
QUARTERLY REPORT FOR THE THREE MONTHS ENDED MARCH 31, 2017

GLOBAL A&T ELECTRONICS LTD.

April 20, 2017

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CERTAIN DEFINITIONS AND CONVENTIONS

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

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 “UTH” refer to UTAC Thai Holdings Limited, all references to “UTAC Cayman” refer to UTAC Cayman Ltd and all references to “UHQ” refer to UTAC Headquarters Pte. Ltd.

References to:

- “indenture” are to the indenture dated February 7, 2013, as amended and supplemented from time to time, entered into among Global A&T Electronics, the subsidiary guarantors and Citicorp International Limited, as trustee and security agent;
- “senior secured 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 Global A&T Electronics, being for the time being: USG, UHK, UTC, UTAC Cayman, UTH, UTL and UHQ.

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, Global A&T Electronics' annual report for the year ended December 31, 2016, dated April 20, 2017. 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:

- our history of substantial losses;
- our significant indebtedness affecting our operations, and our ability to repay or refinance our indebtedness as it falls due;
- the cyclical nature of the semiconductor industry;
- our reliance on certain major customers;
- our ability to manage our geographically diverse manufacturing facilities and expand our business;
- increased competition from other companies and our ability to maintain and increase our market share;
- pending litigation by certain holders of our senior secured notes, litigation relating to our intellectual property and other potential legal liabilities;
- our ability to successfully develop new technologies;
- 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 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 and 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 MARCH 31, 2017

Other than as disclosed elsewhere in this quarterly report, there have been no material developments in our business since March 31, 2017.

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, 2016.

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 condensed interim financial information as of and for the three months ended March 31, 2017 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, 2016 and elsewhere in this quarterly report. See "Cautionary Statement Regarding Forward-looking Information." Our unaudited consolidated condensed interim financial information are reported in U.S. dollars and have been prepared in accordance with Singapore Financial Reporting Standards, or SFRS, which may differ in certain significant respects from generally accepted accounting principles in other countries.

Overview

We are a leading independent provider of semiconductor assembly and test services for a broad range of integrated circuits with diversified uses, including in communications devices (such as smartphones, Bluetooth and WiFi), consumer devices, computing devices, automotive applications and industrial and medical applications. We provide assembly and test services primarily for three key semiconductor product categories, namely, analog, mixed-signal and logic, and memory.

Our customers are primarily fabless companies, integrated device manufacturers and wafer foundries. Our expertise in assembly and test services accumulated through years of engineering experience has allowed us to develop long-standing and well-established relationships with our customers, many of whom are leaders in their respective product categories.

The table below shows, for the periods indicated, the amount and percentage of our sales attributable to each of our assembly services and test services:

	Three months ended March 31,			
	2016		2017	
	Amount (\$ in millions)	Percentage of sales	Amount (\$ in millions)	Percentage of sales
Service type				
Assembly	108.2	68.9%	118.0	71.3%
Test	48.8	31.1%	47.5	28.7%
Total	157.0	100.0%	165.4	100.0%

The following table sets forth our sales by product category as a percentage of sales, which has been prepared based on our management's determination of the product categories that are served by our customers:

	Three months ended March 31,			
	2016		2017	
	Amount (\$ in millions)	Percentage of sales	Amount (\$ in millions)	Percentage of sales
Product category				
Analog	68.1	43.4%	87.7	53.0%
Mixed-signal and logic	72.4	46.1%	61.0	36.9%
Memory	16.5	10.5%	16.7	10.1%
Total	157.0	100.0%	165.4	100.0%

Sales from our analog product category increased 28.8% to \$87.7 million in the three months ended March 31, 2017 from \$68.1 million in the three months ended March 31, 2016 primarily due to increased demand from existing analog customers, primarily in UTL.

Sales from our mixed-signal and logic product category decreased 15.7% to \$61.0 million in the three months ended March 31, 2017 from \$72.4 million in the three months ended March 31, 2016 primarily due to a decrease in sales to handset customers in China.

Sales from our memory product category remained fairly consistent in the three months ended March 31, 2016 and 2017 and were \$16.5 million and \$16.7 million for the respective periods.

We have a diversified customer base on the basis of geographical distribution. We account for geographical distribution of our sales based on the countries in which our customers are headquartered, which we classify into five regions: United States, Japan, Asia (excluding Japan), Europe and Others. The table below sets forth the geographical distribution of our sales.

