
QUARTERLY REPORT FOR THE THREE MONTHS ENDED MARCH 31, 2015

GLOBAL A&T ELECTRONICS LTD

May 4, 2015

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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 and all references to “UTAC Cayman” refer to UTAC Cayman 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 revolving credit facility” are to the revolving credit facility extended to Global A&T Electronics 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 Global A&T Electronics, 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” 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 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.

In our quarterly report for the three months ended March 31, 2015, we have revised the way certain financial information, primarily the geographical distribution of our sales, is presented, to align with the way our management analyzes and evaluates our business. As such, such financial information for the three months ended March 31, 2014 presented in this quarterly report may differ from our previous quarterly report for the three months ended March 31, 2014.

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, 2014, dated April 20, 2015. 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;
- our reliance on certain major customers;
- our history of substantial losses;
- our ability to manage our geographically diverse manufacturing facilities and expand our business;
- our significant indebtedness affecting our operations and our ability to repay or refinance our indebtedness as it falls due;
- 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, 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, 2015

Other than as disclosed elsewhere in this quarterly report, there have been no material developments in our business since March 31, 2015.

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, 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 ended March 31, 2015, 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, 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, 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,			
	2014		2015	
	Amount (\$ in millions)	Percentage of sales	Amount (\$ in millions)	Percentage of sales
Service type				
Assembly	105.8	65.8%	111.9	65.0%
Test	54.9	34.2%	60.3	35.0%
Total	160.7	100.0%	172.2	100.0%

Our sales mix by assembly and test services for the three months ended March 31, 2015 remained relatively constant compared to the three months ended March 31, 2014.

The following table sets forth our composition of sales by categories of semiconductor 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,			
	2014		2015	
	Amount (\$ in millions)	Percentage of sales	Amount (\$ in millions)	Percentage of sales
Product category				
Analog	66.3	41.3%	70.5	40.9%
Mixed-signal and logic	74.4	46.3%	83.0	48.2%
Memory	20.0	12.4%	18.7	10.9%
Total	160.7	100.0%	172.2	100.0%

Sales from our analog product category increased 6.3% to \$70.5 million in the three months ended March 31, 2015 from \$66.3 million in the three months ended March 31, 2014, as we were able to increase our sales to our existing customers.

Sales from our mixed-signal and logic product category increased 11.6% to \$83.0 million in the three months ended March 31, 2015 from \$74.4 million in the three months ended March 31, 2014, as we were able to increase our sales to our customers as a result of our investments in mixed-signal and logic testers and wafer level chip scale packaging assembly equipment. Sales from our memory businesses decreased 6.5% to \$18.7 million in the three months ended March 31, 2015 from \$20.0 million in the three months ended March 31, 2014, due to reduced demand from our key DRAM and Flash memory customers.

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 four regions: United States, Japan, Asia (excluding Japan) and Europe. The table below sets forth the geographic distribution of our sales:

Geographical region	Three Months ended March 31,			
	2014		2015	
	Amount (\$ in millions)	Percentage of sales	Amount (\$ in millions)	Percentage of sales
United States.....	108.8	67.7%	109.9	63.8%
Japan.....	3.9	2.4%	5.5	3.2%
Asia (excluding Japan).....	29.0	18.1%	38.0	22.1%
Europe	18.3	11.4%	18.1	10.5%
Others	0.7	0.4%	0.7	0.4%
Total.....	160.7	100.0%	172.2	100.0%

Sales from our customers headquartered in Asia (excluding Japan) increased in the three months ended March 31, 2015 compared to the three months ended March 31, 2014 as we experienced an increase in demand for our mixed-signal logic product category services from customers headquartered in Asia (excluding Japan).

Results of Operations

	Three Months ended March 31,			
	2014		2015	
	(\$ in millions, except percentages)			
Sales.....	160.7	100.0%	172.2	100.0%
Cost of sales.....	(140.6)	(87.5%)	(142.8)	(82.9%)
Gross profit.....	20.1	12.5%	29.5	17.1%
Other income	1.7	1.1%	1.8	1.0%
Other (losses)/gains — net.....	(0.4)	(0.2%)	0.7	0.4%
Expenses:				
Selling, general and administrative.....	(15.7)	(9.8%)	(17.8)	(10.3%)
Research and development	(2.8)	(1.7%)	(2.1)	(1.2%)
Finance	(30.0)	(18.7%)	(30.1)	(17.5%)
Others	(2.8)	(1.8%)	(0.4)	(0.2%)
Loss before tax	(30.0)	(18.7%)	(18.4)	(10.7%)
Income tax expense	(1.2)	(0.7%)	(1.9)	(1.1%)
Loss after tax	(31.2)	(19.4%)	(20.3)	(11.8%)
Non-controlling interest.....	0.4	0.2%	0.3	0.2%
Loss after non-controlling interest.....	(31.6)	(19.7%)	(20.6)	(12.0%)

