
**QUARTERLY REPORT FOR THE THREE MONTHS AND SIX MONTHS ENDED
JUNE 30, 2014**

GLOBAL A&T ELECTRONICS LTD

August 5, 2014

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CERTAIN DEFINITIONS AND CONVENTIONS

In this report, unless otherwise indicated, all references to “our company,” “we,” “our,” “us,” “Group” or “GATE” refer to Global A&T Electronics Ltd., a company incorporated under the laws of the Cayman Islands, and its consolidated subsidiaries.

All references to “USG” refer to United Test and Assembly Center Ltd. All references to “UHK” refer to UTAC Hong Kong Limited. All references to “UTC” refer to UTAC (Taiwan) Corporation, all references to “UTL” refer to UTAC Thai Limited, all references to “UDG” refer to UTAC Dongguan Ltd, all references to “UTH” refer to UTAC Thai Holdings Limited and all references to “UCD Cayman” refer to UCD Cayman Ltd.

References to:

“Indenture” are to the indenture dated February 7, 2013, as amended and supplemented from time to time, entered into among GATE, the Subsidiary Guarantors and Citicorp International Limited, as trustee and security agent;

“Senior Revolving Credit Facility” are to the revolving credit facility extended to GATE under the Senior Revolving Credit Facility Agreement;

“Senior Revolving Credit Facility Agreement” are to the credit agreement dated February 7, 2013, as amended and supplemented from time to time, entered into among GATE, JPMorgan Chase Bank, N.A., as administrative agent, syndication agent and documentation agent, Citicorp International Limited, as security agent, Bank of America, N.A., Credit Suisse AG, Singapore Branch, JP Morgan Chase Bank N.A. acting through its Singapore Branch and UBS AG, Hong Kong Branch, as joint mandated lead arrangers and joint bookrunners;

“Senior Secured Notes” or “notes” are to the 10% Senior Secured Notes due 2019, issued on February 7, 2013 and on September 30, 2013, pursuant to the terms of the Indenture; and

“Subsidiary Guarantors” are to certain subsidiaries of GATE, being for the time being: USG, UHK, UTC, UTAC Cayman, UTH and UTL.

When we refer to “Singapore dollars” and “S\$” in this document, we are referring to Singapore dollars, the legal currency of Singapore. When we refer to “U.S. dollars,” “dollars,” “\$” and “US\$” in this document, we are referring to United States dollars, the legal currency of the United States. Certain amounts and percentages have been rounded to the first place after the decimal point; consequently, certain figures may add up to be more or less than the total amount and certain percentages may add up to be more or less than 100% due to rounding. In particular and without limitation, amounts expressed in millions contained in the discussions under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” have been rounded to a single decimal place for the convenience of readers.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

We incorporate by reference into this quarterly report, GATE's annual report for the year ended December 31, 2013, dated April 17, 2014 and GATE's quarterly report for the three months ended March 31, 2014, dated May 14, 2014. Any document incorporated by reference is current only as of the date of such document, and the incorporation by reference of such document should not create any implication that there has been no change in our affairs since such date. The information incorporated by reference is considered to be part of this quarterly report. Information in this quarterly report supersedes any information incorporated by reference that was delivered to you prior to the date of this quarterly report. In other words, in the case of a conflict or inconsistency between information contained in this quarterly report and any information incorporated by reference into this quarterly report, you should rely on the information contained in the document that was delivered to you later.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This quarterly report includes statements that are, or may be deemed to be, "forward-looking statements" within the meaning of U.S. securities laws. The terms "anticipates," "expects," "may," "will," "should" and other similar expressions identify forward-looking statements. These statements appear in a number of places throughout this quarterly report 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 industry 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 semiconductor industry may differ materially from those made in or suggested by the forward-looking statements contained in this quarterly report. Important factors that could cause those differences include, but are not limited to:

- the cyclical nature of the semiconductor industry;
- increased competition from other companies and our ability to retain or increase our market share;
- our reliance on certain major customers;
- our ability to generate growth and profitability;
- our ability to develop new technologies successfully;
- our ability to acquire equipment and supplies necessary to meet our business needs;
- our ability to generate sufficient cash to meet our capital expenditure requirements;
- our ability to repay or refinance our indebtedness as it falls due;

- our ability to hire and maintain qualified personnel;
- fires, natural disasters, acts of terrorism and other developments outside our control;
- the political stability of our local region; and
- general local and global economic 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 expansion plans, technological upgrades, investment in research and development, future market demand, future regulatory or other developments in our industry. Please see “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.

MATERIAL RECENT DEVELOPMENTS SINCE JUNE 30, 2014

Disposal of USG's facility

On May 8, 2014, as part of the company's to consolidate the Singapore operations into one facility, USG had entered into an agreement to dispose one of its facilities at 2 Ang Mo Kio Street 63, Singapore 569111, for an aggregate consideration of S\$61.0 million plus goods and services tax. The completion of the sale is expected in the third quarter of 2014.

Other than as disclosed elsewhere in this quarterly report, there have been no material developments in GATE's business since June 30, 2014.

RISK FACTORS

Other than as disclosed elsewhere in this quarterly report, there have been no material changes to the risk factors previously disclosed under the heading “Risk Factors” in our annual report for the year ended December 31, 2013 and our quarterly report for the three months ended March 31, 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our results of operations in conjunction with our unaudited consolidated financial statements as of and for the three months and six months ended June 30, 2014, and the related notes thereto, included elsewhere in this quarterly report. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of factors such as those set forth under "Risk Factors" in our annual report for the year ended December 31, 2013, our quarterly report for the three months ended March 31, 2014 and elsewhere in this quarterly report. See "Cautionary Statement Regarding Forward-looking Information." Our consolidated financial statements are reported in U.S. dollars and have been prepared in accordance with Singapore Financial Reporting Standards ("SFRS"), which may differ in certain significant respects from generally accepted accounting principles in other countries.

Overview

We are a leading provider of semiconductor test and assembly services. We are headquartered in Singapore, with production facilities located in China, Singapore, Taiwan and Thailand. In China, our facilities are located in Dongguan and Shanghai. We focus on the test and assembly of mixed signal and logic products ("MSLP"), analog and memory ICs, all of which are used primarily in the communications and consumer, and computing end-markets. Our customers consist primarily of fabless companies, IDMs and wafer foundries.

