

APPENDIX

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

The following discussion of our business, financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes included in this 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 from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth in our Annual Report for the year ended 28 December 2014. Our 52-53 week fiscal year ends on the Sunday nearest and prior to 31 December. Our fiscal quarters end on a Sunday and our first quarter of 2015 ended on 29 March 2015, while our first quarter of 2014 and fourth quarter of 2014 ended on 30 March 2014 and 28 December 2014, respectively.

The financial statements included in this release have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS").

Business Overview

We are a leading service provider of semiconductor packaging design, bump, probe, assembly, test and distribution solutions. We have the scale to provide a comprehensive range of semiconductor packaging and test solutions to a diversified global customer base servicing the computing, communications and consumer markets. Our services include:

- *Advanced packaging and wirebond packaging services:* providing advanced Integrated Circuit ("IC") packages technology such as wafer bump, redistribution layer design and fabrication, flip chip interconnect, fan-out wafer level package ("FOWLP") or embedded Wafer Level Ball Grid Array ("eWLB"), wafer level chip-scale package ("WLCSP"), Through Silicon Via ("TSV"), integrated passive devices ("IPD"), and wirebond IC packages such as leaded, laminate and memory card to customers for a wide variety of electronics applications. As part of our full turnkey packaging services, we offer package design; electrical, mechanical and thermal simulation; measurement and design of leadframes and laminate substrates; and wafer processing and bumping on 200mm and 300mm wafers with options for wafer repassivation, redistribution and IPD layers;
- *Test services:* including wafer probe and final testing on a diverse selection of test equipment covering the major test platforms in the industry. We have expertise in testing a broad variety of semiconductors, especially mixed-signal, radio frequency ("RF"), analog and high-performance digital devices. We also offer test-related services such as burn-in process support, reliability testing, thermal and electrical characterisation, dry pack, and tape and reel; and
- *Pre-production and post-production services:* such as package development, test software and related hardware development, warehousing and drop shipment services.

We are among the leaders in providing advanced package technology, such as flip chip, wafer level packaging and services (including TSV mid-end and back-end processes), die and package stacking, System-in-Package and 3D integration. We are also among the leaders in testing mixed-signal, RF semiconductors or semiconductors combining the use of analog and digital circuits in a chip. Mixed-signal and RF semiconductors are used extensively in fast-growing communications and consumer applications. We have strong expertise in testing a wide range of high-performance digital devices in System-on-Chip ("SoC"). We have been successful in attracting new customers with our packaging and test capabilities and then expanding our relationship with such customers to provide full turnkey solutions tailored to their individual needs.

We are headquartered in Singapore and have manufacturing facilities in South Korea, Singapore, China and Taiwan (which includes the facilities of our 52%-owned Taiwan subsidiary, STATS ChipPAC Taiwan Semiconductor Corporation). We market our services through our direct sales force in the United States, South Korea, China, Singapore, Taiwan and Switzerland.

Temasek Holdings (Private) Limited ("Temasek"), through its wholly-owned subsidiary, Singapore Technologies Semiconductors Pte Ltd ("STSP"), beneficially owned approximately 83.8% of the Company as of 29 March 2015. Temasek, a private limited company incorporated in Singapore, is wholly-owned by the Singapore Government through the Minister for Finance.

On 30 December 2014, JCET-SC (Singapore) Pte. Ltd. ("JCET-SC"), a subsidiary of Jiangsu Changjiang Electronics Technology Co., Ltd. ("JCET"), announced that it intends to make a voluntary conditional cash offer (the "JCET Offer") for all the shares of the Company, subject to the fulfillment or waiver of certain conditions specified in the announcement dated 30 December 2014. The Company has further announced the intention to distribute its existing investment in the Taiwan subsidiaries, STATS ChipPAC Taiwan Semiconductor Corporation and STATS ChipPAC Taiwan Co., Ltd., to the Company's shareholders by way of a capital reduction and to offer \$200.0 million perpetual securities to the Company's shareholders by way of a non-renounceable rights offering.

On 1 January 2015, we announced our plan to relocate the operation of our wholly-owned subsidiary, STATS ChipPAC Shanghai, Co., Ltd. to a new manufacturing site in China. Recent changes in the long term zoning, development and construction plans for the West Hongqiao area of Shanghai, China have resulted in the need to relocate by the end of 2017. Total compensation amount of RMB1,026.8 million (equivalent to approximately \$165.1 million) will be paid to us by the relevant People's Republic of China (PRC) authorities over several agreed upon milestones. In 2015, we expect to receive compensation of RMB513.4 million (equivalent to approximately \$82.4 million). Of

the amount, RMB308.1 million (equivalent to approximately US\$49.3 million) was received in February 2015 and RMB205.3 million (equivalent to approximately US\$33.1 million) is expected to be received in the third quarter of 2015.