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Sales. Sales increased 7.2% to \$172.2 million in the three months ended March 31, 2015 from \$160.7 million in the three months ended March 31, 2014.

Our test service sale increased 9.8% to \$60.3 million in the three months ended March 31, 2015 from \$54.9 million in the three months ended March 31, 2014 primarily due to the increase in sales from our mixed-signal and logic product category. Our assembly service sales increased 5.8% to \$111.9 million in the three months ended March 31, 2015 from \$105.8 million in the three months ended March 31, 2014 primarily due the increase in sales from our analog product category.

Cost of sales. Cost of sales increased 1.6% to \$142.8 million in the three months ended March 31, 2015 from \$140.6 million in the three months ended March 31, 2014 principally due to increased sales. Our cost of sales as a percentage of sales decreased to 82.9% in the three months ended March 31, 2015 compared to 87.5% in the three months ended March 31, 2014 primarily due to lower depreciation expenses, which was partially offset by higher direct labor and overheads.

Gross profit. Gross profit increased 46.8% to \$29.5 million in the three months ended March 31, 2015 from \$20.1 million in the three months ended March 31, 2014. Gross profit as a percentage of sales, or gross profit margin, was 17.1% in the three months ended March 31, 2015 compared to 12.5% in the three months ended March 31, 2014. The increase in our gross profit and gross profit margin were primarily due to cost savings realized from our cost reduction initiatives and strategies, and decrease in the depreciation expense of property, plant and equipment.

Other income. Other income increased to \$1.8 million in the three months ended March 31, 2015 from \$1.7 million in the three months ended March 31, 2014.

Other (losses)/gains - net. Other (losses)/gains - net was a gain of \$0.7 million in the three months ended March 31, 2015 compared to a loss of \$0.4 million in the three months ended March 31, 2014, and was primarily due to a gain on the disposal of property, plant and equipment.

Selling, general and administrative expenses. Selling, general and administrative expenses increased 13.4% to \$17.8 million in the three months ended March 31, 2015 from \$15.7 million in the three months ended March 31, 2014 due to higher legal and professional expenses, higher indirect labor costs due to variable staff compensation and new hires in our sales and marketing departments.

Research and development expenses. Research and development expenses decreased 25.0% to \$2.1 million in the three months ended March 31, 2015 from \$2.8 million in the three months ended March 31, 2014 primarily due to improved cost control measures.

Finance expenses. Finance expenses increased 0.3% to \$30.1 million in the three months ended March 31, 2015 from \$30.0 million in the three months ended March, 2014. 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 \$0.4 million in the three months ended March 31, 2015 compared to \$2.8 million in the three months ended March 31, 2014. This decrease was primarily due to the non-recurring restructuring costs that we incurred in the three months ended March 31, 2014.

Loss before tax. Our loss before tax was \$18.4 million in the three months ended March 31, 2015 compared to \$30.0 million in the three months ended March 31, 2014.

Income tax expense. Our income tax expense was \$1.9 million in the three months ended March 31, 2015 compared to \$1.2 million in the three months ended March 31, 2014. The increase was primarily as a result of increased income tax expenses on account of increased profits from certain of our subsidiaries.

Non-SFRS Measures

EBITDA, adjusted EBITDA and adjusted EBITDA less cash capital expenditure, 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 profit/(loss) adjusted for (i) income tax expense/credit; (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 (i) restructuring costs, which comprises primarily of severance payments made to our employees; and (ii) legal and professional fees. We have included adjusted EBITDA less cash capital expenditure as we believe that it is indicative of the cash flows that are provided from our operations after taking into account the cash used to purchase the equipment we require.