In the first six months of 2014, we had sales of \$345.4 million, of which MSLP, analog and memory product segments accounted for 46.3%, 40.4% and 13.3%, respectively, and test and assembly services accounted for 34.0% and 66.0% respectively, of our total sales.

We provide a comprehensive range of semiconductor test and assembly services. We classify our operations and sales by service type: test and assembly. The table below shows, for the periods indicated, the amount and percentage of our total sales attributable to each of our major service types:

Service type	Six Months ended June 30			
	2013		2014	
	(\$ in millions, except percentages)			
	Amount	Percentage of sales	Amount	Percentage of sales
Test	127.2	32.3%	117.4	34.0%
Assembly	266.6	67.7%	228.0	66.0%
Total.....	393.8	100.0%	345.4	100.0%

We offer test and assembly services and have focused on providing full turnkey solutions to our customers. Our test and assembly services are priced based on prevailing market prices, taking into account raw material, labor and overhead costs, including depreciation. The unit price

charged for assembly services is generally higher than that for test services as a result of the significantly higher raw material content used in assembly services. On the other hand, while the capital expenditure required for test services may be high, they generally have higher gross margins than assembly services, as they have minimal raw material content.

Our sales from our assembly business as a percentage of our total sales decreased from 67.7% for the six months ended June 30, 2013 to 66.0% for the six months ended June 30, 2014, due to the discontinuation of our operations in, and closure of, the Chengdu facility in 2013, and weakness in demand from key customers in the MSLP and memory segments. In comparison, our sales from our test business as a percentage of our total sales increased from 32.3% for the six months ended June 30, 2013 to 34.0% for the six months ended June 30, 2014 as a result of the additional full turnkey test services that we provided to our customers.

In addition to the classification of our operations by service type, we also classify our operations and sales by the type of semiconductor device: MSLP, analog and memory. The table below shows, for the periods indicated, our composition of sales by type of IC as a percentage of total sales:

	Six Months ended June 30			
	2013		2014	
	(\$ in millions, except percentages)			
Product type	Amount	Percentage of sales	Amount	Percentage of sales
MSLP	180.4	45.8%	159.8	46.3%
Analog	145.0	36.8%	139.7	40.4%
Memory	68.4	17.4%	45.9	13.3%
Total	393.8	100.0%	345.4	100.0%

Based on our unaudited internal management accounts, which reflect an allocation of all sales for each of our customers by the type of semiconductor that we believe is their primary manufacturing focus, our sales breakdowns by product type for the six months ended June 30, 2013 and 2014 were 45.8% and 46.3% in MSLP, 36.8% and 40.4% in analog products, and 17.4% and 13.3% in memory products, respectively. Our sales mix changed between these two periods primarily due to the discontinuation of our operations in the Chengdu facility, weakness in demand from key customers in the MSLP and memory segments.

We have a diversified customer base on the basis of geographical distribution. We account for the geographical distribution of our sales in terms of three regions based on the countries in which our customers are headquartered — the United States, Asia and Europe.

	Six Months ended June 30			
	2013		2014	
	(\$ in millions, except percentages)			
Geographical region	Amount	Percentage of sales	Amount	Percentage of sales
United States.....	237.5	60.3%	228.1	66.0%
Asia.....	119.0	30.2%	79.6	23.1%
Europe.....	36.1	9.2%	36.4	10.5%
Others.....	1.2	0.3%	1.3	0.4%
Total.....	393.8	100.0%	345.4	100.0%

Sales in the United States and Asia decreased in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 due to the discontinuation of our operations in the Chengdu facility, and weakness in demand from key customers from these two regions.

Results of Operations

	Three Months ended June 30				Six Months ended June 30			
	2013		2014		2013		2014	
	(\$ in millions, except percentages)							
Sales	192.8	100.0%	184.8	100.0%	393.8	100.0%	345.4	100.0%
Cost of sales	(169.7)	(88.0%)	(156.4)	(84.7%)	(342.3)	(86.9%)	(297.1)	(86.0%)
Gross profit.....	23.2	12.0%	28.3	15.3%	51.6	13.1%	48.4	14.0%
Other income — net	2.5	1.3%	1.8	1.0%	5.0	1.3%	3.0	0.9%
Expenses:								
Selling, general and administrative.....	(16.0)	(8.3%)	(14.4)	(7.8%)	(31.9)	(8.1%)	(30.1)	(8.7%)
Research and development	(3.3)	(1.7%)	(3.0)	(1.6%)	(6.2)	(1.6%)	(5.8)	(1.7%)
Finance	(30.0)	(15.6%)	(30.6)	(16.5%)	(59.6)	(15.1%)	(60.5)	(17.5%)
Others	(0.9)	(0.5%)	-	-	(3.6)	(0.9%)	(2.8)	(0.8%)
Share of profit/(loss) of associated company.....	(0.6)	(0.3%)	-	-	(0.7)	(0.2%)	-	-
Profit/(loss) before tax	(25.0)	(13.0%)	(17.9)	(9.7%)	(45.5)	(11.6%)	(47.9)	(13.9%)
Income tax expense	(1.0)	(0.5%)	(1.4)	(0.7%)	(3.2)	(0.8%)	(2.6)	(0.7%)
Profit/(loss) after tax.....	(26.0)	(13.5%)	(19.3)	(10.4%)	(48.8)	(12.4%)	(50.5)	(14.6%)
Minority interests	(0.3)	(0.1%)	(0.4)	(0.2%)	(0.7)	(0.2%)	(0.8)	(0.2%)
Profit / (loss) after minority interest	(26.3)	(13.6%)	(19.7)	(10.7%)	(49.5)	(12.6%)	(51.3)	(14.8%)

Three months ended June 30, 2014 compared to three months ended June 30, 2013

Unless otherwise indicated, the reasons or factors explaining the decrease and/or increase in the line items discussed below in respect of our financial results for the three months ended June 30, 2014 compared to three months ended June 30, 2013, are the same as that provided for the corresponding line items discussed in the next section for our financial results for the six months ended June 30, 2014 compared to the six months ended June 30, 2013.

Sales. Sales decreased 4.4% to \$184.8 million in the three months ended June 30, 2014 from \$192.8 million in the three months ended June 30, 2013.

Our test services sales decreased 3.0% to \$62.6 million in the three months ended June 30, 2014 from \$64.4 million in the three months ended June 30, 2013 and our assembly services sales decreased 5.1% to \$122.2 million in the three months ended June 30, 2014 from \$128.4 million in the three months ended June 30, 2013.