Geographical region	Three months ended March 31,			
	2016		2017	
	Amount (\$ in millions)	Percentage of sales	Amount (\$ in millions)	Percentage of sales
United States.....	93.0	59.2%	106.7	64.5%
Asia (excluding Japan)	40.7	25.9%	29.2	17.6%
Europe	17.0	10.8%	22.9	13.9%
Japan	5.4	3.5%	6.2	3.8%
Others	0.9	0.6%	0.5	0.3%
Total	157.0	100.0%	165.4	100.0%

Sales from our customers headquartered in the United States increased in the three months ended March 31, 2017 compared to the three months ended March 31, 2016 in line with higher analog sales to integrated device manufacturers headquartered in the United States. Our sales to customers' headquartered in Asia (excluding Japan) decreased primarily due to lower sales to China handset customers.

Results of Operations

	Three months ended March 31,			
	2016		2017	
	(\$ in millions, except percentages)			
Sales.....	157.0	100%	165.4	100%
Cost of sales.....	(138.5)	(88.2%)	(136.7)	(82.6%)
Gross profit.....	18.5	11.8%	28.7	17.4%
Other income	1.2	0.7%	2.0	1.2%
Other losses — net.....	(1.1)	(0.7%)	(1.1)	(0.7%)
Expenses:				
Selling, general and administrative.....	(16.8)	(10.7%)	(16.0)	(9.7%)
Research and development	(2.9)	(1.9%)	(4.0)	(2.4%)
Finance	(30.2)	(19.3%)	(29.7)	(18.0%)
Others	(2.5)	(1.6%)	(7.1)	(4.3%)
Loss before tax	(33.9)	(21.6%)	(27.2)	(16.4%)
Income tax (expense)/ credit.....	(0.3)	(0.2%)	0.9	0.5%
Loss after tax	(34.1)	(21.7%)	(26.3)	(15.9%)
Non-controlling interest.....	0.1	0.1%	0.1	0.1%
Loss after non-controlling interest.....	(34.2)	(21.8%)	(26.4)	(15.9%)

Three months ended March 31, 2017 compared to three months ended March 31, 2016

Sales. Sales increased 5.3% to \$165.4 million in the three months ended March 31, 2017 from \$157.0 million in the three months ended March 31, 2016.

Our assembly service sales increased 9.1% to \$118.0 million in the three months ended March 31, 2017 from \$108.2 million in the three months ended March 31, 2016 primarily due to an increase in sales of analog products, which was partially offset by a decrease in sales of mixed-signal and logic products. Our test services sales decreased to \$47.5 million in the three months ended March 31, 2017 from \$48.8 million in the three months ended March 31, 2016 primarily due to lower orders from mobile products customers.

Cost of sales. Cost of sales decreased 1.3% to \$136.7 million in the three months ended March 31, 2017 from \$138.5 million in the three months ended March 31, 2016 primarily due to lower material costs of our inventory that we wrote down to their net realizable value in 2016, a shift in product mix within our analog and mixed-signal and logic product categories, lower depreciation expense and lower cost of utilities. Our cost of sales as a percentage of sales decreased to 82.6% in the three months ended March 31, 2017 compared to 88.2% in the three months ended March 31, 2016 for the same reasons.

Gross profit. Gross profit increased 55.1% to \$28.7 million in the three months ended March 31, 2017 from \$18.5 million in the three months ended March 31, 2016. Gross profit as a percentage of sales, or gross profit margin, was 17.4% in the three months ended March 31, 2017 compared to 11.8% in the three months ended March 31, 2016. The increases in our gross profit and gross profit margin were primarily due to higher assembly sales and lower cost of sales due to lower material costs of our inventory that we wrote down to their net realizable value in 2016, a shift in product mix within our analog and mixed-signal and logic product categories, lower depreciation expense and lower cost of utilities.

Other income. Other income increased to \$2.0 million in the three months ended March 31, 2017 from \$1.2 million in the three months ended March 31, 2016 primarily due to an increase in sales of scraps.

Other losses - net. Other losses – net remained constant in the three months ended March 31, 2016 and 2017 and were \$1.1 million in each period and primarily related to foreign currency losses in each period.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased 4.8% to \$16.0 million in the three months ended March 31, 2017 from \$16.8 million in the three months ended March 31, 2016 primarily due to lower depreciation expense related to corporate assets, including computers, equipment and furniture.

Research and development expenses. Research and development expenses increased 35.7% to \$4.0 million in the three months ended March 31, 2017 from \$2.9 million in the three months ended March 31, 2016 primarily due to higher depreciation expense related to plant and equipment used for research and development purposes.

Finance expenses. Finance expenses were \$29.7 million in the three months ended March 31, 2017 compared to \$30.2 million in the three months ended March 31, 2016 and primarily relate to the interest charges on our long term borrowings, which were fairly consistent in the two comparative periods.