EBITDA, adjusted EBITDA and adjusted EBITDA less cash capital expenditure 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 profit/(loss) after tax to EBITDA, adjusted EBITDA and adjusted EBITDA less cash capital expenditure, in each case, for the periods indicated:

	Three Months ended March 31,	
	2014	2015
	(in \$ millions)	
Profit/(loss) after tax	(31.2)	(20.3)
Add/(deduct):		
Income tax expense/(credit).....	1.2	1.9
Finance expenses	30.0	30.1
Depreciation of property, plant and equipment	34.4	30.2
Amortization of intangible assets	4.1	4.0
EBITDA	38.5	45.9
Add/(deduct):		
Restructuring costs	2.6	0.4
Legal and professional fees	-	1.7
Adjusted EBITDA	41.1	48.0
(Deduct):		
Cash capital expenditure.....	(19.2)	(33.5)
Adjusted EBITDA less cash capital expenditure	21.9	14.5

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, 2015, our primary sources of liquidity included cash and bank deposits of \$191.5 million and Global A&T Electronics' undrawn credit facilities under the senior revolving credit facility of \$125.0 million, other undrawn facilities of \$11.4 million and unutilized bank guarantee facilities of \$1.7 million.

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 next 12 months.

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,	
	2014	2015
	(\$ in millions)	
Net cash provided by operating activities	41.4	40.0
Net cash used in investing activities	(18.7)	(32.1)
Net cash used in financing activities	(48.7)	(57.7)
Net decrease in cash and cash equivalents	(26.0)	(49.8)
Cash and cash equivalents at beginning of financial period	217.8	241.3
Cash and cash equivalents at end of financial period ⁽¹⁾	191.8	191.4

Note:

⁽¹⁾ The differences in the figures between cash and bank deposits and the cash and cash equivalents at the end of financial periods as set out in the unaudited financial statements disclosed elsewhere in this quarterly report are due to cash subject to restrictions.

Cash Flows from Operating Activities

We generated \$40.0 million in net cash from our operating activities for the three months ended March 31, 2015, a decrease from \$41.4 million for the three months ended March 31, 2014. Our cash flows generated from operating activities are calculated by adjusting our loss after tax of \$20.3 million by (i) non-cash and other items, such as \$30.2 million of depreciation of property, plant and equipment, \$30.1 million in finance expense, \$4.0 million of amortization of intangible assets and \$1.0 million of gain on disposal of property, plant and equipment, \$1.9 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, 2015 included primarily a \$4.6 million decrease in cash from our trade and other payables and inventories of \$0.4 million, which was offset by the increase in cash from other assets of \$0.7 million.

We generated \$41.4 million in net cash from our operating activities for the three months ended March 31, 2014. Our cash flows generated from operating activities are calculated by adjusting our loss after tax of \$31.2 million by (i) non-cash and other items, such as \$34.4 million of depreciation of property, plant and equipment, \$30.0 million in finance expense, \$4.1 million of amortization of intangible assets and \$1.2 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, 2014 included primarily a \$2.3 million increase in cash from other assets and \$5.1 million in trade and other receivables, which was offset by \$1.9 million from trade and other payables and the working capital use of cash of \$1.3 million in inventories.

Cash Flows from Investing Activities

Net cash used in investing activities was \$32.1 million during the three months ended March 31, 2015. The principal component of the cash outflow was \$34.0 million used for purchases of property, plant and equipment, which was partially offset by proceeds of \$2.1 million from the disposal of property, plant and equipment.

Net cash used in investing activities was \$18.7 million during the three months ended March 31, 2014. The principal component of the cash outflow was \$19.2 million used for the purchases of property, plant and equipment, which was partially offset by interest income of \$0.5 million we received from our bank deposits.

Cash Flows from Financing Activities

Net cash used in financing activities during the three months ended March 31, 2015 was \$57.7 million, which principally included \$56.9 million in interest payment and \$0.7 million in repayment of finance lease liabilities.

Net cash used in financing activities during the three months ended March 31, 2014 was \$48.7 million, which was primarily due to interest payments.

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 cash outflows in respect of capital expenditures, or cash capital expenditures, of \$34.0 million for the three months ended March 31, 2015 compared to \$19.2 million for the three months ended March 31, 2014. For the three months ended March 31, 2015, our cash capital expenditure related mainly to broadening our test capabilities for mixed-signal and logic products and wafer level chip scale packaging capacity.

For the three months ended March 31, 2014, our cash capital expenditure related mainly to purchases of mixed-signal and logic assembly and test equipment (including wafer level chip scale package assembly equipment).