Sales from our MSLP and memory businesses decreased 4.2% and 28.0%, respectively, to \$85.5 million and \$25.9 million in the three months ended June 30, 2014, from \$89.1 million and \$33.1 million in the three months ended June 30, 2013. Sales from our analog business increased 3.8% to \$73.4 million in the three months ended June 30, 2014, from \$70.6 million in the three months ended June 30, 2013. The decrease in our sales for the businesses and segments referred to above was primarily due to the discontinuation of our operations in the Chengdu facility, and weakness in demand from key customers in the MSLP and memory segments.

Cost of sales. Cost of sales decreased 7.8% to \$156.4 million in the three months ended June 30, 2014 from \$169.7 million in the three months ended June 30, 2013. Our cost of sales as a percentage of sales decreased to 84.7% in the three months ended June 30, 2014 compared to 88.0% in the three months ended June 30, 2013. The decrease was primarily due to lower sales, cost savings from the discontinuation of our operations in the Chengdu facility, and lower gold prices.

Gross profit. Gross profit increased 18.2% to \$28.3 million in the three months ended June 30, 2014 from \$23.2 million in the three months ended June 30, 2013. Gross profit as a percentage of sales was 15.3% in the three months ended June 30, 2014 compared to 12.0% in the three months ended June 30, 2013.

Other income, net. Other income, net in the three months ended June 30, 2014 decreased 28.0% to \$1.8 million compared to \$2.5 million in the three months ended June 30, 2013. The decrease in other income, net in the three months ended June 30, 2014 was primarily due to a foreign exchange loss of \$1.2 million in the three months ended March 31, 2014 as compared to a foreign exchange gain of \$1.5 million for the same period in 2013, partially offset by increase in gain on disposal of fixed assets of \$1.0 million and increase in sales of scrap of \$0.7 million.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased 10.9% to \$14.4 million in the three months ended June 30, 2014 from \$16.0 million in the three months ended June 30, 2013, primarily due to our on-going cost control initiatives.

Research and development expenses. Research and development expenses decreased 8.9% to \$3.0 million in the three months ended June 30, 2014 from \$3.3 million in the three months ended June 30, 2013, primarily due to our on-going cost control efforts.

Finance expenses. Finance expenses were \$30.6 million in the three months ended June 30, 2014 compared to \$30.0 million in the three months ended June 30, 2013.

Other expenses. Other expenses were nil in the three months ended June 30, 2014, compared to \$0.9 million in the three months ended June 30, 2013. The decrease in other expenses for the three months ended June 30, 2014 was primarily due to lower restructuring cost incurred in respect of our on-going cost initiatives as compared to the restructuring cost incurred in the same period in 2013.

Share of loss of associated company. In the three months ended June 30, 2014, our share of loss of associated company was nil compared to our share of loss of associated company of \$0.6 million in the three months ended June 30, 2013 arising from our investment in Nepes Pte. Ltd., previously our associated company, having been fully written down to nil as a result of losses incurred in Nepes Pte. Ltd. Our interests in Nepes Pte. Ltd. was disposed in May 2014.

Loss before tax. Our loss before tax was \$17.9 million in the three months ended June 30, 2014 compared to a loss before tax of \$25.0 million in the three months ended June 30, 2013.

Income tax expense. Our consolidated income tax expense was \$1.4 million in the three months ended June 30, 2014 compared to income tax expenses of \$1.0 million in the three months ended June 30, 2013.

Six months ended June 30, 2014 compared to six months ended June 30, 2013

Sales. Sales decreased 14.0% to \$345.4 million in the six months ended June 30, 2014 from \$393.8 million in the six months ended June 30, 2013.

Our test services sales decreased 7.7% to \$117.4 million in the six months ended June 30, 2014 from \$127.2 million in the six months ended June 30, 2013 and our assembly services sales decreased 14.5% to \$228.0 million in the six months ended June 30, 2014 from \$266.6 million in the six months ended June 30, 2013.

Sales from our MSLP, analog and memory businesses decreased 11.4%, 3.7% and 32.9%, respectively, to \$159.9 million, \$139.7 million and \$45.9 million in the six months ended June 30, 2014, from \$180.4 million, \$145.0 million and \$68.4 million in the six months ended June 30, 2013.

The decrease in our sales for the businesses and segments referred to above is primarily due to the discontinuation of our operations in the Chengdu facility, and weakness in demand from key customers in the MSLP and memory segments.

Cost of sales. Cost of sales decreased 15.2% to \$297.1 million in the six months ended June 30, 2014 from \$342.3 million in the six months ended June 30, 2013, principally due to lower sales, a product mix with higher margins, and cost savings from the the discontinuation of our

operations in the Chengdu facility, lower depreciation from matured assets, cost savings from other on-going cost control and restructuring initiatives. Our cost of sales as a percentage of sales decreased to 86.0% in the six months ended June 30, 2014 compared to 86.9% in the six months ended June 30, 2013, due to the reasons cited above.

Gross profit. Gross profit decreased 6.6% to \$48.4 million in the six months ended June 30, 2014 from \$51.6 million in the six months ended June 30, 2013. Gross profit as a percentage of sales was 14.0% in the six months ended June 30, 2014 compared to 13.1% in the six months ended June 30, 2013, primarily due to a product mix with higher margins, cost savings from the discontinuation of our operations in the Chengdu facility, lower depreciation from matured assets, and cost savings from other on-going cost control and restructuring initiatives.

Other income, net. Other income, net in the six months ended June 30, 2014 decreased to \$3.0 million compared to \$5.0 million in the six months ended June 30, 2013. The decrease in other income, net in the six months ended June 30, 2014 is primarily due to a foreign exchange loss of \$1.9 million in the six months ended June 30, 2014 as compared to a foreign exchange gain of \$2.0 million for the same period in 2013, partially offset by increase in gain on disposal of fixed assets of \$1.0 million and increase in sales of scrap of \$0.6 million.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased 5.9% to \$30.1 million in the six months ended June 30, 2014 from \$31.9 million in the six months ended June 30, 2013, due to our cost control and restructuring initiatives.

Research and development expenses. Research and development expenses decreased 6.4% to \$5.8 million in the six months ended June 30, 2014 from \$6.2 million in the six months ended June 30, 2013 primarily due to our ongoing cost control efforts.