Other expenses. Other expenses were \$7.1 million in the three months ended March 31, 2017 compared to \$2.5 million in the three months ended March 31, 2016. The increase in the three months ended March 31, 2017 was primarily due to a provision for severance costs of \$5.4 million relating to the closure of USC during the period.

Loss before tax. Our loss before tax was \$27.2 million in the three months ended March 31, 2017 compared to a loss before tax of \$33.9 million in the three months ended March 31, 2016.

Income tax (expense)/ credit. Our income tax credit was \$0.9 million in the three months ended March 31, 2017 compared to income tax expense of \$0.3 million in the three months ended March 31, 2016 because our income tax credit on movement of temporary difference for the three months ended March 31, 2017 was greater than our income tax provision for the same period.

Non-SFRS Measures

EBITDA and adjusted EBITDA may not be comparable to similarly titled measures reported by other companies due to potential inconsistencies in the method of calculation.

We have included EBITDA because we believe it is an indicative measure of our operating performance and is used by investors and analysts to evaluate companies in our industry. We define EBITDA as loss after tax adjusted for (i) income tax expense; (ii) finance expenses; and (iii) depreciation and amortization, which represent depreciation of property, plant and equipment and amortization of intangible assets.

We have included adjusted EBITDA because we believe it is a more indicative measure of our baseline performance as it excludes certain charges that our management considers to be outside of our core operating results. We define adjusted EBITDA as EBITDA adjusted for extraordinary items including, for the periods under review, (i) restructuring costs; (ii) gain on disposal of non-current asset held for sale; (iii) settlement fees to Tessera; (iv) legal and professional fees which relate to corporate activities; (v) impairment and provisions related to the closure of our Shanghai production facility; and (vi) fair value gain on derivative financial instruments.

EBITDA and adjusted EBITDA are not measures of financial performance or liquidity under SFRS or U.S. GAAP and should not be considered as alternatives to total profit, operating profit or any other performance measures derived in accordance with SFRS or U.S. GAAP or as an alternative to cash flow from operating activities as a measure of liquidity.

The following table reconciles our loss after tax to EBITDA and adjusted EBITDA, in each case, for the periods indicated:

	Three months ended March 31,	
	2016	2017
	(\$ in millions)	
Loss after tax	(34.1)	(26.3)
Add/(deduct):		
Income tax expense/(credit).....	0.3	(0.9)
Finance expenses	30.2	29.7
Depreciation of property, plant and equipment	27.6	25.8
Amortization of intangible assets	4.0	2.6
EBITDA	28.0	30.9
Add/(deduct):		
Restructuring costs	2.4	0.2
Fair value gain on derivative financial instruments	-	(0.2)
Legal and professional fees relate to corporate activities	-	1.3
Gain on disposal of non-current asset held for sale	(0.4)	-
Settlement fee to Tessera	0.1	-
Impairment and provisions relating to Shanghai production facility closure	-	5.5
Adjusted EBITDA	30.1	37.7

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 March 31, 2017, our primary sources of liquidity included cash and bank deposits of \$77.4 million and our undrawn credit facilities of \$11.5 million and unutilized bank guarantee facilities of \$0.7 million.

We have assessed our cash flow projections for the 15-month period ending March 31, 2018, and anticipate that we may have insufficient liquidity to meet our interest payment obligations when due after considering our working capital requirements and capital expenditure that is necessary to sustain our operations for such period and the cash savings from the cost reduction measures that have been implemented. As a result, in February 2017, we engaged investment banking firm Moelis & Company and law firm Kirkland & Ellis to explore and develop strategic options concerning possible changes to our capital, including a potential restructuring of our senior secured notes. We are confident that we will be able to engage constructively with the holders of our senior secured notes in relation to our interest payment obligations.

We continue to review various measures to improve our operating performance and liquidity. In particular, we have implemented extensive costs reduction measures and, in February 2017, announced the decision to shut down the loss-making operations of USC to improve our working capital position.

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 March 31,	
	2016	2017
	(\$ in millions)	
Net cash provided by operating activities	29.2	44.4
Net cash used in investing activities	(19.8)	(19.2)
Net cash used in financing activities.....	(58.4)	(56.5)
Net decrease in cash and cash equivalents.....	(49.0)	(31.2)
Cash and cash equivalents at beginning of financial period	183.9	108.6
Cash and cash equivalents at end of financial period	134.9	77.4

Cash Flows from Operating Activities

We generated \$44.4 million in net cash from our operating activities for the three months ended March 31, 2017. Our cash flows generated from operating activities are calculated by adjusting our loss after tax of \$26.3 million by (i) non-cash and other items, such as \$25.8 million of depreciation of property, plant and equipment, \$29.7 million in finance expense, \$2.6 million of amortization of intangible assets and \$0.9 million in income tax credit, and (ii) changes in working capital described below.