Results of Operations and Selected Data

	Three Months Ended			
	29 March 2015		30 March 2014	
	(In US\$'000, except for ratio)			
		% of net revenues		% of net revenues
Net revenues	371,080	100.0	365,476	100.0
Cost of revenues	(332,144)	(89.5)	(328,956)	(90.0)
Gross profit	38,936	10.5	36,520	10.0
Operating expenses:				
Selling, general and administrative	22,711	6.1	24,122	6.6
Research and development	8,514	2.3	9,932	2.7
Operating expenses	31,225	8.4	34,054	9.3
Equipment impairment	—	0.0	2,261	0.6
Total operating expenses	31,225	8.4	36,315	9.9
Operating income	7,711	2.1	205	0.1
Other income (expenses), net:				
Interest income	437	0.1	562	0.1
Interest expense	(14,325)	(3.9)	(12,375)	(3.4)
Foreign currency exchange loss	(459)	(0.1)	(210)	(0.0)
Other non-operating income (expenses), net	(1,389)	(0.4)	9	0.0
Total other expenses, net	(15,736)	(4.3)	(12,014)	(3.3)
Loss before income taxes	(8,025)	(2.2)	(11,809)	(3.2)
Income tax benefit (expense)	7,154	1.9	(2,938)	(0.8)
Net loss	(871)	(0.3)	(14,747)	(4.0)
Less: Net income attributable to the non-controlling interest	(1,194)	(0.3)	(1,060)	(0.3)
Net loss attributable to STATS ChipPAC Ltd.	(2,065)	(0.6)	(15,807)	(4.3)

Net revenues by product line and by end user market were:

	Three Months Ended	
	29 March 2015	30 March 2014
	%	%
Net revenues by product line:		
Advanced packaging	49.1	49.1
Wirebond packaging	27.3	29.7
Test	23.6	21.2
	100.0	100.0
Net revenues by end user market:		
Communications	66.2	67.2
Personal computers	8.0	8.6
Consumer, multi-applications and others	25.8	24.2
	100.0	100.0

Three months ended 29 March 2015 compared to three months ended 30 March 2014

Net Revenues

We derive revenues primarily from the provision of advanced packaging, wirebond packaging and test services. Net revenues in the three months ended 29 March 2015 were \$371.1 million, an increase of 1.5% compared to \$365.5 million in the three months ended 30 March 2014. Revenue in the three months ended 29 March 2015 increased compared to same period in 2014 due to strength in demand for emerging market handsets as well as product ramps for new high performance smartphones and wearable devices.

In the three months ended 29 March 2015, our advanced packaging revenues increased by 1.6% to \$182.1 million, compared to the same period in 2014. In the three months ended 29 March 2015, our wirebond packaging revenues decreased by 6.9% to \$101.3 million, compared to the same period in 2014. The shift in demand reflected transition of technology from leaded wirebonding to advanced packaging and increasing business traction in advanced packaging for the wireless communications market. In the three months ended 29 March 2015, our test services revenue increased by 13.3% to \$87.7 million, compared to the same period in 2014, due to product mix change. Our revenue from copper wirebond packaging accounted for 39.7% of our total wirebond packaging revenue in the three months ended 29 March 2015 compared to 36.5% in the same period in 2014.

Gross Profit

Gross profit in the three months ended 29 March 2015 was \$38.9 million compared to \$36.5 million in the three months ended 30 March 2014. Gross profit as a percentage of revenues was 10.5% in the three months ended 29 March 2015, compared to 10.0% in the three months ended 30 March 2014. Gross profit for the three months ended 29 March 2015 improved due to higher revenue and product mix change compared to the three months ended 30 March 2014. Our cost of revenues consist principally of fixed costs such as depreciation and leasing expenses and variable costs such as direct and indirect labour, materials and overhead expenses.

Selling, General and Administrative

Selling, general and administrative expenses consist primarily of payroll-related cost for administrative personnel, external cost such as consultancy, legal, administrative, profession and regulatory fees and depreciation of equipment used in selling, general and administrative activities. Selling, general and administrative expenses were \$22.7 million in the three months ended 29 March 2015 compared to \$24.1 million in the three months ended 30 March 2014. The decrease in selling, general and administrative expenses in the three months ended 29 March 2015 was primarily due to cost initiatives to lower headcount and lower discretionary expenses and payroll-related costs. As a percentage of revenues, selling, general and administrative expenses were 6.1% in the three months ended 29 March 2015 compared to 6.6% in the three months ended 30 March 2014.