Finance expenses. Finance expenses were \$60.5 million in the six months ended June 30, 2014 compared to \$59.6 million in the six months ended June 30, 2013. These relate to the interest charges on our long term borrowings which were fairly consistent in the two comparative periods.

Other expenses. Other expenses were \$2.8 million in the six months ended June 30, 2014, compared to \$3.6 million in the six months ended June 30, 2013. This decrease is primarily due to lower restructuring cost incurred in respect of our on-going cost initiatives.

Share of loss of associated company. In the six months ended June 30, 2014, our share of loss of associated companies was nil compared to our share of loss of associated companies of \$0.7 million in the six months ended June 30, 2013 arising from our share of losses of Nepes Pte. Ltd.

Loss before tax. Our loss before tax was \$47.9 million in the six months ended June 30, 2014 compared to a loss before tax of \$45.5 million in the six months ended June 30, 2013.

Income tax expense. Our consolidated income tax expense was \$2.6 million in the six months ended June 30, 2014 compared to income tax expenses of \$3.2 million in the six months ended June 30, 2013, primarily as a result of lower income tax accrued in a foreign jurisdiction where no taxable profits are expected.

Liquidity and Capital Resources

Our operations are capital intensive. We have funded our operations and growth primarily through a mixture of short and long-term loans and cash flows from operations. As of June 30, 2014, our primary sources of liquidity included cash and cash equivalents of \$187.4 million and GATE's remaining undrawn credit facilities of \$125.0 million under the Senior Revolving Credit Facility.

We believe that after taking into account the expected cash to be generated from operations and the financial resources currently available to us, we have sufficient liquidity for our present and anticipated working capital needs, our debt service obligations, and for other cash requirements, for the 12 months following the date of this report.

The following table sets forth our consolidated cash flows with respect to operating activities, investing activities and financing activities for the periods indicated.

	Three Months ended June 30		Six Months ended June 30	
	2013	2014	2013	2014
	(\$ in millions)			
Net cash provided by operating activities	39.4	40.4	90.0	81.8
Net cash used in investing activities	(13.0)	(42.0)	(26.7)	(60.7)
Net cash used in financing activities	(14.2)	(2.8)	(46.0)	(51.5)
Net increase/(decrease) in cash and cash equivalents	12.2	4.4	17.3	(30.4)
Cash and cash equivalents at beginning of financial period	206.3	191.7	201.2	217.8
Cash and cash equivalents at end of financial period	218.5	187.4	218.5	187.4

Cash Flows from Operating Activities

Net cash provided by operating activities was \$81.8 million for the six months ended June 30, 2014, and was \$90.0 million for the corresponding period in 2013. The decrease of \$8.2 million was primarily due to lower cash generated from operations, partially offset by lower income tax paid.

Net cash provided by operating activities was \$40.4 million for the three months ended June 30, 2014, and was \$39.4 million for the corresponding period in 2013. The difference of \$1.0 million was primarily due to higher cash generated from operations, which was partially offset by higher cash used in working capital and lower income tax paid.

Cash Flows from Investing Activities

Net cash used in investing activities was \$60.7 million during the six months ended June 30, 2014. The principal component of the cash outflow was \$52.0 million used for the purchases of property, plant and equipment, a loan of \$11.0 million to GATE's holding company, UTAC Holdings Ltd., which was partially offset by proceeds of \$1.8 million from the disposal of certain equipment and \$0.7 million of interest income.

Net cash used in investing activities was \$26.7 million during the six months ended June 30, 2013. The principal component of the cash outflow was \$27.7 million used for the purchases of property, plant and equipment, which was partially offset by proceeds from the disposal of certain equipment and interest income.

Net cash used in investing activities was \$42.0 million during the three months ended June 30, 2014. The principal component of the cash outflow was \$32.8 million used for the purchases of property, plant and equipment and a loan of \$11.0 million to GATE's holding company, UTAC Holdings Ltd., which was partially offset by proceeds from the disposal of certain equipment and interest income.

Net cash used in investing activities was \$13.0 million during the three months ended June 30, 2013. The principal component of the cash outflow was \$13.9 million used for the purchases of property, plant and equipment, which was partially offset by proceeds from the disposal of certain equipment and interest income.

Cash Flows from Financing Activities

Net cash used in financing activities during the six months ended June 30, 2014 was \$51.5 million. Net cash used in financing activities principally included \$49.2 million in interest payment, and \$1.5 million in dividends paid to minority shareholders in UTL.

Net cash used in financing activities during the six months ended June 30, 2013 was \$46.0 million. Net cash used in financing activities principally included \$27.7 million in interest payment, \$624.5 million in repayment of borrowings, \$1.1 million in dividends paid to minority shareholders in UTL and \$0.2 million in repayment of obligations under our finance leases, offset by proceeds from the issue of the Senior Secured Notes (after deducting transaction costs) of \$607.5 million.

Net cash used in financing activities during the three months ended June 30, 2014 was \$2.8 million. Net cash used in financing activities principally included \$1.5 million in dividends paid to dividends paid to minority shareholders in UTL, \$0.7 million in payment of financing fees and \$0.6 million in interest payments.

Net cash used in financing activities during the three months ended June 30, 2013 was \$14.2 million. Net cash used in financing activities principally included \$13.5 million in interest payment, and \$0.6 million in dividends paid to dividends paid to minority shareholders in UTL.

Capital Expenditures

Capital expenditures represent purchases of property, plant and equipment in any given period, excluding those we acquired through a business combination. We had capital expenditure of \$52.0 million for the six months ended June 30, 2014 compared to \$27.7 million for the same period in 2013. For the six months ended June 30, 2014, our capital expenditure related mainly to expansion in our wafer level chip scale packaging and our MSLP testing capability. Our capital expenditure for the six months ended June 30, 2013 related mainly to expansion in capacity for our wafer level chip scale packaging, analog test and our MSLP assembly. As of December 31, 2013

and June 30, 2014, our committed capital expenditure was \$17.4 million and \$26.4 million, respectively.

Total Borrowings

As of June 30, 2014, the total amounts outstanding under our long-term and short-term borrowings were \$1,095.8 million, after deducting unamortized charges, the details of which are set out below.