Subject to market conditions and our financial performance for 2015, we currently expect our cash capital expenditure as a percentage of our sales for 2015 to be in line with our capital expenditures in 2014.

Total Borrowings

As of March 31, 2015, the total amount outstanding under our long-term and short-term borrowings (excluding finance leases) was \$1,100.1 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, 2015	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
Senior revolving credit facility	Global A&T Electronics	-	125.0	LIBOR + applicable margin ⁽²⁾	February 7, 2018 or earlier ⁽²⁾

Notes:

- (1) This amount represented the total indebtedness outstanding under the senior secured notes as of March 31, 2015, without deducting unamortized loan facility and related issuance costs of \$27.2 million.
- (2) See “Description of Certain Indebtedness —Senior Revolving Credit Facility” in our annual report for the year ended December 31, 2014 for details of the applicable margin and maturity date.

Sales of our subsidiaries (who are not guarantors of the senior secured notes) accounted for approximately \$8.9 million, or 5.1%, of our total sales for the three months ended March 31, 2015, and assets accounted for approximately \$84.4 million, or 5.4%, of our total assets, and liabilities accounted for approximately \$15.3 million, or 1.2%, of our total liabilities, in each case as of March 31, 2015.¹

Sales of our subsidiaries (who are not guarantors of the senior secured notes) accounted for approximately \$38.4 million or 5.2%, of our total sales for the year ended December 31, 2014, and assets accounted for

¹ Sales of our subsidiaries (who are not guarantors of the senior secured notes) accounted for approximately \$8.6 million, or 5.3%, of our total sales for the three months ended March 31, 2014, and assets accounted for approximately \$120.0 million, or 7.4%, of our total assets, and liabilities accounted for approximately \$13.9 million, or 1.1%, of our total liabilities, in each case as of March 31, 2014.

approximately \$98.0 million, or 6.0%, of our total assets, and liabilities accounted for approximately \$27.9 million, or 2.1%, of our total liabilities, in each case as of December 31, 2014.²

Short-Term Borrowings

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

UTL currently has a revolving credit facility of up to 175.0 million Thai Baht with The Siam Commercial Bank Public Company Limited, which may be utilized for working capital purposes. As of March 31, 2015, this facility has not been utilized.

UTL also currently has bank guarantee facilities for an aggregate of up to 110.1 million Thai Baht with Krung Thai Bank Public Company Limited, which may be utilized for working capital purposes. As of March 31, 2015, guarantees of an aggregate amount of 56.3 million Thai Baht have been issued under this facility.

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 March 31, 2015.

Finance leases

We have leased certain plant and equipment under finance leases. As of March 31, 2015, our total finance lease obligations were \$0.7 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 March 31, 2015, there were no 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.

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 Global A&T Electronics' 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.

We are of the view that we have substantial defenses to these claims and intend to vigorously defend the plaintiffs' lawsuit. On May 30, 2014, we filed a motion to dismiss the plaintiffs' complaint. The motion to dismiss was heard by the court on January 13, 2015, but has not yet been decided. The case is ongoing. Any adverse ruling from this litigation could have a material and adverse effect on our business, financial condition and results of operations.

² Sales of our subsidiaries (who are not guarantors of the senior secured notes) accounted for approximately \$61.5 million or 8.2%, of our total sales for the year ended December 31, 2013, and assets accounted for approximately \$131.8 million, or 8.1%, of our total assets, and liabilities accounted for approximately \$18.0 million, or 1.4%, of our total liabilities, in each case as of December 31, 2013.

Litigation with Tessera

On September 30, 2010, Tessera, Inc., or 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 account of unpaid royalties 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 answer on May 17, 2012. UTC, in its answer to the amended complaint, 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. As a result, in order to be entitled to royalties under the patent license agreement, Tessera would need to show that one or more of its patents cover UTC's products. On July 8, 2014, Tessera identified patents that it contends cover UTC's packages, and the parties are presently in the process of discovery concerning Tessera's patent claims. On January 30, 2015, the magistrate judge issued a ruling denying Tessera's request for discovery concerning the testing services that UTC provides for packages made by other companies, finding that Tessera's complaint does not include a claim with respect to such testing services. Tessera has filed with the court an objection to this ruling, and Tessera also has filed a motion requesting leave to amend its complaint to add a claim concerning UTC's testing services, which is scheduled to be heard on May 21, 2015. In addition, a case management conference has been scheduled for May 21, 2015, and it is expected that a trial date will be set during that conference. The case is ongoing. 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.