Research and Development

Research and development expenses consist primarily of payroll-related cost for research and development, external cost such as consultancy and legal fees, and depreciation of equipment and consumables used in research and development activities. Research and development expenses were \$8.5 million in the three months ended 29 March 2015 compared to \$9.9 million in the three months ended 30 March 2014. The decrease in research and development expenses in the three months ended 29 March 2015 was primarily due to cost initiatives to lower headcount and lower payroll-related costs. As a percentage of revenues, research and development expenses were 2.3% in the three months ended 29 March 2015 compared with 2.7% in the three months ended 30 March 2014.

Equipment Impairment

In the three months ended 30 March 2014, we recorded \$2.3 million of charges related to the impairment of certain 200mm wafer level packaging equipment. No equipment impairment charges were incurred in the three months ended 29 March 2015.

Net Interest Income (Expense)

Net interest expense was \$13.9 million in the three months ended 29 March 2015 compared to \$11.8 million in the three months ended 30 March 2014. Interest income was \$0.4 million in the three months ended 29 March 2015 compared to \$0.6 million in the three months ended 30 March 2014.

Interest expense was \$14.3 million in the three months ended 29 March 2015, compared to \$12.4 million in the three months ended 30 March 2014. The increase in interest expense in the three months ended 29 March 2014 was due to higher borrowings. Total outstanding interest-bearing debt was \$1,168.9 million and \$1,011.9 million as of 29 March 2015 and 30 March 2014, respectively.

Foreign Currency Exchange Loss

Net foreign currency exchange loss was \$0.5 million in the three months ended 29 March 2015 compared to \$0.2 million in the three months ended 30 March 2014. This loss was primarily due to the fluctuations during the three months ended 29 March 2015 compared to the same period in 2014 between the exchange rate of the United States dollar and the South Korean Won, the Singapore dollar, the Chinese Renminbi and the New Taiwan Dollar.

Other Non-Operating Income (Expenses), Net

Net other non-operating expenses was \$1.4 million in the three months ended 29 March 2015, compared to net other non-operating income of \$0.01 million in the three months ended 30 March 2014.

Income Tax Benefit (Expense)

We recorded consolidated income tax benefit of \$7.2 million in the three months ended 29 March 2015, compared to consolidated income tax expense of \$2.9 million in the three months ended 30 March 2014, based on the mix of tax rates and taxable income across the various jurisdictions in which we do business. Our primary tax jurisdictions are Singapore, South Korea, China, Taiwan and the United States. In the three months ended 29 March 2015, tax credits of \$5.3 million and \$3.5 million were recognised in relation to our tax exemption in South Korea and shift in the profit repatriation plans of our Taiwan subsidiaries, respectively.

Balance Sheet

Total Group assets decreased \$58.0 million to \$2,555.8 million as of 29 March 2015 compared to \$2,613.8 million as of 28 December 2014, mainly due to a decrease in property, plant and equipment by \$41.5 million, accounts receivable by \$17.7 million and other receivables by \$16.0 million, partially offset by an increase in cash, cash equivalents and bank deposits by \$11.9 million, and prepaid expenses and other non-current assets by \$5.2 million.

The Group had cash, cash equivalents and bank deposits of \$197.1 million as of 29 March 2015 compared to \$185.2 million as of 28 December 2014. The increase in cash, cash equivalents and bank deposits was mainly due to cash generated from operations, net of investing and financing cash flows. The increase in prepaid expenses and other non-current assets was mainly due to reclassification from current assets. The decrease in property, plant and equipment was due to depreciation of \$77.6 million, partially offset by our capital expenditure of \$37.0 million in the three months ended 29 March 2015. The decrease in accounts receivable as of 29 March 2015 was mainly due to timing of cash collections and decrease in sales over the three months ended 28 December 2014. The decrease in other receivables was mainly due to decrease in input tax receivable.

Total Group liabilities decreased \$61.0 million to \$1,610.4 million as of 29 March 2015 compared to \$1,671.4 million as of 28 December 2014 mainly due to a decrease in short and long-term borrowings by \$34.4 million, accounts and other payables by \$10.1 million, payables related to property, plant and equipment purchases by \$47.4 million, accrued operating expenses by \$13.6 million, and deferred tax liabilities by \$6.5 million, partially offset by an increase in deferred government compensation for plant relocation by \$49.3 million. The decrease in short and long-term borrowings was mainly due to repayment of borrowings towards the end of the first quarter of 2015. The decrease in accounts and other payables was mainly due to timing of payment. The decrease in payables related to property, plant and equipment purchases was mainly due to payment of capital expenditures. The decrease in accrued operating expenses was mainly due to a reduction in accrued staff cost and lower headcount. The decrease in deferred tax liabilities was mainly due to recognition of tax credits. The increase in deferred government compensation for plant relocation was mainly due to recognition of cash receipt related to the relocation of our China plant.