Long-Term Borrowings

The following table sets out certain details relating to our long-term borrowings:

Facility	Borrower/ Issuer	Amount outstanding as of June 30, 2014	Total committed amount	Interest rate	Maturity
			(\$ in millions)		
Senior Secured Notes.....	GATE	1,095.8 ⁽¹⁾	1,127.3	10.0%	February 2019
Senior Revolving Credit Facility	GATE	-	125.0	LIBOR + applicable margin ⁽²⁾	February 7, 2018 or earlier ⁽²⁾

Notes:

- (1) This amount represented the indebtedness under the Senior Secured Notes after deducting unamortized loan facility and related charges of \$31.5 million as of June 30, 2014. The total indebtedness outstanding under the Senior Secured Notes without deducting unamortized loan facility and related charges was \$1,127.3 million.
- (2) See “Description of Indebtedness and Other Material Contracts —Senior Revolving Credit Facility Agreement” in our annual report for the year ended December 31, 2013 for details of the applicable margin and maturity date.

Short-Term Borrowings

As of June 30, 2014, USG had obtained a bank guarantee from Citibank for an amount of S\$2.0 million.

UTL currently has a revolving credit facility of up to 175.0 million Thai Baht with The Siam Commercial Bank Public Company Limited (“SCBPCL”), which may be utilized for working capital purposes. As of June 30, 2014, this facility has not been utilized. UTL also currently has bank guarantee facilities for an aggregate of up to 121 million Thai Baht provided by SCBPCL, Bangkok Bank Public Company Limited (“BBL”) and Krung Thai Bank Public Company Limited (“KTB”), pursuant to which UTL may instruct either of these banks to issue bank guarantee(s) for the payment of custom duties and certain other operating expenses. The fees payable for the issuance of the bank guarantees are 1.25% per annum for SCBPCL and BBL, and 2.0% per annum for KTB. As of June 30, 2014 guarantees of an aggregate amount of 73 million Thai Baht have been issued under these facilities. These facilities are reviewed and renewed on an annual basis. In deciding whether to renew the facilities, the relevant banks assess the financial position of UTL annually by comparing it with other similar companies in the same industry.

UTC has a letter of credit facility of an amount of \$7.0 million with Ta Chong Bank, which has an undrawn balance of \$6.0 million as of June 30, 2014.

Finance leases

We have leased certain plant and equipment under finance leases. As of June 30, 2014, our total finance lease obligations were \$0.5 million. Lease terms generally range from two to five years with options to purchase at the end of the lease term. Lease terms generally do not contain restrictions concerning dividends, additional debts or further leasing and do not provide for contingent rents. The liabilities under the leases are secured on the plant and equipment, which are the subject of the finance lease contracts.

Off-balance Sheet Arrangements

As of June 30, 2014, there were no off-balance sheet arrangements.

Contingencies

From time to time, we are subject to claims that arise in the normal course of business. These claims may include allegations of infringement of intellectual property rights of others, environmental liability, labor, products, as well as other claims of liability.

Complaint filed by certain noteholders

A complaint was filed in the Supreme Court of the State of New York, New York County, by certain purported holders of GATE's Senior Secured Notes due 2019, alleging certain claims in relation to the issuance of the \$502.3 million in aggregate principal amount of Senior Secured Notes on September 30, 2013. The claims asserted include alleged breaches of GATE's intercreditor agreement and the Indenture, fraudulent inducement and fraud with respect to certain plaintiffs' purported purchases of the Senior Secured Notes. The plaintiffs seek monetary damages and declaratory relief, including a declaration that the issuance of the Senior Secured Notes on September 30, 2013 caused an event of default under the Indenture.

GATE is of the view that it has substantial defences to these claims and intends to vigorously defend the plaintiffs' lawsuit. On May 30, 2014, GATE filed a motion to dismiss the plaintiffs' complaint. The case is ongoing.

Litigation with Tessera

On September 30, 2010, Tessera, Inc. ("Tessera") filed a complaint against UTC in the United States District Court of the Northern District of California. The suit relates to a contractual dispute about whether UTC's patent license agreement with Tessera obligates it to continue paying royalties to Tessera. Tessera's complaint seeks a judicial determination and declaration that UTC remains contractually obligated to pay royalties to Tessera, an accounting and restitution, and an award of damages in an amount to be determined at trial, plus interest on damages, costs, disbursements and attorneys' fees. UTC filed a motion to dismiss the complaint on March 16, 2011. On March 28, 2012, the court granted UTC's motion to dismiss with leave for Tessera to file an amended complaint by April 19, 2012. Tessera filed an amended complaint on April 19, 2012,

and UTC filed its response on May 17, 2012. UTC, in its response, denies Tessera's claims and asserts counterclaims for declaratory relief relating to the appropriate interpretation of the patent license agreement. After completing discovery, the parties filed competing motions for partial summary judgment concerning the proper interpretation of the license agreement. In an order dated March 31, 2014, the court granted UTC's motion and denied Tessera's motion, thereby adopting UTC's proposed interpretation of the license agreement. The court also scheduled a case management conference for May 9, 2014. The case is ongoing.

Litigation with a shareholder of UTL

On March 22, 2000, a minority shareholder of UTL, Mrs. Yuwanit Pisanthanakun, filed a complaint in the Southern Bangkok Civil Court against UTL and five of its directors (one of whom continues to be an existing director). The plaintiff challenged the validity of a board meeting held on December 16, 1999 and various shareholder meetings approving the appointments of new directors, amendments of UTL's Articles of Association, and allocation of additional shares as a part of a capital increase and debt restructuring of UTL that took place in early 2000.

On December 29, 2005, the Southern Bangkok Civil Court dismissed the plaintiff's claim. The plaintiff's appeal to the Appeals Court on March 14, 2006 was also dismissed on November 10, 2008. Both Thai courts found that the board and shareholders' meetings challenged by the plaintiff were held in accordance with UTL's Articles of Association and that the relevant resolutions were properly passed and should not be revoked. The plaintiff appealed further to the Supreme Court of Thailand on April 27, 2009 and the parties have since made their submissions. The judgment of the Supreme Court of Thailand is pending.

UTL has obtained judgments in its favor in the Court of First Instance and the Court of Appeal, and believes that it has meritorious defenses to the plaintiff's appeal to the Supreme Court of Thailand.