Working capital sources of cash in the three months ended March 31, 2017 included primarily a \$0.1 million decrease in cash from our trade and other payables and inventories of \$0.9 million, which was offset by the increase in cash from trade and other receivables of \$14.6 million.

We generated \$29.2 million in net cash from our operating activities for the three months ended March 31, 2016. Our cash flows generated from operating activities are calculated by adjusting our loss after tax of \$34.1 million by (i) non-cash and other items, such as \$27.6 million of depreciation of property, plant and equipment, \$30.2 million in finance expense, \$4.0 million of amortization of intangible assets, \$0.3 million in income tax expense, and (ii) changes in working capital described below.

Working capital sources of cash in the three months ended March 31, 2016 included primarily a \$6.0 million increase in cash from our trade and other receivables which was partially offset by the working capital use of cash of \$1.9 million in trade and other payables and \$0.9 million in inventories. For the three months ended March 31, 2016, we made cash payments of \$0.1 million in respect of income tax expenses.

Cash Flows from Investing Activities

Net cash used in investing activities was \$19.2 million during the three months ended March 31, 2017. The principal component of the cash outflow was \$19.6 million used for purchases of property, plant and equipment, which was partially offset by proceeds of \$0.2 million from the disposal of property, plant and equipment and interest income receipt of \$0.2 million.

Net cash used in investing activities was \$19.8 million during the three months ended March 31, 2016. Cash flows from investing activities consisted primarily of \$25.6 million used for the purchases of property, plant and equipment and \$0.9 million used for purchases of intangible assets, which were partially offset by proceeds of \$5.9 million from the disposal of our plant and equipment and proceeds of \$0.6 million from the disposal of certain of our plant and equipment classified under non-current assets held for sale.

Cash Flows from Financing Activities

Net cash used in financing activities during the three months ended March 31, 2017 was \$56.5 million, which principally included \$56.4 million in interest payments and \$0.1 million in repayment of finance lease liabilities.

Net cash used in financing activities during the three months ended March 31, 2016 was \$58.4 million, which principally included \$56.9 million in interest payments, \$0.1 million in repayment of finance lease liabilities and \$1.4 million in dividends paid to minority shareholders of UTL.

Capital Expenditures

We had cash outflows in respect of capital expenditures, or cash capital expenditures, of \$19.6 million for the three months ended March 31, 2017 compared to \$26.5 million for the three months ended March 31, 2016.

More than 90.0% of our cash capital expenditures of \$19.6 million for the three months ended March 31, 2017 related to purchase commitments from 2016. Our cash capital expenditures of \$19.6 million primarily related to assembly capacity expansion in UTL. Subject to market conditions and our financial performance in 2017, we currently expect cash capital expenditure for 2017 to be higher than 2016.

We plan our capital expenditure based on the expected sales and seek to invest only when we believe there are opportunities to generate certain expected returns on investment. We expect to fund our budgeted capital expenditure through existing cash, cash generated from operations, and asset sales. We periodically review our budgeted capital expenditure during the financial year. We may adjust our capital expenditures based on market conditions, the progress of our expansion plans and cash flow from operations.

Total Borrowings

As of March 31, 2017, the total amount outstanding under our long-term and short-term borrowings was \$1,113.4 million (after deducting unamortized loan facility and related issuance costs).

Long-Term Borrowings

The following table sets out certain details relating to our long-term borrowings (without including finance leases):

Facility	Borrower/ Issuer	Amount outstanding as of March 31, 2017	Total committed amount (\$ in millions)	Interest rate	Maturity
Senior secured notes	Global A&T Electronics	1,127.3 ⁽¹⁾	1,127.3	10.0%	February 2019

Notes:

(1) This amount represented the total indebtedness outstanding under the senior secured notes as of March 31, 2017, without deducting unamortized loan facility and related issuance costs of \$14.4 million.

Sales of our subsidiaries (who are not guarantors of the senior secured notes) accounted for approximately \$7.3 million, or 4.4%, of our total sales for the three months ended March 31, 2017, and assets accounted for approximately \$39.7 million, or 3.0%, of our total assets, and liabilities accounted for approximately \$23.1 million, or 1.8%, of our total liabilities, in each case as of March 31, 2017.

Sales of our subsidiaries (who are not guarantors of the senior secured notes) accounted for approximately \$17.0 million, or 10.8%, of our total sales for the three months ended March 31, 2016, and assets accounted for approximately \$84.3 million, or 5.9%, of our total assets, and liabilities accounted for approximately \$28.3 million, or 2.2%, of our total liabilities, in each case as of March 31, 2016.