Total shareholders' equity attributable to STATS ChipPAC Ltd. increased by \$0.9 million to \$890.4 million mainly due to our net loss of \$2.1 million in the three months ended 29 March 2015 and other comprehensive income of \$3.0 million in the three months ended 29 March 2015.

Liquidity and Total Borrowings

Our principal sources of liquidity consist of cash flows from operating activities, bank facilities and other debt financing, and our existing cash, cash equivalents and bank deposits. As of 29 March 2015, we had cash, cash equivalents and bank deposits of \$197.1 million. We also have available lines of credit and banking facilities consisting of loans, overdrafts, letters of credit and bank guarantees, including those available to our consolidated subsidiaries, which amounted to an aggregate of \$586.5 million, of which \$174.2 million of credit facilities and \$27.0 million of other banking facilities were available as of 29 March 2015. Our liquidity needs arise primarily from servicing our outstanding debts, working capital needs and the funding of capital expenditures and investments. Our capital expenditures are largely driven by the demand for our services, primarily to increase our packaging and testing capacity, to replace packaging and testing equipment from time to time, and to expand our facilities and service offerings. Capital expenditures in the three months ended 29 March 2015 were \$37.0 million compared to \$113.6 million in the three months ended 30 March 2014.

As of 29 March 2015, our total debt outstanding consisted of \$1,168.9 million of borrowings, which included \$611.2 million of our 4.5% Senior Notes due 2018, \$200.0 million of our 5.375% Senior Notes due 2016, and other short-term and long-term borrowings.

In February 2013, we commenced a private offer to exchange any and all of our then outstanding \$600.0 million of 7.5% Senior Notes due 2015 for U.S. dollar-denominated fixed rate senior notes due 2018. On 15 March 2013, upon the expiry of the exchange offer, an aggregate principal amount of \$358.4 million of 7.5% Senior Notes due 2015, representing 59.7% of these notes were validly tendered. The notes that were validly tendered in the exchange offer were cancelled immediately upon exchange for our 4.5% Senior Notes due 2018. On 20 March 2013, we issued a further \$255.0 million of 4.5% Senior Notes due 2018 for cash proceeds of \$247.6 million after deducting debt issuance cost, to primarily fund the redemption of the remaining outstanding \$241.6 million of 7.5% Senior Notes due 2015 then outstanding. On 19 April 2013, we redeemed the remaining outstanding \$246.1 million of 7.5% Senior Notes due 2015 then outstanding for \$255.7 million pursuant to the terms of the indenture governing these notes. We financed the redemption with the proceeds from the issuance of the 4.5% Senior Notes due 2018 and short-term borrowings. The notes were cancelled upon redemption. The redemption premium of \$15.7 million and debt issuance costs of \$2.4 million were expensed in the income statement in 2013.

The aggregate principal amount of 4.5% Senior Notes due 2018 issued pursuant to the exchange offer and private placement of these notes for cash amounted to \$611.2 million. These notes are our senior unsecured obligations and are listed on the SGX-ST. These notes are guaranteed, on an unsecured senior basis, by all of our existing subsidiaries (except STATS ChipPAC Shanghai Co., Ltd.(the “China Non-Guarantor Subsidiary”) and STATS ChipPAC Taiwan Semiconductor Corporation) (collectively “Non-Guarantor Subsidiaries”) and our future restricted subsidiaries (except where prohibited by local law). These notes will mature on 20 March 2018, bearing interest at the rate of 4.5% per annum payable semi-annually on 20 March and 20 September of each year, commencing 20 September 2013. Prior to 20 March 2016, we may redeem all or part of these notes at any time by paying a “make-whole” premium plus accrued and unpaid interest. We may redeem all, but not less than all, of these notes at any time in the event of certain changes affecting withholding taxes at 100% of their principal amount plus accrued and unpaid interest. On or after 20 March 2016, we may redeem all or a part of these notes at any time at the redemption prices specified under the terms and conditions of these notes plus accrued and unpaid interest. In addition, prior to 20 March 2016, we may redeem up to 35% of these notes with the net proceeds from certain equity offerings. Upon certain circumstances including a change of control as defined in the indenture governing these notes, we may be required to offer to purchase these notes at 101% of their principal amount plus accrued and unpaid interest. The consummation of the JCET Offer, if made, would constitute a change of control and trigger a change of control offer. The STATS ChipPAC consolidated group, with the exception of STATS ChipPAC Taiwan Semiconductor Corporation, is subject to certain covenant restrictions. The China Non-Guarantor Subsidiary, which is a Restricted Subsidiary as defined under these notes, is also subject to these restrictions. The covenant restrictions limit among other things, our and our Restricted Subsidiaries’ ability to incur additional indebtedness, prepay subordinated debts, make investments, declare or pay dividends, enter into transactions with related parties, sell assets, enter into sale and leaseback transactions, incur liens and encumbrances and enter into merger and consolidations.

