC our five largest shareholders, owned 4,474,211, 2,788,123, 2,421,949, 2,243,749 and 1,781,416 common shares respectively, representing in the aggregate of approximately 41.1% of our outstanding common shares. See Item

7. Major Shareholders and Related Party Transactions Major Shareholders .

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Mosel in the past decided to sell a significant portion of our common shares in order to raise funds. In June 2006, Mosel sold 1,739,130 common shares through its wholly-owned subsidiary, Giant Haven, under a shelf registration statement which has since expired. In addition, in March 2007, we issued 3,043,749 common shares pursuant to a share purchase and subscription agreement with ChipMOS Taiwan and Siliconware Precision, and we entered into a registration rights agreement in March 2007 with Siliconware Precision, pursuant to which we granted to Siliconware Precision certain rights to require us to register these common shares for sale under the Securities Act. In July 2007, Mosel sold 2,030,316 common shares through Giant Haven to ProMOS and Powertech Technology, and we then granted Giant Haven, ProMOS and Powertech Technology certain rights to require us to register these common shares for sale under the Securities Act. For a shareholder that is not our affiliate these shares may be resold pursuant to Rule 144 after lapse of the applicable holding period. In 2008, ProMOS failed to meet its payment obligations to ThaiLin. Subsequently in March 2009, ThaiLin acquired 1,015,158 common shares from ProMOS pursuant to its enforcement of the collateral under a Stock Pledge Agreement between ThaiLin and ProMOS dated December 3, 2008. Furthermore, each of Siliconware Precision, Mosel and ThaiLin may be able to sell, in any three-month period, that number of those ChipMOS common shares that each of Siliconware Precision, Mosel and ThaiLin owns, as the case may be, up to the greater of (i) one percent of our outstanding common shares or (ii) the average weekly trading volume of our common shares as reported on the NASDAQ Capital Market during the four calendar weeks prior to filing a notice under Rule 144(h) for any such sales pursuant to Rule 144(e) under the Securities Act. In November 2012, ThaiLin sold 2,000,000 common shares and Siliconware Precision sold 800,000 common shares pursuant to a secondary offering (the Secondary Offering ). From April 2012 to March 2013, Mosel sold 1,047,311 common shares through its wholly-owned subsidiary, Giant Haven, under Rule 144.

On September 14, 2007, ChipMOS Bermuda issued 151,031 common shares pursuant to a share exchange transaction with ChipMOS Taiwan, under which ChipMOS Bermuda exchanged one common share for every 8.4 ChipMOS Taiwan shares then outstanding. Following the completion of the share exchange transaction, ChipMOS Taiwan became our wholly-owned subsidiary. In February 2010, we agreed to sell 15.8% of ChipMOS Taiwan s outstanding shares to Siliconware Precision. In January 2011, the share purchase transaction was completed and we owned 84.2% of ChipMOS Taiwan s outstanding shares as of December 31, 2011. On April 16, 2013, as part of ChipMOS Taiwan s listing plan on the TSE, we completed the sale of 6.5 million outstanding ChipMOS Taiwan shares or 0.8% of the total number of ChipMOS Taiwan s outstanding shares, at the price of NT\$15.0 per share to ChipMOS Taiwan s underwriters for the TSE listing plan and to certain others, including non-US employees of ChipMOS Taiwan. As of the date of this Annual Report on Form 20-F, we continue to own approximately 703 million ChipMOS Taiwan shares, representing 83.4% of ChipMOS Taiwan s outstanding shares. See Item 3. Key Information Risk Factors ChipMOS Taiwan s ability to maintain its trading status on Taiwan s Emerging Stock Board and to eventually list on the Taiwan Stock Exchange is dependent on factors outside of the Company or ChipMOS Taiwan s control and satisfaction of stock exchange requirements. ChipMOS Taiwan may not be able to overcome such factors that disrupt its trading status on the Emerging Stock Board or satisfy other eligibility requirements for the proposed listing transaction. for additional information on ChipMOS Taiwan s listing plan. We plan to issue, from time to time, additional shares in connection with employee compensation and to finance possible future capital expenditures, investments or acquisitions. See Item 6. Directors, Senior Management and Employees Share Option Plan and Share Appreciation Rights Plan for a discussion of the Share Option Plan that we have adopted for the benefit of all of our directors, officers, employees and consultants. The issuance of additional shares may have a dilutive effect on other shareholders and may cause the price of our common shares to decrease.

In addition, the indictment relating to Mr. Hung-Chiu Hu alleges that embezzled funds were used in investments by PacMOS Technologies Holdings Limited, or PacMOS, which, as of March 31, 2013, owned 3% of our outstanding common shares. As a result, PacMOS may be ordered by relevant authorities to dispose of its investments made with any embezzled funds, which may result in a sale of our shares by PacMOS. A sale of a significant number of our shares by PacMOS or our other current shareholders could depress our share price.

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

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

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

result in lower prices and larger spreads in the bid and ask prices for our common shares.

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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 a wholly-owned subsidiary of ThaiLin Semiconductor Corp., or ThaiLin. As of March 31, 2013, ThaiLin, a 42.9% owned subsidiary of ChipMOS Taiwan, owned 13.4% of our common shares, He & Fang 2005 Revocable Living Trust, owned 8.4% of our common shares, DLS Capital Management, LLC, owned 7.3% of our common shares, Siliconware Precision, owned 6.7% of our common shares and 15.8% of ChipMOS Taiwan's outstanding shares, and Chilton Investment Company, LLC, owned 5.3% of our common shares.

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The following chart illustrates our corporate structure and our equity interest in each of our principal subsidiaries and affiliates as of March 31, 2013.