Assets of our subsidiaries who are not guarantors of the senior secured notes decreased to \$39.7 million as of March 31, 2017 compared to \$84.3 million as of March 31, 2016 primarily due to impairment charges over their property, plant and equipment during the year ended December 31, 2016.

Short-Term Borrowings

Our short-term borrowings comprise primarily of revolving credit facilities and trade financing facilities.

UTL currently has a revolving credit facility of up to 175.0 million Thai Baht (approximately \$5.1 million as of March 31, 2017) with Siam Commercial Bank Public Company Limited, or Siam Commercial Bank, which may be utilized for working capital purposes. As of March 31, 2017, this facility has not been utilized.

UTL also currently has bank guarantee facilities for an aggregate of up to 85.0 million Thai Baht (approximately \$2.5 million as of March 31, 2017) provided by Siam Commercial Bank, which may be utilized for working capital purposes. As of March 31, 2017, guarantees of an aggregate amount of 60.5 million Thai Baht (approximately \$1.8 million) have been issued under these facilities.

UTC has a letter of credit facility in the amount of \$7.0 million with Ta Chong Bank, which has an undrawn balance of \$6.4 million as of March 31, 2017.

Finance leases

We have leased certain plant and equipment under finance leases. As of March 31, 2017, our total finance lease obligations were \$0.5 million. Lease terms generally range from one to four 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 March 31, 2017, other than disclosed in elsewhere of this document, we do not have other off-balance sheet arrangements.

Contingent Liabilities

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.

Complaints filed by certain noteholders

In February 2014, a complaint was filed in the Supreme Court of the State of New York, New York County, by certain holders of our senior secured notes, 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 plaintiffs allege that the September 30, 2013 exchange transaction caused an event of default under the indenture and seek monetary damages and other relief, including an injunction “unwinding” the September 30, 2013 transaction and/or “subordinating the liens” securing the senior secured notes issued on September 30, 2013 to the liens on those senior secured notes issued on February 7, 2013. On July 14, 2015, the court granted Global A&T Electronics’ motion to dismiss and dismissed the February 2014 complaint in its entirety. On July 21, 2015, certain plaintiffs appealed the court’s decision to the Appellate Division of the Supreme Court of the State of New York. On May 3, 2016, the Appellate Division reinstated certain of the noteholders’ claims against Global A&T Electronics’ for breach of the indenture and the intercreditor agreement in connection with the September 30, 2013 exchange transaction. On October 7, 2016, certain noteholders filed an amended complaint that asserted the claims reinstated by the Appellate Division. On October 31, 2016, Global A&T Electronics filed a motion to dismiss that complaint based on standing grounds. The briefing for the motion has been completed, and a hearing has been scheduled for April 27, 2017. We continue to be of the view that the September 30, 2013 exchange transaction fully complied with the intercreditor agreement and the indenture and will vigorously oppose the noteholders’ claims. Any adverse ruling from this litigation could have a material and adverse effect on our business, financial condition and results of operations.

On March 31, 2017, a complaint was filed in the Supreme Court of the State of New York, New York County, by certain holders of our senior secured notes, alleging claims which appear similar to the claims asserted by other holders of our senior secured notes in the complaint filed in the New York State Supreme Court in February 2014. We believe that the claims alleged are without merit and intend to vigorously defend our interests in this suit.

Suit filed by Amkor Technology

On April 4, 2014, Amkor Technology, Inc., or Amkor, filed a complaint against Global A&T Electronics and certain of its subsidiaries in the Superior Court of Arizona. The suit relates to patent licenses between Amkor and certain of Global A&T Electronics' subsidiaries. We filed a motion to dismiss Amkor's complaint on August 12, 2014 and on January 5, 2015, the court dismissed seven out of the nine claims made by Amkor in the complaint. On February 13, 2015, Amkor filed an amended complaint in which it reasserted the two claims that were not dismissed and one of the claims that had been dismissed. The remaining three claims made by Amkor relate to the payment of royalties by one of our subsidiaries, a claim that certain alleged events triggered a right for Amkor to seek the purchase of certain patents belonging to ASAT Limited (now known as UHK) and a breach of an implied covenant of good faith and fair dealing. On March 24, 2015, we filed a motion to dismiss the claims against UHK (formerly ASAT Limited) and an answer to the other claims. In addition, on July 28, 2015, we filed a motion for partial summary judgment against Amkor's royalty claim against UTL on the basis that UTL ceased to be covered by the royalty-bearing license when it ceased to be a subsidiary of USG in September 2010. On December 20, 2016, the court granted our motion for partial summary judgment, ruling that UTL ceased to be covered by the agreement between USG and Amkor, or the USG-Amkor Agreement, in September 2010. The court therefore ruled that UTL's products are not subject to contractual royalties under the USG-Amkor Agreement. The court further ruled that Amkor cannot assert a claim against UTL for breach of the implied covenant of good faith and fair dealing under the USG-Amkor Agreement, because UTL is not a party to that agreement, and also that Amkor cannot use a claim under the UHK-Amkor Cross-License to collect royalties from UTL and accordingly no royalties are owed under that license for products made by UTL. With respect to our motion to dismiss the claims against UHK, the court granted our motion with respect to Amkor's claim that UHK had transferred or assigned the UHK-Amkor Cross-License to UTL and Amkor's claim that UHK had breached the confidentiality obligations under the UHK-Amkor Cross-License, and accordingly it dismissed those claims with prejudice. The court declined to dismiss Amkor's claims that certain alleged events triggered a right for Amkor to seek the purchase of certain patents belonging to UHK, and the action is ongoing with respect to this claim. We will continue to vigorously defend our interests in this suit. Any adverse ruling from this litigation could have a material and adverse effect on our business, financial condition and results of operations.