Suit filed by Amkor Technology

On April 4, 2014, Amkor Technology, Inc. ("Amkor") filed a complaint against GATE and certain of its subsidiaries in the Superior Court of Arizona. The suit relates to patent licenses between Amkor and certain of GATE's subsidiaries. We are evaluating the claims and our potential counterclaims against Amkor and we intend to vigorously defend our interests in this suit.

Critical Accounting Policies

Our critical accounting policies are disclosed in our annual report for the year ended December 31, 2013. During the six months ended June 30, 2014, there have been no significant changes in our critical accounting policies.

Recent Accounting Pronouncements under SFRS

New Accounting Standards and SFRS Interpretations Effective 2014

The significant accounting policies adopted in the interim financial report are consistent with those adopted in the financial statements for the year ended December 31, 2013 except for the adoption of the following standards which are effective for annual period beginning on and after January 1, 2014:

FRS 27 (revised 2011) — Separate Financial Statements (effective for annual periods beginning on or after January 1, 2014)

FRS 110 — Consolidated Financial Statements (effective for annual periods beginning on or after January 1, 2014)

FRS 112 — Disclosure of Interests in Other Entities (effective for annual periods beginning on or after January 1, 2014)

We anticipate that the adoption of the above FRSs and amendments to FRS did not have a material impact on our financial statements.

Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss related to adverse changes in market prices, including interest rates and foreign exchange rates, of financial instruments. We are exposed to various financial market risks in our ordinary course business transactions, primarily from interest rate movements on non-current variable rate borrowings and exchange rate movements. For details of quantitative and qualitative disclosures about market risk, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Quantitative and Qualitative Disclosures about Market Risk” in our annual report for the year ended December 31, 2013.

FINANCIAL STATEMENTS

1. GATE Unaudited Financial Statements for the three months and six months ended June 30, 2014, prepared in accordance with Singapore Financial Reporting Standards
2. Condensed Notes to GATE Unaudited Financial Statements for the three months and six months ended June 30, 2014

GLOBAL A&T ELECTRONICS LTD. AND ITS SUBSIDIARIES
UNAUDITED CONSOLIDATED CONDENSED INTERIM STATEMENT OF
COMPREHENSIVE INCOME

For the three-month and six-month period ended June 30, 2014

	Three-month period ended June 30		Six-month period ended June 30	
	2013	2014	2013	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Sales	192,827	184,762	393,808	345,435
Cost of sales	(169,672)	(156,448)	(342,253)	(297,076)
Gross profit	23,155	28,314	51,555	48,359
Other gains – net	2,533	1,759	4,953	3,019
Expenses				
Selling, general and administrative expenses	(15,965)	(14,389)	(31,899)	(30,108)
Research and development costs	(3,268)	(2,999)	(6,194)	(5,823)
Finance costs	(29,996)	(30,578)	(59,623)	(60,549)
Other operating expenses	(905)	(24)	(3,597)	(2,834)
Share of loss of associated companies	(553)	-	(742)	-
Profit before income tax	(24,999)	(17,917)	(45,547)	(47,936)
Income tax expense	(1,040)	(1,352)	(3,244)	(2,550)
Total Loss	(26,039)	(19,269)	(48,791)	(50,486)
Other comprehensive income:				
Financial assets, available-for-sale				
Cash flow hedges				
- Fair value gains	(6,707)	312	(6,060)	333
- Reclassification	(840)	-	(1,261)	-
- Share option reserve	-	-	-	(8)
- Post employment benefit obligation, net of tax	-	-	-	(17)
Other comprehensive income, net of tax	(7,547)	312	(7,321)	308
Total comprehensive income	(33,586)	(18,957)	(56,112)	(50,178)
Loss attributable to:				
Equity holders of the Company	(26,321)	(19,681)	(49,452)	(51,280)
Minority interests	282	412	661	794
	(26,039)	(19,269)	(48,791)	(50,486)
Total comprehensive income attributable to:				
Equity holders of the Company	(33,777)	(19,373)	(56,728)	(50,990)
Minority interests	191	416	616	812
	(33,586)	(18,957)	(56,112)	(50,178)

GLOBAL A&T ELECTRONICS LTD. AND ITS SUBSIDIARIES
UNAUDITED CONSOLIDATED CONDENSED INTERIM STATEMENT OF
FINANCIAL POSITION

As at June 30, 2014

	Group	
	December 31, 2013	June 30, 2014
	US\$'000	US\$'000
ASSETS		
Current assets		
Cash and cash equivalents	217,855	187,408
Derivative financial instruments	217	164
Trade and other receivables	106,747	131,918
Inventories	33,548	38,753
Other current assets	10,368	6,478
	<u>368,735</u>	<u>364,721</u>
Assets classified as held for sale	-	24,026
	<u>368,735</u>	<u>388,747</u>
Non-current assets		
Other non-current assets	9,808	9,119
Deferred income tax assets	2,501	2,505
Financial assets, available-for-sale	1,383	1,383
Property, plant and equipment	536,157	511,461
Intangible assets	708,745	700,820
	<u>1,258,594</u>	<u>1,225,288</u>
Total assets	<u>1,627,329</u>	<u>1,614,035</u>
LIABILITIES		
Current liabilities		
Trade and other payables	132,213	170,658
Provisions	2,000	2,000
Derivative financial instruments	1,034	533
Borrowings	188	239
Current income tax liabilities	4,976	4,534
	<u>140,411</u>	<u>177,964</u>
Non-current liabilities		
Borrowings	1,093,674	1,096,049
Deferred income	168	124
Deferred income tax liabilities	9,439	7,865
Long term benefit obligations	21,841	21,864
	<u>1,125,122</u>	<u>1,125,902</u>
Total liabilities	<u>1,265,533</u>	<u>1,303,866</u>
NET ASSETS	<u>361,796</u>	<u>310,169</u>
EQUITY		
Capital and reserves attributable to the		
Company's equity holders		
Share capital		
Capital contribution	698,000	698,000
Other reserves	(6,736)	(6,429)
Accumulated losses	(334,898)	(386,178)
	<u>356,366</u>	<u>305,393</u>
Minority interest	5,430	4,776
Total equity	<u>361,796</u>	<u>310,169</u>

GLOBAL A&T ELECTRONICS LTD. AND ITS SUBSIDIARIES
UNAUDITED CONSOLIDATED CONDENSED INTERIM STATEMENT OF
FINANCIAL POSITION