Suit filed by Amkor Technology

On April 4, 2014, 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 were dismissed. Amkor's amended complaint also confirmed that it was not seeking to reassert the dismissed claims, but had reserved the right to appeal the dismissal of those claims. The nature of 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. We will continue to vigorously defend our interests in this suit. The case is ongoing. 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, 2014. During the three months ended March 31, 2015, there have been no significant changes in our critical accounting policies.

Recent Accounting Pronouncements under SFRS

New Accounting Standards and SFRS Interpretations Effective 2014

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 2015 or later periods and which Global A&T Electronics has not early 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, 2014.

UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

- 1..... Global A&T Electronics Unaudited Consolidated Condensed Interim Financial Information for the three months ended March 31, 2015

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

For the three months ended March 31, 2015

	Three months ended March 31,	
	2014	2015
	US\$'000	US\$'000
Sales.....	160,676	172,238
Cost of sales.....	(140,631)	(142,757)
Gross profit.....	20,045	29,481
Other income	1,690	1,832
Other (losses)/gains – net.....	(431)	657
Expenses		
Selling, general and administrative	(15,718)	(17,815)
Research and development	(2,824)	(2,111)
Finance	(29,970)	(30,063)
Other	(2,809)	(387)
Loss before tax.....	(30,017)	(18,406)
Income tax expense.....	(1,198)	(1,871)
Loss after tax	(31,215)	(20,277)
Other comprehensive income/(loss):		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Cash flow hedges		
-Fair value gains	21	-
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurements on post employment benefit obligation.....	(17)	(27)
Other comprehensive income, net of tax.....	4	(27)
Total comprehensive loss.....	(31,211)	(20,304)
(Loss)/profit attributable to:		
Equity holders of the Company	(31,598)	(20,606)
Non-controlling interests	383	329
	(31,215)	(20,277)
Total comprehensive income attributable to:		
Equity holders of the Company	(31,608)	(20,632)
Non-controlling interests	397	328
	(31,211)	(20,304)

GLOBAL A&T ELECTRONICS LTD. AND ITS SUBSIDIARIES
UNAUDITED CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at March 31, 2015

	Group	
	December 31,	Mar 31, 2015
	2014	
	US\$'000	US\$'000
ASSETS		
Current assets		
Cash and bank deposits	241,253	191,458
Trade and other receivables	111,624	111,711
Inventories	41,045	41,437
Other assets	7,010	8,477
	<u>400,932</u>	<u>353,083</u>
Non-current assets held-for-sale	3,271	2,242
	<u>404,203</u>	<u>355,325</u>
Non-current assets		
Trade and other receivables	11,725	12,014
Other assets	7,230	5,368
Deferred income tax assets	316	326
Available-for-sale financial assets	1,020	1,020
Property, plant and equipment	503,486	490,593
Goodwill	643,405	643,405
Intangible assets	49,679	45,698
	<u>1,216,861</u>	<u>1,198,424</u>
Total assets	<u>1,621,064</u>	<u>1,553,749</u>
LIABILITIES		
Current liabilities		
Trade and other payables	177,973	126,732
Current income tax liabilities	8,729	11,635
Borrowings	273	578
Provisions	2,000	2,000
	<u>188,975</u>	<u>140,945</u>
Non-current liabilities		
Borrowings	1,098,977	1,100,156
Deferred income	81	63
Deferred income tax liabilities	6,450	6,066
Long term benefit obligations	22,356	22,598
	<u>1,127,864</u>	<u>1,128,883</u>
Total liabilities	<u>1,316,839</u>	<u>1,269,828</u>
NET ASSETS	<u>304,225</u>	<u>283,921</u>
EQUITY		
Capital and reserves attributable to the equity holder of the Company		
Share capital	*	*
Capital contribution	698,000	698,000
Other reserves	(5,876)	(5,908)
Accumulated losses	(392,174)	(412,774)
	<u>299,950</u>	<u>279,318</u>
Non-controlling interests	4,275	4,603
Total equity	<u>304,225</u>	<u>283,921</u>

* Denotes amount less than US\$1,000

GLOBAL A&T ELECTRONICS LTD. AND ITS SUBSIDIARIES
UNAUDITED CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at March 31, 2015