Critical Accounting Policies

Our critical accounting policies are disclosed in our annual report for the year ended December 31, 2016. During the three months ended March 31, 2017, there have been no significant changes in our critical accounting policies.

Recent Accounting Pronouncements under SFRS

New Accounting Standards and SFRS Interpretations Effective 2016

Certain new standards, amendments and interpretations to existing standards that have been published, and are relevant for Global A&T Electronics' accounting periods beginning on or after January 1, 2017 or later periods and which Global A&T Electronics has not already adopted. We anticipate that the adoption of these Financial Reporting Standards, or FRS, International Financial Reporting Standards and amendments to the FRS in the future periods will not have a material impact on the financial statements of the Global A&T Electronics in the period of their initial adoption.

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, 2016.

UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

1..... Global A&T Electronics Ltd. Unaudited Consolidated Condensed Interim Financial Information for the three months ended March 31, 2017

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

For the three months ended March 31, 2017

	Three months ended March 31,	
	2016	2017
	US\$'000	US\$'000
Sales.....	157,034	165,418
Cost of sales.....	(138,505)	(136,681)
Gross profit	18,529	28,737
Other income	1,150	1,983
Other loss – net.....	(1,067)	(1,121)
Expenses		
Selling, general and administrative	(16,782)	(15,983)
Research and development	(2,910)	(3,950)
Finance	(30,245)	(29,746)
Other	(2,529)	(7,100)
Loss before tax.....	(33,854)	(27,180)
Income tax expense.....	(260)	870
Loss after tax	(34,114)	(26,310)
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Cash flow hedges		
- Fair value gains	–	43
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurements on post-employment benefit obligation	15	12
Other comprehensive income, net of tax	15	55
Total comprehensive loss	(34,099)	(26,255)
(Loss)/profit attributable to:		
Equity holders of the Company	(34,168)	(26,410)
Non-controlling interests	54	100
	(34,114)	(26,310)
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(34,154)	(26,355)
Non-controlling interests	55	100
	(34,099)	(26,255)

GLOBAL A&T ELECTRONICS LTD. AND ITS SUBSIDIARIES
UNAUDITED CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As of March 31, 2017

	December 31, 2016 US\$'000	March 31, 2017 US\$'000
ASSETS		
Current assets		
Cash and bank deposits.....	108,634	77,411
Trade and other receivables.....	125,795	111,352
Inventories.....	43,086	44,012
Other assets	7,578	7,812
	285,093	240,587
Non-current assets held-for-sale	297	48
	285,390	240,635
Non-current assets		
Other assets	2,130	1,931
Deferred income tax assets	3,082	4,442
Available-for-sale financial assets.....	983	983
Property, plant and equipment.....	410,100	401,352
Goodwill.....	643,405	643,405
Intangible assets	18,596	16,346
	1,078,296	1,068,459
Total assets	1,363,686	1,309,094
LIABILITIES		
Current liabilities		
Trade and other payables.....	162,494	124,414
Current income tax liabilities.....	2,105	3,478
Deferred income	56	53
Borrowings	257	249
Provisions.....	8,307	14,290
Derivative financial instruments.....	57	-
	173,276	142,484
Non-current liabilities		
Trade and other payables.....	5,176	5,311
Borrowings	1,111,414	1,113,143
Deferred income tax liabilities.....	9,339	8,953
Long term benefit obligations.....	22,149	23,126
	1,148,078	1,150,533
Total liabilities	1,321,354	1,293,017
NET ASSETS	42,332	16,077
EQUITY		
Capital and reserves attributable to the equity holder of the Company		
Share capital	*	*
Capital contribution.....	698,000	698,000
Other reserves.....	(7,354)	(7,299)
Accumulated losses	(652,709)	(679,120)
	37,397	11,581
Non-controlling interests	4,395	4,496
Total equity	42,332	16,077