On 12 January 2011, we issued \$200.0 million of 5.375% Senior Notes due 2016 for proceeds of \$198.0 million after deducting debt issuance cost. These notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured senior basis, by all of our existing subsidiaries, except the Non-Guarantor Subsidiaries and our future restricted subsidiaries except where prohibited by local law. These notes are our senior unsecured obligations and are listed on the SGX-ST. On 18 January 2011, we repaid the \$234.5 million then outstanding principal under our \$360.0 million senior credit facility with the net proceeds from these notes and cash on hand. These notes will mature on 31 March 2016, bearing interest at the rate of 5.375% per annum payable semi-annually on 31 March and 30 September of each year, commencing 31 March 2011. We may redeem all, but not less than all, of these notes at any time in the event of certain changes affecting withholding taxes at 100% of their principal amount plus accrued and unpaid interest. On or after 31 March 2014, we may redeem all or a part of these notes at any time at the redemption prices specified under the terms and conditions of these notes plus accrued and unpaid interest. Upon certain circumstances including a change of control as defined in the indenture governing these notes, we may be required to offer to purchase these notes at 101% of their principal amount plus accrued and unpaid interest. The consummation of the JCET Offer, if made, would constitute a change of control and trigger a change of control offer. The STATS ChipPAC consolidated group, with the exception of STATS ChipPAC Taiwan Semiconductor Corporation, is subject to certain covenant restrictions. The China Non-Guarantor Subsidiary, which is a Restricted Subsidiary as defined under these notes, is also subject to these restrictions. The covenant restrictions limit, among other things, our and our Restricted Subsidiaries’ ability to incur additional indebtedness, prepay subordinated debts, make investments, declare or pay dividends, enter into transactions with related parties, sell assets, enter into sale and leaseback transactions, incur liens and encumbrances and enter into merger and consolidations.

On 29 August 2012, we obtained a \$50.0 million revolving credit facility from DBS Bank Ltd. On 26 September 2013, the availability of the revolving credit facility was extended until February 2015 and the facility amount was increased to \$75.0 million. In July 2014, the revolving credit facility was extended until February 2016. The purpose of the facility is for our general corporate funding. As of 29 March 2015, we have \$75.0 million outstanding under this facility. The principal and interest of the loan are payable on maturity in April 2015. The loan bears interest at the rate of 1% per annum.

On 31 July 2012, we obtained a \$50.0 million revolving credit facility from Oversea-Chinese Banking Corporation Limited. On 27 September 2013, the availability of the revolving credit facility was extended until October 2015 and the facility amount was increased to \$75.0 million. The purpose of the facility is for our general corporate funding. As of 29 March 2015, we have \$50.0 million outstanding under this facility. The principal and interest of the loan are payable on maturity in April 2015. The loan bears interest at the rate of 2% per annum.

On 26 September 2013, our subsidiary, STATS ChipPAC Korea Ltd. entered into a \$120.0 million five-year secured term loan with Hana Bank. The purpose of the loan is to finance capital expenditures. The facility is collateralised by equipment located at our South Korean subsidiary and post completion of construction, our South Korean subsidiary’s new facility in the Incheon Free Economic Zone. As of 29 March 2015, we have \$108.6 million outstanding under this facility. The principal of the loan is payable on maturity in September 2018. The interest of the loan is payable on a monthly basis. The loan bears interest at the rate of 4% per annum.

On 2 October 2013, we obtained a \$25.0 million revolving credit facility from Mizuho Bank Ltd. In August 2014, the availability of the revolving credit facility was extended until October 2015 and the facility amount was increased to \$40.0 million. The purpose of the facility is for our general corporate funding. As of 29 March 2015, we have \$40.0 million outstanding under this facility. The principal and interest of the loan are payable on maturity in April 2015. The loan bears interest at the rate of 1% per annum.

On 26 September 2014, our subsidiary, STATS ChipPAC Korea Ltd. entered into a \$40.0 million committed revolving credit facility with Shinhan Bank and a \$30.0 million committed revolving credit facility with Hana Bank. The purpose of these facilities is to finance purchase of materials and capital expenditures. On 3 March 2015, the \$40.0 million committed revolving credit facility with Shinhan Bank was amended into a South Korean Won 22.0 billion and a \$20.0 million committed revolving credit facility, with the total amount of facility to remain at \$40.0 million regardless of the exchange rate fluctuation between South Korean Won and United States dollar. As of 29 March

2015, we have \$35.6 million outstanding under the Shinhan Bank revolving credit facility. The principal of the loan aggregating \$19.7 million and 17.4 billion South Korean Won (equivalent to \$15.9 million), is payable on maturity in September 2017 and March 2018, respectively. The interest of the loan is payable on a monthly basis. The United States dollar and South Korean Won denominated loan bears interest at the rate of 2% and 3% per annum, respectively. As of 29 March 2015, we have \$9.5 million outstanding under the Hana Bank revolving facility. The principal of the loan is payable on maturity in September 2017. The interest of the loan is payable on a monthly basis. The loan bears interest at the rate of 3% per annum.