← 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 at January 1, 2015	*	698,000	(5,876)	(392,174)	299,950	4,275	304,225
Reclassification	—	—	(6)	6	—	—	—
Total comprehensive loss for the period			(26)	(20,606)	(20,632)	328	(20,304)
As at March 31, 2015	*	698,000	(5,908)	(412,774)	279,318	4,603	283,921
As at January 1, 2014	*	698,000	(6,736)	(334,898)	356,366	5,430	361,796
Reclassification	—	—	(8)	8	—	—	—
Total comprehensive loss for the period	—	—	(10)	(31,598)	(31,608)	397	(31,211)
As at March 31, 2014	*	698,000	(6,754)	(366,488)	324,758	5,827	330,585

GLOBAL A&T ELECTRONICS LTD. AND ITS SUBSIDIARIES
UNAUDITED CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS
For the three months ended March 31, 2015

	Three months ended 31 March	
	2014	2015
	US\$'000	US\$'000
Cash flows from operating activities		
Loss after tax	(31,215)	(20,277)
Adjustments for:		
- Income tax expense.....	1,198	1,871
- Depreciation of property, plant and equipment.....	34,408	30,158
- Amortization of intangible assets.....	4,063	3,984
- Net loss/(gain) on disposal of property, plant and equipment.....	52	(1,037)
- Write-off of property, plant and equipment	11	-
- Finance expense.....	29,970	30,063
- Interest income.....	(464)	(521)
- Government grant income.....	(26)	(19)
Operating cash flow before working capital changes.....	37,997	44,222
Change in operating assets and liabilities,		
- Derivative financial instruments	(73)	-
- Trade and other receivables	5,114	41
- Inventories	(1,310)	(392)
- Other assets.....	2,261	684
- Trade and other payables	(1,873)	(4,632)
- Long term benefit obligations	(533)	253
- Currency translation difference.....	97	(11)
Cash generated from operations.....	41,680	40,165
Government grant received.....	4	-
Income tax paid.....	(329)	(205)
Net cash provided by operating activities	41,355	39,960
Cash flows from investing activities		
Purchases of property, plant and equipment	(19,180)	(33,977)
Purchases of intangible assets	(60)	(2)
Increase in amount due from immediate holding company – non-trade	-	(417)
Investment in short term bank deposits – restricted cash.....	-	(47)
Proceeds from disposal of property, plant and equipment	87	2,114
Interest received.....	464	232
Net cash used in investing activities.....	(18,689)	(32,097)
Cash flows from financing activities		
Repayment of finance lease liabilities.....	(49)	(87)
Interest paid	(48,675)	(56,922)
Dividend paid to a non-controlling interest.....	-	(696)
Net cash used in financing activities	(48,724)	(57,705)
Net decrease in cash and cash equivalents	(26,058)	(49,842)
Cash and cash equivalents at the beginning of the financial period	217,806	241,253
Cash and cash equivalents at the end of the financial period	191,748	191,411
Cash and cash equivalents in the Group's financial position	191,797	191,458
Less: Cash subject to restrictions	(49)	(47)
Cash and cash equivalents in consolidated cash flow statement	191,748	191,411

	Three months ended 31 March	
	2014	2015
	US\$'000	US\$'000
Net cash provided by/(used in):		
Operating activities.....	41,355	39,960
Investing activities.....	(18,689)	(32,097)
Financing activities.....	(48,724)	(57,705)
Total.....	(26,058)	(49,842)

GLOBAL A&T ELECTRONICS LTD. AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
For the three months ended March 31, 2015

1. Basis of preparation

The Consolidated Financial Information and related disclosures as of March 31, 2014 and 2015 and for the three months ended March 31, 2014 and 2015 are unaudited. The December 31, 2014 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, 2014.