* Denotes amount less than US\$1,000

GLOBAL A&T ELECTRONICS LTD. AND ITS SUBSIDIARIES
UNAUDITED CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
For the three months ended March 31, 2017

← Attributable to equity holder of the Company →

	Share capital	Capital contribution	Other reserves	Accumulated losses	Total	Non- controlling interest	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As of January 1, 2017	*	698,000	(7,354)	(652,709)	37,937	4,395	42,332
Dividend to non-controlling interests	—	—	—	—	—	—	—
Total comprehensive income/(loss) for the period	—	—	55	(26,411)	(26,356)	101	(26,255)
As of March 31, 2017	*	698,000	(7,299)	(679,120)	11,581	4,496	16,077
 As of January 1, 2016	 *	 698,000	 (6,446)	 (510,698)	 180,856	 5,356	 186,212
Reclassification	—	—	—	—	—	(1,371)	(1,371)
Total comprehensive income/(loss) for the period	—	—	14	(34,168)	(34,154)	55	(34,099)
As of March 31, 2016	*	698,000	(6,432)	(544,866)	146,702	4,040	150,742

GLOBAL A&T ELECTRONICS LTD. AND ITS SUBSIDIARIES
UNAUDITED CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS
For the three months ended March 31, 2017

	Three months ended March 31,	
	2016	2017
	US\$'000	US\$'000
Cash flows from operating activities		
Loss after tax	(34,114)	(26,310)
Adjustments for:		
- Income tax expense	260	(870)
- Depreciation of property, plant and equipment.....	27,588	25,768
- Amortization of intangible assets	3,993	2,627
- Net gain on disposal of property, plant and equipment.....	(10)	7
- Net gain on disposal of non-current asset held for sale.....	(393)	-
- Finance expense.....	30,245	29,746
- Interest income	(244)	(105)
- Government grant income	(65)	(89)
- Fair value gain on derivative financial instruments	-	(157)
	27,260	30,617
Change in working capital		
- Trade and other receivables	6,034	14,560
- Inventories	(991)	(927)
- Derivative financial instruments	-	150
- Other assets.....	(447)	(352)
- Trade and other payables	(1,887)	(118)
- Long term benefit obligations.....	(638)	973
- Currency translation difference	(51)	(546)
Government grant received	62	86
Income tax paid	(98)	(38)
Net cash provided by operating activities	29,244	44,405
Cash flows from investing activities		
Payment for acquisition of property, plant and equipment	(25,551)	(19,581)
Payment for acquisition of intangible assets.....	(938)	-
Proceeds from disposal of property, plant and equipment	5,882	241
Proceeds from disposal of non-current assets held for sale	632	-
Interest received	147	164
Net cash used in investing activities	(19,828)	(19,176)
Cash flows from financing activities		
Repayment of finance lease liabilities	(98)	(89)
Interest paid	(56,915)	(56,363)
Dividend paid to a non-controlling interest	(1,371)	-
Net cash used in financing activities.....	(58,384)	(56,452)
Net decrease in cash and cash equivalents	(48,968)	(31,223)
Cash and cash equivalents at the beginning of the financial period.....	183,900	108,634
Cash and cash equivalents at the end of the financial period	134,932	77,411
Net cash provided by/(used in):		
Operating activities	29,244	44,405
Investing activities	(19,828)	(19,176)
Financing activities	(58,384)	(56,452)
Total	(48,968)	(31,223)

GLOBAL A&T ELECTRONICS LTD. AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
For the three months ended March 31, 2017

1. Basis of preparation

The Consolidated Financial Information and related disclosures as of March 31, 2016 and 2017 and for the three months ended March 31, 2016 and 2017 are unaudited. The December 31, 2016 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 information. Intercompany accounts and transactions have been eliminated. The preparation of these Consolidated Financial Information requires our management to make estimates and assumptions that affect the amounts reported in these Consolidated Financial Information. Actual results could differ materially from those estimates. The unaudited consolidated condensed financial information should be read in conjunction with the audited consolidated financial statements and related notes thereto for the financial year ended December 31, 2016.

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 increased to \$165.4 million for the three months ended March 31, 2017 from \$157.0 million for the three months ended March 31, 2016. Breakdowns of sales by service type and product category are as follows:

Service type	Three months ended March 31,			
	2016		2017	
	(in thousands of U.S. dollars, except percentages)			
Assembly	108,154	68.9%	117,952	71.3%
Test	48,880	31.1%	47,466	28.7%
Total.....	157,034	100%	165,418	100%

Product category	Three months ended March 31,			
	2016		2017	
	(in thousands of U.S. dollars, except percentages)			
Analog	68,104	43.4%	87,733	53.0%
Mixed-signal and logic	72,383	46.1%	61,035	36.9%
Memory	16,547	10.5%	16,650	10.1%
Total.....	157,034	100%	165,418	100%

3. Cost of sales

Cost of sales consists principally of direct materials and direct labor, indirect labor, indirect materials (being ancillary materials and other supplies used in the assembly and test process), utilities, equipment maintenance, operating supplies and tooling, and depreciation and general expenses incurred in maintaining our facilities.