In addition to the above, as of 29 March 2015, \$160.0 million, \$2.7 million, \$10.4 million of unsecured revolving credit facilities were available to the Company and its subsidiaries in South Korea and Taiwan, respectively. The purpose of these facilities is for general corporate funding. As of 29 March 2015, we have outstanding loans of \$60.0 million under these facilities in Singapore. The principal and interest of the loans are payable on maturity in April 2015. The loans bear interest at the rate of 1% per annum.

As of 29 March 2015, we had \$378.1 million of debt outstanding under our bank facilities, a significant portion of which will become due and payable upon a change of control. As of 29 March 2015, we also have \$790.8 million of debt outstanding under our 5.375% Senior Notes due 2016 and 4.5% Senior Notes due 2018. We are required to make, or another third party may make, an offer to repurchase such debt at 101% of the principal amount of such debt plus accrued and unpaid interest upon a change in control. We intend to finance the repayment of any bank or other debt that becomes due as a result of the change of control, and the repurchase of any of the notes put back to us (or otherwise repurchased by us) through the proceeds from the perpetual securities offering and, depending on market conditions, the issuance of new notes and through borrowings under new bank facilities.

We believe that our cash on hand, existing credit facilities, anticipated cash flows from operations, working capital improvements and compensation from the China plant relocation will be sufficient to meet our currently anticipated capital expenditure requirements, investment requirements, as well as debt service repayment and liability obligations for the next 12 months. We regularly evaluate our current and future financing needs and may take advantage of favourable capital or credit market conditions to raise additional financing. We may also from time to time seek to refinance or otherwise restructure our outstanding debt, or retire or purchase our outstanding debt through cash purchases and/or exchanges for securities, in the open market purchases, privately negotiated transactions or otherwise for strategic reasons, or to further strengthen our financial position. From time to time, we may make acquisitions of, or investments in, other companies and businesses that we believe could expand our business, augment our market coverage, enhance our technical capabilities or otherwise offer growth opportunities. Such additional financing, refinancing, repurchases, exchanges, acquisitions or investments, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

There can be no assurance that our business activity would be maintained at the expected level to generate the anticipated cash flows from operations or that our credit facilities would be available or sufficient. If the market conditions deteriorate, there can be no assurance that demand for our services will not be adversely affected, resulting in our cash flows from operations being lower than anticipated. If our cash flows from operations is lower than anticipated, including as a result of a downturn in the market conditions generally or the semiconductor industry, or shortages in supply of key components and disruption in supply chain, or otherwise, or our capital requirements exceed our expectations as a result of higher than anticipated growth in the semiconductor industry, acquisition or investment opportunities, or the expansion of our business or otherwise, we may have to seek additional financing. In such events, there can be no assurance that additional financing will be available or, if available, that such financings can be obtained on terms favourable to us or that any additional financing will not be dilutive to our shareholders or detrimental to our creditors.

Guarantor Subsidiaries and Non-Guarantor Subsidiaries

In January 2011 and March 2013, the Company issued \$200.0 million of 5.375% Senior Notes due 2016 and \$611.2 million of 4.5% Senior Notes due 2018, respectively, which are fully and unconditionally guaranteed, jointly and severally, on a senior basis, by its subsidiaries, with the exception of the Non-Guarantor Subsidiaries. Of the Non-Guarantor Subsidiaries, the China Non-Guarantor Subsidiary is a Restricted Subsidiary as defined under these notes. STATS ChipPAC Taiwan Semiconductor Corporation, which is not a wholly-owned subsidiary, is not a Restricted Subsidiary.

For the three months ended 29 March 2015, the Non-Guarantor Subsidiaries, after eliminations of transactions and balances within these entities (but before taking into account any transactions and balances between the Non-Guarantor Subsidiaries, the guarantor subsidiaries and STATS ChipPAC Ltd.), generated \$100.9 million of net revenues (representing 27.2% of our consolidated net revenues) and \$2.3 million of operating loss (representing (29.3)% of our consolidated operating income of \$7.7 million), respectively. As of 29 March 2015 and 28 December 2014, the Non-Guarantor Subsidiaries held \$646.1 million and \$632.2 million of assets (representing 25.3% and 24.2% of our consolidated total assets), respectively.