As at June 30, 2014

Note	← Attributable to equity holder of the Company →					Non-controlling interest	Total equity
	Share capital	Capital contribution	Other reserves	Accumulated losses	Total		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Opening amount as at January 1, 2014	-	698,000	(6,736)	(334,898)	356,366	5,430	361,796
Dividend paid to non-controlling interest	-	-	-	-	-	(1,466)	(1,466)
Total comprehensive income/(loss) for the period	-	-	307	(51,280)	(50,973)	812	(50,161)
Balance as at June 30, 2014	-	698,000	(6,429)	(386,178)	305,393	4,776	310,169
Opening amount as at January 1, 2013	-	698,000	(3,459)	(254,937)	439,604	5,926	445,530
Dividends paid to non-controlling interest	-	-	-	-	-	(1,078)	(1,078)
Total comprehensive income/(loss) for the period	-	-	(7,278)	(49,452)	(56,730)	616	(56,114)
Balance as at June 30, 2013	-	698,000	(10,737)	(304,389)	382,874	5,464	388,338

GLOBAL A&T ELECTRONICS LTD. AND ITS SUBSIDIARIES
UNAUDITED CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the three-month and six-month period ended June 30, 2014

	Three-month period ended June 30		Six-month period ended June 30	
	2013	2014	2013	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from operating activities				
Net profit	(26,039)	(19,269)	(48,791)	(50,486)
Adjustments for:				
- Tax	1,040	1,352	3,244	2,550
- Depreciation of property, plant and equipment	38,349	33,395	77,943	67,803
- Amortization of intangible assets	4,092	4,023	8,262	8,086
- Net (gain)/loss on disposal of property, plant and equipment	(84)	(1,100)	(112)	(1,048)
- Write off of property, plant and equipment	-	-	-	11
- Interest expense	29,996	30,578	59,623	60,549
- Interest income	(217)	(334)	(420)	(799)
- Government grant income	(66)	(22)	(196)	(47)
- Fair value loss/(gain) on derivative financial instruments	21	-	21	-
- Share of (gain)/loss of associated companies	553	-	742	-
Operating cash flow before working capital changes	47,645	48,623	100,316	86,619
Change in operating assets and liabilities, net of effects from purchase of a subsidiary:				
- Derivative financial instruments	(1,107)	(42)	(1,521)	(116)
- Trade and other receivables	1,401	(19,151)	2,208	(14,036)
- Inventories	4,308	(3,895)	8,480	(5,204)
- Other current assets	(864)	1,822	2,384	4,084
- Trade and other payables	(1,630)	16,810	(11,573)	14,937
- Retirement benefit obligations	(596)	540	(195)	6
- Currency translation difference	-	372	1	468
Cash generated from operations	49,157	45,079	100,100	86,758
Government grant received	41	-	322	4
Income tax paid	(9,781)	(4,693)	(10,453)	(5,023)
Net cash provided by operating activities	39,417	40,386	89,969	81,739
Cash flows from investing activities				
Purchases of property, plant and equipment	(13,915)	(32,802)	(27,722)	(51,982)
Loan to ultimate holding company	-	(11,000)	-	(11,000)
Purchases of intangible assets	(80)	(101)	(179)	(160)
Proceeds from disposal of property, plant and equipment	690	1,693	807	1,780
Proceed/(Purchase) from/(of) sale of financial assets, at fair value	5	-	8	-
Interest received	288	200	416	664
Net cash used in investing activities	(13,012)	(42,010)	(26,670)	(60,698)
Cash flows from financing activities				
Proceeds from borrowings	-	-	607,500	-
Repayment of borrowings	-	-	(624,511)	-
Repayment of finance lease liabilities	(128)	(67)	(238)	(116)
Payment of financing fee	-	(674)	-	(674)
Interest paid	(13,552)	(557)	(27,697)	(49,232)
Dividend paid to a non-controlling interest	(551)	(1,466)	(1,078)	(1,466)
Net cash used in financing activities	(14,231)	(2,764)	(46,024)	(51,488)
Net decrease in cash and cash equivalents	12,174	4,388	17,275	(30,447)
Cash and cash equivalents at the beginning of the financial period	206,320	191,747	201,219	217,806
Cash and cash equivalents at the end of the financial period	218,494	186,359	218,494	187,359
Cash and cash equivalents in the Group's balance sheet	218,494	187,408	218,494	187,408
Less: Cash subject to restrictions	-	(49)	-	(49)
Cash and cash equivalents in consolidated cash flow statement	218,494	187,359	218,494	187,359

GLOBAL A&T ELECTRONICS LTD. AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED INTERIM
FINANCIAL INFORMATION

For the three months and six months ended June 30, 2014

1. Interim financial statements

The Consolidated Financial Statements and related disclosures as of June 30, 2013 and 2014 and for the six months ended June 30, 2013 and 2014 are unaudited. The December 31, 2013 consolidated statement of financial position was derived from the audited financial statements, but does not include all the disclosures required to be prepared in accordance with SFRS.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with SFRS have been condensed or omitted for the purposes of the interim financial statements. In the opinion of the management of GATE, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial information included therein. This financial data should be read in conjunction with the audited consolidated financial statements and related notes thereto for the year ended December 31, 2013.

The results of operations for interim periods are not necessarily indicative of the results of operations that may be expected for the full financial year.

2. Sales

Sales decreased to \$345.4 million for the six months ended June 30, 2014 from \$393.8 million for the six months ended June 30, 2013. Breakdowns of sales by service and product types are as follows:

Sales	Group			
	Six months ended June 30,			
	2013		2014	
	<i>(in thousands of U.S. dollars, except percentages)</i>			
Test	127,194	32.3%	117,419	34.0%
Assembly	266,614	67.7%	228,016	66.0%
Total	393,808	100%	345,435	100%

Sales	Group			
	Six months ended June 30,			
	2013		2014	
	<i>(in thousands of U.S. dollars, except percentages)</i>			
Memory	68,384	17.4%	45,904	13.3%
Mixed-Signal and Logic	180,413	45.8%	159,857	46.3%
Analog	145,011	36.8%	139,674	40.4%
Total	393,808	100%	345,435	100%

GLOBAL A&T ELECTRONICS LTD. AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED INTERIM
FINANCIAL INFORMATION

For the three months and six months ended June 30, 2014

Sales decreased to \$184.8 million for the three months ended June 30, 2014 from \$192.8 million for the three months ended June 30, 2013. Breakdowns of sales by service and product types are as follows:

	Group			
	Three months ended June 30,			
Sales	2013		2014	
	(in thousands of U.S. dollars, except percentages)			
Test	64,438	33.4%	62,560	33.9%
Assembly	128,389	66.6%	122,202	66.1%
Total	192,827	100%	184,762	100%

Sales	Group			
	Three months ended June 30,			
	2013		2014	
	(in thousands of U.S. dollars, except percentages)			
Memory	33,142	17.2%	25,902	14.0%
Mixed-Signal and Logic	89,099	46.2%	85,485	46.3%
Analog	70,586	36.6%	73,375	39.7%
Total	192,827	100%	184,762	100%

3. Cost of sales

Cost of sales includes cost of materials, depreciation and overhead and labor. Cost of sales decreased to \$297.1 million for the six months ended June 30, 2014 compared to \$342.3 million for the six months ended June 30, 2013. Cost of sales decreased to \$156.4 million in the three months ended June 30, 2014 from \$169.7 million in the three months ended June 30, 2013. The decrease in cost of sales was principally due to lower sales for the six months ended June 30, 2014 and three months ended June 30, 2014 compared to the six months ended June 30, 2013 and three months ended June 30, 2013, respectively.

4. Cash and cash equivalents

Cash and Cash Equivalents	Group	
	As at December 31, 2013	As at June 30, 2014
	<i>(in thousands of U.S. dollars)</i>	
Cash at bank and on hand	135,536	152,149
Short-term bank deposits	82,319	35,259
Total	217,855	187,408

At the balance sheet date, the carrying amounts of cash and cash equivalents approximated their fair values.

GLOBAL A&T ELECTRONICS LTD. AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED INTERIM
FINANCIAL INFORMATION

For the three months and six months ended June 30, 2014

5. Trade and other receivables

	Group	
	As at December 31, 2013	As at June 30, 2014
Trade and Other Receivables	<i>(in thousands of U.S. dollars)</i>	
Trade receivables – third parties	97,936	107,088
Less: Allowance for impairment of receivables - non-related parties	(402)	(166)
	97,534	106,922
Receivables from third parties - non-trade	9,213	24,996
Total	106,747	131,918

Trade and other receivables increased to \$131.9 million as at June 30, 2014 from \$106.7 million as at December 31, 2013.

6. Trade and other payables

	Group	
	As at December 31, 2013	As at June 30, 2014
Trade and Other Payables	<i>(in thousands of U.S. dollars)</i>	
Payables for purchase of property, plant and equipment	15,465	30,827
Trade payables - third parties	38,578	46,872
Advances from customers	726	42
Deposits received	1,005	5,961
Accrued interest payable	39,398	47,629
Other accrual for operating expenses	32,925	33,863
Other payables	4,116	5,464
Total	132,213	170,658

Trade and other payables increased to \$170.7 million as at June 30, 2014 from \$132.2 million as at December 31, 2013 mainly due to purchase of property, plant and equipment and an increased interest accrual.

7. Intangibles

Intangible assets decreased by \$7.9 million to \$700.8 million as at June 30, 2014 from \$708.7 million as at December 31, 2013, mainly due to amortization charge of intangibles in the six months ended June 30, 2014.

GLOBAL A&T ELECTRONICS LTD. AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED INTERIM
FINANCIAL INFORMATION

For the three months and six months ended June 30, 2014

8. Property, Plant and Equipment

Property, plant and equipment decreased by \$24.7 million to \$511.5 million as at June 30, 2014 from \$536.2 million as at December 31, 2013 due to assets held for sale reclassification of \$24.0 million, disposal and depreciation of property, plant and equipment of \$68.6 million for the six months ended June 30, 2014 and offset by the capitalization of \$67.9 million of property, plant and equipment.

9. Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognized in the financial statements are analyzed as follows:

	Group	
	As at December 31, 2013	As at June 30, 2014
Capital Commitments	<i>(in thousands of U.S. dollars)</i>	
Property, plant and equipment	17,431	26,366

10. Contingencies

From time to time, we are subject to claims that arise in the normal course of business. These claims may include allegations of infringement of intellectual property rights of others.

We assess the likelihood of an adverse judgment or outcome for these matters, as well as the range of potential losses. A determination of the reserves required, if any, is made after careful analysis. The required reserves may change in the future due to new developments impacting the probability of a loss, the estimate of such loss, and the probability of recovery of such loss from third parties.

11. Segment Information

Six months ended	Assembly	Test	Group
June 30, 2014	<i>(in thousands of U.S. dollars)</i>		
Segment sales/ Sales to external parties	228,016	117,419	345,435
Segment gross profit	28,075	20,284	48,359
June 30, 2013			
Segment sales/ Sales to external parties	266,614	127,194	393,808
Segment gross profit	28,876	22,679	51,555

Three months ended	Assembly	Test	Group
June 30, 2014	<i>(in thousands of U.S. dollars)</i>		
Segment sales/ Sales to external parties	122,202	62,560	184,762
Segment gross profit	17,325	10,989	28,314
June 30, 2013			
Segment sales/ Sales to external parties	128,389	64,438	192,827
Segment gross profit	10,586	12,569	23,155

Reconciliation

A reconciliation of segment gross profit to loss before income tax is as follows:

	Group	
	Six months ended June 30,	
	2013	2014
	<i>(in thousands of U.S. dollars)</i>	
Segment gross profit of reportable segments	51,555	48,359
Other gains/ (losses) - net	4,953	3,019
Selling, general and administrative expenses	(31,899)	(30,108)
Research and development costs	(6,194)	(5,823)
Finance costs	(59,623)	(60,549)
Other operating expenses	(3,597)	(2,834)
Share of loss of associated companies	(742)	-
Loss before income tax	(45,547)	(47,936)

	Group	
	Three months ended June 30,	
	2013	2014
	<i>(in thousands of U.S. dollars)</i>	
Segment gross profit of reportable segments	23,155	28,314
Other gains/ (losses) - net	2,533	1,759
Selling, general and administrative expenses	(15,965)	(14,389)
Research and development costs	(3,268)	(2,999)
Finance costs	(29,996)	(30,578)
Other operating expenses	(905)	(24)
Share of loss of associated companies	(553)	-
Loss before income tax	<u>(24,999)</u>	<u>(17,917)</u>