Cost of sales decreased to \$136.7 million for the three months ended March 31, 2017 from \$138.5 million for the three months ended March 31, 2016.

GLOBAL A&T ELECTRONICS LTD. AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
For the three months ended March 31, 2017

4. Cash and bank deposits

	As of December 31, 2016	As of March 31, 2017
Cash and bank deposits	<i>(in thousands of U.S. dollars)</i>	
Cash at bank and on hand	62,599	71,375
Short-term bank deposits	46,035	6,036
Total.....	<u>108,634</u>	<u>77,411</u>

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

5. Trade and other receivables

	As of December 31, 2016	As of March 31, 2017
Trade and other receivables	<i>(in thousands of U.S. dollars)</i>	
<i>Current</i>		
Trade receivables – non-related parties	118,899	104,521
Trade receivables – related corporation.....	87	-
Less: Allowance for impairment of receivables - non-related parties	(77)	(77)
	<u>118,909</u>	<u>104,444</u>
<i>Non-trade receivables</i>		
- non-related parties.....	4,325	2,926
- immediate holding corporation	1,528	1,500
- a related corporation	1,033	2,482
Total.....	<u>125,795</u>	<u>111,352</u>

Amount due from immediate holding corporation and a related corporation are unsecured, non-interest bearing and repayable on demand.

6. Trade and other payables

	As of December 31, 2016	As of March 31, 2017
Trade and other payables	<i>(in thousands of U.S. dollars)</i>	
Trade payables to non-related parties		
- Purchase of property, plant and equipment.....	15,051	13,129
- Other purchases	45,609	41,455
	<u>60,660</u>	<u>54,584</u>
Other payables – non-related parties	5,210	4,153
Accrued interest payable	46,969	18,474
Other accrual for operating expenses	36,296	33,576
Deposits and advances from customers	7,359	7,627
Deferred payment on legal settlement to a third party.....	6,000	6,000
Total for current portion	<u>162,494</u>	<u>124,414</u>
<i>Non-current</i>		
Deferred payment on legal settlement to a third party.....	<u>5,176</u>	<u>5,311</u>

GLOBAL A&T ELECTRONICS LTD. AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
For the three months ended March 31, 2017

6. Trade and other payables (continued)

Trade and other payables decreased to \$129.7 million as of March 31, 2017 from \$167.7 million as of December 31, 2016 mainly due to payment of accrued interest payable due in January 2016.

7. Intangibles assets

Intangible assets decreased by \$2.3 million to \$16.3 million as of March 31, 2017 from \$18.6 million as of December 31, 2016, mainly due to amortization for the period of \$2.6 million.

8. Property, Plant and Equipment

Property, plant and equipment decreased by \$8.7 million to \$401.4 million as of March 31, 2017 from \$410.1 million as of December 31, 2016. The decrease was primarily due to depreciation charge of \$25.8 million partially offset by the addition of \$17.1 million of property, plant and equipment for the period.

9. Capital commitments

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

	As of December 31, 2016	As of March 31, 2017
Capital Commitments		
	<i>(in thousands of U.S. dollars)</i>	
Property, plant and equipment.....	14,107	40,372

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.

GLOBAL A&T ELECTRONICS LTD. AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
For the three months ended March 31, 2017

11. Segment Information

Three months ended	Assembly	Test	Total
March 31, 2017	<i>(in thousands of U.S. dollars)</i>		
Segment sales/ Sales to external parties	117,952	47,466	165,418
Segment gross profit	19,492	9,245	28,737
March 31, 2016			
Segment sales/ Sales to external parties	108,154	48,880	157,034
Segment gross profit	9,949	8,580	18,529

Reconciliation

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

	Three months ended March 31,	
	2016	2017
	<i>(in thousands of U.S. dollars)</i>	
Segment gross profit of reportable segments.....	18,529	28,737
Other income	1,150	1,983
Other loss – net	(1,067)	(1,121)
Selling, general and administrative expenses	(16,782)	(15,983)
Research and development costs	(2,910)	(3,950)
Finance costs	(30,245)	(29,746)
Other expenses.....	(2,529)	(7,100)
Loss before income tax.....	<u>(33,854)</u>	<u>(27,180)</u>