For the three months ended 29 March 2015, STATS ChipPAC Korea Ltd. generated \$136.2 million of net revenues (representing 36.7% of our consolidated net revenues) and \$10.5 million of operating income (representing 135.6% of our consolidated operating income of \$7.7 million), respectively. As of 29 March 2015 and 28 December 2014, STATS ChipPAC Korea Ltd. held \$960.3 million and \$900.5 million of assets (representing 37.6% and 34.4% of our consolidated total assets), respectively.

For the three months ended 29 March 2015, the China Non-Guarantor Subsidiary generated \$89.5 million of net revenues (representing 24.1% of our consolidated net revenues) and \$5.7 million of operating loss (representing (74.3)% of our consolidated operating income of

\$7.7 million), respectively. As of 29 March 2015 and 28 December 2014, the China Non-Guarantor Subsidiary held \$523.5 million and \$514.5 million of assets (representing 20.5% and 19.7% of our consolidated total assets), respectively.

As of 29 March 2015 and 28 December 2014, STATS ChipPAC Korea Ltd. had indebtedness outstanding of \$153.7 million and \$127.0 million and approximately \$120.6 million and \$152.4 million of trade payables and other liabilities outstanding, respectively.

As of 29 March 2015 and 28 December 2014, the China Non-Guarantor Subsidiary had no indebtedness outstanding and \$204.2 million and \$189.4 million of trade payables and other liabilities outstanding, respectively, and STATS ChipPAC Taiwan Semiconductor Corporation had no indebtedness outstanding and \$7.8 million and \$7.2 million of trade payables and other liabilities outstanding, respectively.

Off-Balance Sheet Arrangements

We have no significant investment in any unconsolidated entities. Our off-balance sheet commitments are limited to operating leases, royalty/license agreements and purchase obligations. Our total off-balance sheet obligations were approximately \$315.2 million as of 29 March 2015.

Contractual Obligations

Our total commitments on our loans, operating leases, other obligations and agreements as of 29 March 2015 were as follows:

	Payments Due (in US\$'000)				Total
	Within 1 Year	1-3 Years	3-5 Years	More Than 5 Years	
On balance sheet commitments:					
4.5% Senior Notes due 2018 (1)	—	611,152	—	—	611,152
5.375% Senior Notes due 2016 (1)	—	200,000	—	—	200,000
Short-term bank borrowings (1)	225,000	—	—	—	225,000
Long-term bank borrowings (1)	—	45,126	108,551	—	153,677
Other non-current liabilities (2)	—	—	—	—	—
Total on balance sheet commitments	225,000	856,278	108,551	—	1,189,829
Off balance sheet commitments:					
Operating leases	32,707	29,612	11,655	87,716	161,690
Royalty/ licensing agreements	4,113	8,079	7,638	—	19,830
Purchase obligations:					
- Capital commitments (3)	39,526	—	—	—	39,526
- Inventory purchase commitments	93,153	—	—	—	93,153
- Other purchase commitments	988	—	—	—	988
Total off balance sheet commitments	170,487	37,691	19,293	87,716	315,187
Total commitments	395,487	893,969	127,844	87,716	1,505,016

Notes:

(1) Our senior notes, short-term and long-term bank borrowings agreements contain provisions for the payment of interest either on a monthly, quarterly, semi-annual or annual basis at a stated rate of interest over the term of the debt. These payment obligations are not reflected in the table above. The interest payments due within one year, 1-3 years and 3-5 years amount to \$42.8 million, \$69.0 million and \$1.9 million, respectively.

(2) Our other non-current liabilities as of 29 March 2015 were \$17.6 million, including \$1.6 million related to severance benefits for our employees in South Korea which were not included in the table due to lack of contractual certainty as to the timing of payments.

(3) On 19 November 2012, we announced our expansion plans in South Korea for the investment of a new integrated facility in the Incheon Free Economic Zone. The construction of the new facility began in the third quarter of 2013 and the new facility became operational in the first quarter of 2015. Included in operating leases as of 29 March 2015 were minimum lease payments for the land and outsourced facility infrastructures within one year, 1-3 years, 3-5 years and more than 5 years of \$4.7 million, \$9.5 million, \$9.5 million and \$83.6 million, respectively. Included in capital commitments as of 29 March 2015 were purchase obligations within one year of \$1.9 million. We expect to incur additional facilitation costs of approximately \$1.0 million related to the expansion as of 29 March 2015. These figures are based on the prevailing South Korean Won exchange rate at the end of first quarter of 2015.

Contingencies

We are subject to claims and litigations that arise in the normal course of business. These claims may include allegations of infringement of intellectual property rights of others as well as other claims of liability. We accrue liability associated with these claims and litigations when they are probable and reasonably estimable.