Notes:

- (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%. We consolidated the financial results of ChipMOS Taiwan, ChipMOS Japan Inc., or ChipMOS Japan (which was liquidated in October 2009), ChipMOS USA Inc., or ChipMOS USA, ChipMOS TECHNOLOGIES (H.K.) Limited, or ChipMOS Hong Kong (which was dissolved on July 20, 2011), Modern Mind, its wholly-owned subsidiary, ChipMOS Shanghai and ThaiLin.
- (2) On March 27, 2007, we completed a share purchase and subscription transaction with ChipMOS Taiwan and Siliconware Precision, under which we and ChipMOS Taiwan purchased all of Siliconware Precision's equity interest in ChipMOS Taiwan, and Siliconware Precision subscribed to 3,043,749 shares (adjusted to reflect the effect of 1-for-every-4 reverse stock split effective on January 21, 2011) of our newly issued common shares through a private placement. 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 15.8% of ChipMOS Taiwan's outstanding shares to Siliconware Precision. The share purchase transaction was completed in January 2011. On April 16, 2013, as part of ChipMOS Taiwan's listing plan on the TSE, we completed the sale of 6.5 million outstanding ChipMOS Taiwan shares or 0.8% of the total number of ChipMOS Taiwan's outstanding shares, at the price of NT\$15.0 per share to ChipMOS Taiwan's underwriters for the TSE listing plan and to certain others, including non-US employees of ChipMOS Taiwan. As of the date of this Annual Report on Form 20-F, we own approximately 703 million ChipMOS Taiwan shares, representing 83.4% of ChipMOS Taiwan's outstanding shares. See Item 3. Key Information Risk Factors ChipMOS Taiwan's ability to maintain its trading status on Taiwan's Emerging Stock Board and to eventually list on the Taiwan Stock Exchange is dependent on factors outside of the Company or ChipMOS Taiwan's control and satisfaction of stock exchange requirements. ChipMOS Taiwan may not be able to overcome such factors that disrupt its trading status on the Emerging Stock Board or satisfy other eligibility requirements for the proposed listing transaction. For additional information on ChipMOS Taiwan's listing plan.

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

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issuing our common shares to ChipMOS Taiwan's shareholders in exchange for their 70.3% shareholding in ChipMOS Taiwan in January 2001. In October 2001, ChipMOS Taiwan issued 6,911,732 common shares as employee bonuses. In December 2002, we issued 132,793 common shares in exchange for 5,633,442 ChipMOS Taiwan common shares held by these employees.

On March 27, 2007, we completed a share purchase and subscription transaction with ChipMOS Taiwan and Siliconware Precision, under which we and ChipMOS Taiwan purchased all of Siliconware Precision's equity interest in ChipMOS Taiwan, and Siliconware Precision subscribed to 3,043,749 of our newly issued common shares through a private placement. As of March 31, 2007, we held 99.1% of the outstanding common shares of ChipMOS Taiwan. On September 14, 2007, we completed a share exchange transaction with ChipMOS Taiwan pursuant to which we exchanged one common share for every 8.4 ChipMOS Taiwan shares. In connection with the share exchange transaction, ChipMOS Bermuda and ChipMOS Taiwan paid in the aggregate NT\$53 million in cash to purchase fractional shares and shares held by dissenting shareholders, and ChipMOS Bermuda issued 151,031 new common shares. Following the completion of the share exchange transaction, ChipMOS Taiwan became our wholly-owned subsidiary. In February 2010, we agreed to sell 15.8% of ChipMOS Taiwan's outstanding shares to Siliconware Precision. The share purchase transaction was completed in January 2011. On April 16, 2013, as part of ChipMOS Taiwan's listing plan on the TSE, we completed the sale of 6.5 million outstanding ChipMOS Taiwan shares or 0.8% of the total number of ChipMOS Taiwan's outstanding shares, at the price of NT\$15.0 per share to ChipMOS Taiwan's underwriters for the TSE listing plan and to certain others, including non-US employees of ChipMOS Taiwan. As of the date of this Annual Report on Form 20-F, we own approximately 703 million ChipMOS Taiwan shares, representing 83.4% of ChipMOS Taiwan's outstanding shares. See Item 3. Key Information Risk Factors ChipMOS Taiwan's ability to maintain trading status of ChipMOS Taiwan on Taiwan's Emerging Stock Board and to eventually list ChipMOS Taiwan on the Taiwan Stock Exchange is dependent on factors outside of Company or ChipMOS Taiwan's control and satisfaction of stock exchange requirements. ChipMOS Taiwan may not be able to overcome such factors that disrupt its trading status on the Emerging Stock Board or satisfy other eligibility requirements for the proposed listing transaction. For additional information on ChipMOS Taiwan's listing plan. See Item 3. Key Information Risk Factors Risks Relating to Our Corporate Structure ChipMOS Taiwan's ability to maintain its trading status on Taiwan's Emerging Stock Board and to eventually list on the Taiwan Stock Exchange is dependent on factors outside of the Company or ChipMOS Taiwan's control and satisfaction of stock exchange requirements. ChipMOS Taiwan may not be able to overcome such factors that disrupt its trading status on the Emerging Stock Board or satisfy other eligibility requirements for the proposed listing transaction.

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

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

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





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***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.

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. As of the date of this Annual Report on Form 20-F, the loan has been fully repaid and the subject pledge has been released accordingly. See Item 7. Major Shareholders and Related Party Transactions Related Party Transactions ThaiLin Semiconductor Corp.

As of March 31, 2013, 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, four of the nine directors of ThaiLin are appointed by ChipMOS Taiwan. As of March 31, 2013, ThaiLin held 4,474,211 of our outstanding shares, corresponding to 13.4% of all of our outstanding shares. See Item 7. Major Shareholders and Related Party Transactions Related Party Transactions ThaiLin Semiconductor Corp.

***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 tes