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 \$172.2 million for the three months ended March 31, 2015 from \$160.7 million for the three months ended March 31, 2014. Breakdowns of sales by service types and product categories are as follows:

Service type	Group			
	Three months ended March 31,			
	2014		2015	
	(in thousands of U.S. dollars, except percentages)			
Assembly	105,817	65.8%	111,907	65.0%
Test	54,859	34.2%	60,331	35.0%
Total.....	160,676	100%	172,238	100%

Product category	Group			
	Three months ended March 31,			
	2014		2015	
	(in thousands of U.S. dollars, except percentages)			
Analog	66,299	41.3%	70,509	40.9%
Mixed-Signal and Logic	74,372	46.3%	82,983	48.2%
Memory	20,005	12.4%	18,746	10.9%
Total.....	160,676	100%	172,238	100%

GLOBAL A&T ELECTRONICS LTD. AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
For the three months ended March 31, 2015

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 increased to \$142.8 million for the three months ended March 31, 2015 from \$140.6 million for the three months ended March 31, 2014.

4. Cash and bank deposits

	Group	
	As at December 31,	
Cash and bank deposits	2014	As at March 31, 2015
	<i>(in thousands of U.S. dollars)</i>	
Cash at bank and on hand	178,547	137,847
Short-term bank deposits	62,706	53,611
Total.....	241,253	191,458

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

5. Trade and other receivables

	Group	
	As at December 31,	
Trade and Other Receivables	2014	As at March 31, 2015
	<i>(in thousands of U.S. dollars)</i>	
<i>Current</i>		
Trade receivables – non-related parties	105,087	104,084
Less: Allowance for impairment of receivables - non-related parties	(76)	(76)
	105,011	104,008
<i>Non-trade receivables</i>		
- non-related parties.....	5,577	6,539
- immediate holding corporation	37	-
- related corporation	999	1,164
Total.....	111,624	111,711
<i>Non-current</i>		
Non-trade receivables – immediate holding corporation	11,725	12,014
Total trade and other receivables	123,349	123,725

The current amount due from immediate holding company is unsecured, non-interest bearing and repayable on demand. The non-current amount due from immediate holding corporation was an unsecured, interest bearing at 10.5% per annum and repayable on 8 May 2019, and was fully repaid in May 2015.

GLOBAL A&T ELECTRONICS LTD. AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
For the three months ended March 31, 2015

6. Trade and other payables

	Group	
	As at December 31, 2014	As at March 31, 2015
Trade and Other Payables	<i>(in thousands of U.S. dollars)</i>	
Trade payables to non-related parties		
- Purchase of property, plant and equipment.....	39,013	22,600
- Other purchases	46,609	43,217
	85,622	65,817
Other payables – non-related parties	6,347	10,076
Accrued interest payable	46,969	18,474
Dividends payable to non-controlling interests	696	-
Other accrual for operating expenses	36,230	29,865
Deposits and advances from customers	2,109	2,500
Total	177,973	126,732

Trade and other payables decreased to \$126.7 million as at March 31, 2015 from \$178.0 million as at December 31, 2014 mainly due to repayment of accrued interest payable interest due in January 2015 and purchase of property, plant and equipment.

7. Intangibles assets

Intangible assets decreased by \$4.0 million to \$45.7 million as at March 31, 2015 from \$49.7 million as at December 31, 2014, mainly due to amortization charge for the three months ended March 31, 2015.

8. Property, Plant and Equipment

Property, plant and equipment decreased by \$12.9 million to \$490.6 million as at March 31, 2015 from \$503.5 million as at December 31, 2014. The decrease was primarily due to a depreciation charge of \$30.2 million, which was partially offset by purchases of property, plant and equipment of \$17.3 million.

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, 2014	As at March 31, 2015
Capital Commitments	<i>(in thousands of U.S. dollars)</i>	
Property, plant and equipment.....	16,605	21,050

GLOBAL A&T ELECTRONICS LTD. AND ITS SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
For the three months ended March 31, 2015

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. See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Contingent Liabilities”.

11. Segment Information

Three months ended	Assembly	Test	Group
March 31, 2015	<i>(in thousands of U.S. dollars)</i>		
Segment sales/ Sales to external parties	111,907	60,331	172,238
March 31, 2014			
Segment sales/ Sales to external parties	105,817	54,859	160,676

Reconciliation

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

	Group	
	Three months ended March 31,	
	2014	2015
	<i>(in thousands of U.S. dollars)</i>	
Segment gross profit of reportable segments.....	20,045	29,481
Other income	1,690	1,832
Other (losses)/gains – net	(431)	657
Selling, general and administrative expenses	(15,718)	(17,815)
Research and development costs	(2,824)	(2,111)
Finance costs	(29,970)	(30,063)
Other expenses.....	(2,809)	(387)
Loss before income tax.....	(30,017)	(18,406)