We have been served by ERS Electronic GMBH with a Writ of Summons which was filed in the High Court of the Republic of Singapore alleging infringement on two of its patents relating to debonder machines used in wafer level package assembly process. We have sought legal advice and we believe that the claim is groundless and without merit and we intend to take all necessary steps to vigorously defend the claim, including but not limited to, a counterclaim for invalidation of the patents which we have been alleged to infringe. We do not expect this action to have a material financial impact.

We also, from time to time, receive from customers request for indemnification against pending or threatened infringement claims brought against such customers, such as the Tessera cases described in our financial statement for the year ended 30 December 2012. The resolution of any future allegation or request for indemnification could have a material adverse effect on our business, financial condition and results of operations.

In addition, we are subject to various taxes in the different jurisdictions in which we operate. These include taxes on income, property, goods and services, and other taxes. We submit tax returns and claims with the appropriate government taxing authorities, which are subject to examination and agreement by those taxing authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine adequacy of provision for taxes.

Cash Flow Information

	Three Months Ended	
	29 March 2015	30 March 2014
	(In US\$'000)	
Net cash provided by operating activities	107,974	63,173
Net cash used in investing activities	(71,740)	(159,775)
Net cash provided by (used in) financing activities	(3,051)	84,107

Cash Flows from Operating Activities

In the three months ended 29 March 2015, cash provided by operations was \$108.0 million compared to \$63.2 million in the three months ended 30 March 2014. Cash provided by operations is calculated by adjusting our net income (loss) by non-cash related items such as income tax expense (benefit), depreciation and amortisation, gain from sale of assets, asset impairment, exchange offer expenses, write-off of debt issuance costs, foreign currency exchange loss or gain, interest income, interest expense and by changes in assets and liabilities. In the three months ended 29 March 2015, non-cash related items included \$7.2 million of income tax benefit, \$78.5 million related to depreciation and amortisation, \$0.3 million gain from the sale of equipment, \$0.4 million of foreign currency exchange loss, \$0.4 million of interest income and \$14.3 million of interest expense.

In the three months ended 30 March 2014, non-cash related items included \$2.9 million of income tax expense, \$77.2 million related to depreciation and amortisation, \$2.3 million related to equipment impairment, \$0.1 million gain from the sale of equipment, \$0.4 million of foreign currency exchange gain, \$0.6 million of interest income and \$12.4 million of interest expense.

Working capital sources of cash in the three months ended 29 March 2015 included decreases in accounts receivable and other receivables, prepaid expenses and other assets, and increases in amounts due to related parties. Working capital uses of cash in the three months ended 29 March 2015 included increases in inventories and decreases in accounts payable, accrued operating expenses and other payables.

Accounts receivables as of 29 March 2015 were lower compared to 28 December 2014 due to timing of cash collections and cash realisation program. Accounts payable decreased as of 29 March 2015 as compared to 28 December 2014 primarily due to timing of purchases. Payables related to property, plant and equipment purchases decreased due to lower capital expenditures in the first quarter of 2015. Additionally, accrued operating expenses and other payables decreased mainly due to a reduction in accrued staff cost and lower headcount.

Cash Flows from Investing Activities

In the three months ended 29 March 2015, cash used in investing activities was \$71.7 million compared to \$159.8 million in the same period in 2014. The primary usage of cash in investing activities was related to the acquisition of property and equipment, net of changes in payables related to property, plant and equipment purchases of \$84.3 million in the three months ended 29 March 2015, compared to \$150.8 million in the same period in 2014. In the three months ended 29 March 2015, we invested \$1.1 million in the acquisition of software, licenses and other intangible assets compared to \$1.7 million in the same period in 2014. In the three months ended 29 March 2015, we purchased \$27.6 million of bank deposits compared to \$22.8 million in the same period in 2014. In the three months ended 29 March 2015, we received

proceeds from the maturity of our bank deposits of \$39.0 million compared to \$15.2 million in the same period in 2014. We received \$0.7 million of interest income in the three months ended 29 March 2015, compared to \$0.2 million in the same period in 2014.

Cash Flows from Financing Activities

In the three months ended 29 March 2015, cash provided by (used in) financing activities was \$(3.1) million, compared to \$84.1 million in the same period in 2014. In the three months ended 29 March 2015, \$58.7 million of bank borrowings were incurred and \$95.0 million were repaid. In the three months ended 29 March 2015, we paid \$16.1 million of interest expense. In the three months ended 29 March 2015, we received \$49.3 million compensation related to the relocation of our China plant from the PRC authorities. In the three months ended 30 March 2014, \$98.0 million of bank borrowings were incurred and no borrowings were repaid. In the three months ended 30 March 2014, we paid \$14.2 million of interest expense. In the three months ended 30 March 2014, we received \$0.3 million of government grants.